



The hard truths on rates and premiums, and how to retain policyholders

Why insurers must explore
innovative strategies to reduce churn

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Key takeaways

- A recent survey found that rising premiums are driving churn, with a 69% policyholder loss tied to rate hikes.¹
- Embedded insurance products offer a unique opportunity to deepen customer relationships, with 38% of respondents already exploring this strategy to reduce churn.¹
- Younger generations, who are digital natives, are increasingly engaging with insurance products, with many actively considering life insurance.³

Introduction

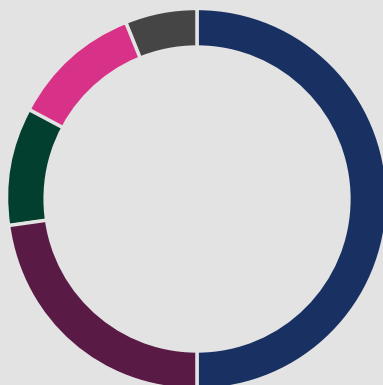
Rising claim costs, weather-related risks, and inflationary and interest rate changes have placed insurance carriers in a difficult position, forcing many to raise premiums to cover expenses. As a result, retention remains a top challenge for insurers, with policyholders increasingly shopping the competition and moving their business.

A recent survey by PropertyCasualty360 and TruStage™ revealed the extent of these struggles, showing that 94% of respondents raised premiums in the past year, with 73% having a 50 percent or less increase.¹

As the industry explores various strategies to combat churn, understanding the commonly used approaches and potentially overlooked ones—like embedded insurance products—could help carriers and agents identify the best path forward.

Premium increase

94% of respondents have seen their clients' premiums increase in the past year, with 73% having a 50 percent or less increase.



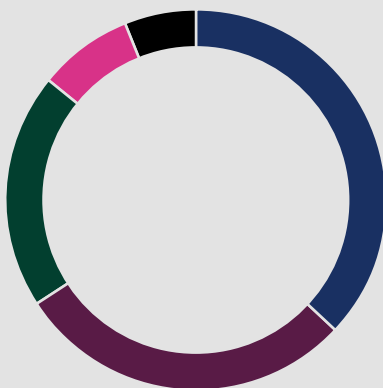
- 6% Respondents reporting no increase in premiums
- 50% <25%
- 23% 25-50%
- 10% 51-75%
- 11% >75%

Premium increases and retention strategies

The recent survey highlighted many reasons behind the need to increase premiums, including the high cost of claims (37%), the growing risk of severe weather events (29%) and high interest rates and inflation (20%).¹

Increase reason

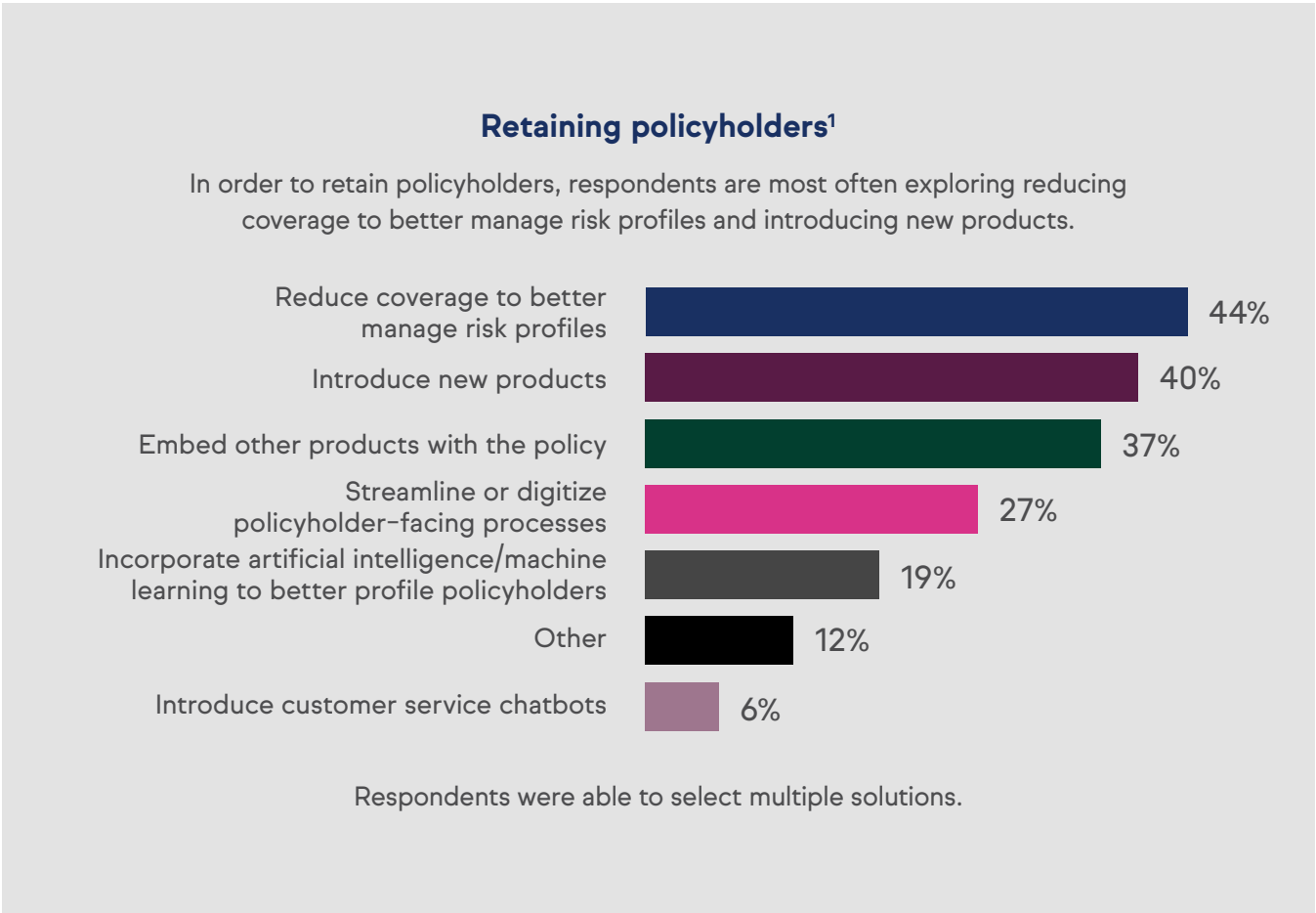
The main reasons for premium increases include high costs associated with claims and increasing risk due to severe weather events.



- 37% High costs associated with claims
- 29% Increase risk due to severe weather events
- 20% High interest rates/inflation
- 8% Increase legal expenses due to social inflation
- 6% Other

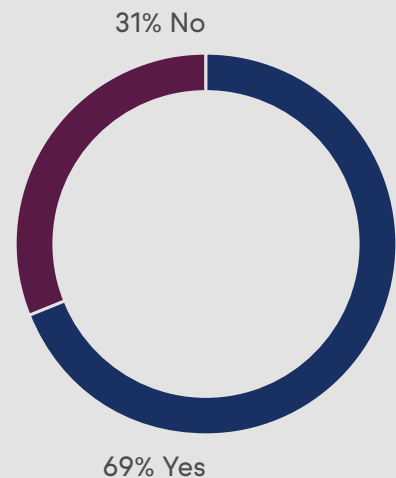
As carriers know, premium hikes often result in lost policyholders and battles around churn. According to the survey, 69% of respondents reported losing policyholders due to rising rates, which adds pressure to identify effective strategies to retain existing customers and build loyalty.

While rightsizing coverage and introducing new products are widely used, embedded products are less common, but offer a significant opportunity to capture new business and deepen existing relationships.



More than two-thirds (69%) of respondents report losing policyholders as a direct result of rising rates and premiums.

Have you lost policyholders over the past 12 months as a result of rising rates/premiums?¹



Aligning with moments that matter

Using embedded insurance products is a powerful strategy for carriers to help reduce churn and deepen relationships with policyholders. By integrating the purchase of a new policy into a related experience, such as an auto or home purchase, these products help make the transaction easier and more relevant. Typically offered as an add-on or bundled with another product or service, embedded insurance allows carriers to create multiproduct relationships with policyholders, providing opportunities to:

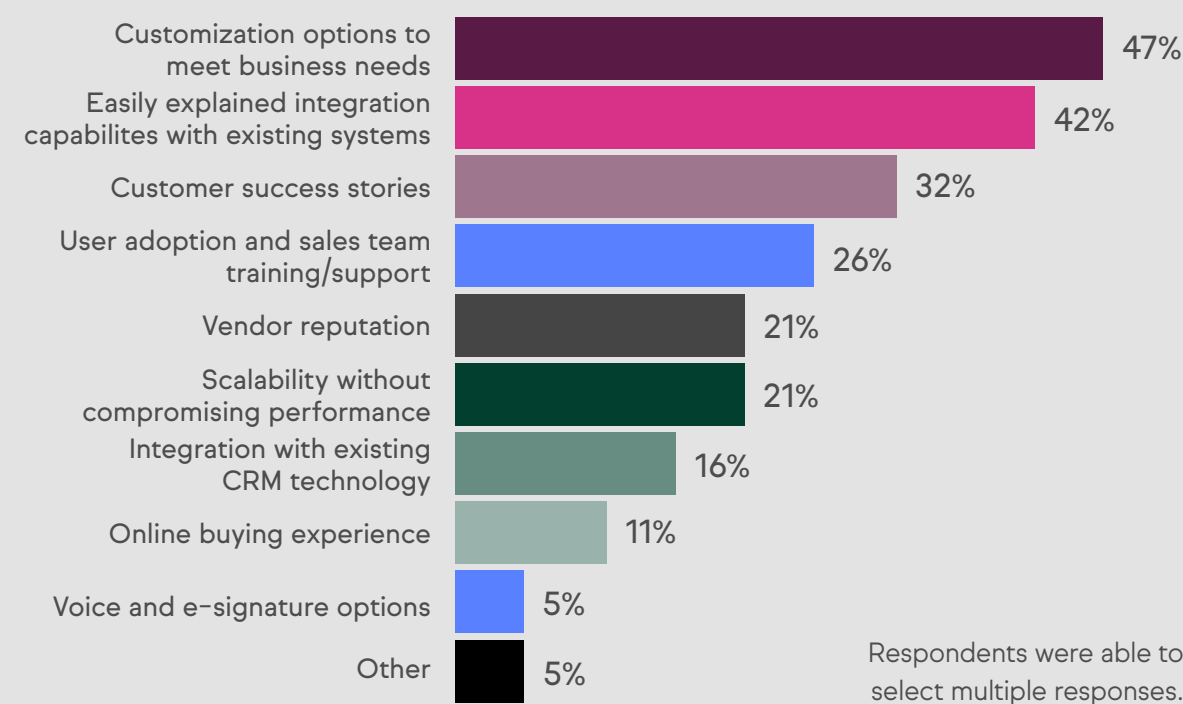
- Strengthen customer loyalty and retention
- Speed up the insurance purchasing process
- Appeal to consumers' desire for on-demand experiences by enabling instant decisions

Embedded insurance also allows carriers to target key moments that matter, such as the birth of a child, a new home purchase or a recent move. By aligning offers with these trigger events, carriers may make their policies more relevant and personalized at the time of purchase. This approach also provides a valuable opportunity to differentiate in a changing market and stand out from competitors.

Only 38% of survey respondents reported using embedded products as a retention strategy, presenting an opportunity for carriers ready to innovate in the market.

Selecting an embedded insurance vendor¹

Customization options to meet business needs and easily explained integration capabilities with existing systems are the most important criteria when selecting an embedded insurance vendor.



Instant decisions and reducing policyholder friction

Poor customer experience is a major barrier to purchasing insurance, according to a recent survey.² The same survey highlights that a customer interacts far less frequently with their insurance carriers—only once or twice a year—compared to 10 to 20 times annually with financial institutions. With fewer touchpoints, it's critical to make each one count. This is where embedded insurance could make a difference.

By embedding insurance into the moments that matter, you increase touchpoints and help deepen loyalty, which is key for retention. For example, TruStage offers instant decisions on insurance products. Life insurance, traditionally a long and cumbersome process, is streamlined to include:

- Eight or fewer underwriting questions
- 100% instant decisions
- A buying journey that's completed in minutes

This faster process not only simplifies the sales experience for insurance companies and agents but also reduces friction for the customer. It allows agents to scale more easily with midmarket consumers, helping improve efficiency and profitability.

Three keys to a "frictionless" embedded insurance experience

Beyond closing policies—though that's important, too—offering embedded insurance products is about helping ensure high-quality experiences. To achieve these experiences, make sure your embedded insurance products:

Reduce data entry requirements.

Simplify the application process by leveraging consumer data, such as personal data, on the back end to create faster, more efficient experiences.

Provide instant decisions.

Offering 100% instant decisions helps improve the customer journey, allowing the consumer to complete a purchase quickly.

Align with the moments that matter.

Present offers that are relevant and meaningful by aligning them with key moments in the consumer's life.

Growing policyholder relationships for the future

As the need for effective retention strategies grows more urgent, so does the focus on demographics and who is purchasing insurance products. A recent survey showed that younger generations not only recognize the value of products like life insurance, but are also purchasing it. For instance, 44% of Gen Z is considering purchasing life insurance within the next year.³

Digital natives, those who grew up online, often prefer digital-first experiences. And carriers have an opportunity to capitalize on embedded insurance experiences, an approach not yet adopted by all, to differentiate and stay ahead of the market.

For more information about embedded insurance products, visit www.trustage.com

1. "Analysis of Insurance Rate and Premium Trends," PropertyCasualty360 and TruStage, December 2024.
2. "Elevating customer experience: A win-win for insurers and customers," McKinsey & Company, September 21, 2023.
3. "LIMRA, 2023 Insurance Barometer Study," April 24, 2023.

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