For: Customer
Experience
Professionals

Case Study: How PURE Insurance Built A Customer-Obsessed Business

by Samuel Stern, July 9, 2014 | Updated: July 28, 2014

KEY TAKEAWAYS

PURE Insurance's Business Model Ensures Customer Alignment

Because PURE is a member-owned insurance exchange, its business objectives are inherently aligned with its customer objectives. To create sustained business success, management emphasizes providing an exceptional member experience over delivering short-term profits.

Use Qualitative Research To Identify Opportunities For Innovation

PURE conducts detailed qualitative research with customers to identify unmet needs that it can address with new products and services. Then it reviews the concepts for new products and service concepts with its Subscribers Advisory Committee to validate their value.

Train Employees To Deal With The Emotional Dimension Of Customer Experience

PURE provides emotional intelligence training that builds self-awareness, self-restraint, empathy, and relationship skills. When one customer had a house fire at Christmas, an empathetic claims adjuster coordinated local accommodations for the customer *and* helped arrange Christmas dinner.

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by Samuel Stern
with Harley Manning and Dylan Czarnecki

WHY READ THIS REPORT

From its founding in 2006, Privilege Underwriters Reciprocal Exchange (PURE) set out to create a customer-obsessed business model that was differentiated from competitors. The result is a company that has grown 40% or more each year and has one of the highest Net Promoter Scores (NPS) in any industry. This case study offers lessons to other companies about how they can create a customer-obsessed business model or evolve their culture to counter threats from customer-obsessed challengers.

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Notes & Resources

Forrester interviewed PURE Insurance and its consultant Andrew Reise Consulting.

Related Research Documents

Five Steps To Create And Sustain A Customer-Centric Culture
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How To Build A Customer-Centric Culture
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Drive Customer-Centric Employee Behavior With Rewards And Recognition
February 24, 2014

Communication, Training, And Routines: How Companies Socialize Customer Centricity
February 20, 2014

How To Hire And Onboard Customer-Centric Employees
November 20, 2013

THE CHALLENGE: ENTER A COMMODITIZED MATURE MARKET — AND SUCCEED

When three seasoned insurance executives decided to create a new insurance company in 2006, they knew it had to differentiate itself from already-established players in the industry. That's because:

- **Insurance industry leaders are well entrenched.** Large companies that have been in business for more than 75 years dominate the insurance industry.[1] In the property and casualty market, State Farm has been the biggest player since 1942, writing more than $32 billion in premiums last year alone.[2] Geico, owned by Warren Buffett's Berkshire Hathaway, recently moved past Allstate Insurance into second place with more than $18 billion in annual premiums.[3]

- **Competition for customers is ruthless.** Insurers fight for fractions of a percentage point of market share in an industry where customers can switch providers online in minutes. In 2012, Geico spent more than $1 billion on advertising.[4] And the advertising budgets at State Farm, Allstate, and Progressive Casualty Insurance are not far behind.[5]

THE SOLUTION: CREATE A CUSTOMER-OBSESSED BUSINESS MODEL

PURE founders Ross Buchmueller, Jeffrey Paraschac, and Martin Hartley knew that they needed a competitive advantage in order to crack this market. They believed that if they aligned their business interests with their customers' interests, they could differentiate themselves from the larger well-established insurers. They looked for inspiration from companies known for delivering great customer experiences and alignment of interests, like USAA and Northwestern Mutual Life Insurance. Ultimately, the PURE founders created a distinctive business model that relied on their customer-obsessed employees to deliver great experiences.

Align Business Objectives With Customer Objectives

PURE's business model enables the company to focus on the needs of its customers. Buchmueller, Paraschac, and Hartley:

- **Align ownership in the hands of customers.** PURE created a reciprocal exchange insurance model where a group of individuals agree to pool their insurance policies and share risks among themselves.[6] The advantage of this model is that because insurance policyholders own the exchange, management seeks to put the long-term interests of the membership first (see Figure 1).

- **Targeted a market niche with a distinct (and attractive) profile.** PURE targets responsible high-net-worth customers. For its homeowners insurance policies, for example, the homes of potential policyholders must have a reconstruction cost of at least $1 million. The company selected this segment because high-net-worth customers represented a favorable risk profile. This, coupled with the fact that the niche lacked significant competition, created an opportunity for PURE to offer highly competitive premiums and still be profitable.

Figure 1 PURE's Brand Pyramid Highlights Its Member Commitment

Source: Privilege Underwriters Reciprocal Exchange website

116302   Source: Forrester Research, Inc.

Use Customer Focus To Identify Opportunities For Differentiation

PURE tailors its products and services based on customer feedback. The team at PURE:

- **Analyzes customer surveys to find opportunities for improving current services.** PURE surveys all customers who have a claim interaction with the company. It reviews the survey results, looking for patterns and opportunities — and often finds them. For example, it noticed that customers were unhappy with the settlements they received for jewelry claims. Like other insurers, PURE limited its coverage within the homeowners policy for lost jewelry to a maximum of $5,000. Given the high-net-worth of its customers, however, jewelry collections were often worth significantly more than $5,000, so PURE raised this coverage amount to $50,000. PURE's average claims settlement in this category has been $14,000, and customers with jewelry claims are significantly happier.

■ **Uses qualitative customer research to generate ideas for new services.** PURE identified 25 customers who had large claims in the past year. It conducted in-depth interviews with them to better understand the claims process from the customers' perspective. It asked about the emotions customer felt and about moments of truth in their claims interactions. Through the research, PURE discovered that members were emotionally overwhelmed during claims situations and needed more guidance about what they should do. PURE is in the process of creating a claims toolkit that includes step-by-step instructions to walk members through the claims process and new resources like concierge assistance and emotional support.

■ **Reviews new product and service ideas with a committee of customers.** PURE's Subscribers Advisory Committee (SAC) is a customer panel that advises senior leaders on decisions and speaks for the membership. PURE consults with the panel before deciding to pursue new products or services. This process helps the company avoid costly missteps. For example, when a legal service firm approached PURE about offering its services to PURE's customers, the executive team consulted with the SAC before making a decision. The committee rejected the idea because most PURE policyholders already had access to more comprehensive legal services.

Build A Culture Of Customer-Obsessed, Emotionally-Intelligent Employees

The PURE executive team knows that its employees are critical to fulfilling the company's brand promise of "Love Your Insurance" (see Figure 2). To ensure that employees have the knowledge and motivation they need to deliver great experiences, PURE:

■ **Trains and coaches employees on empathy and emotional intelligence.** The company worked with TalentSmart to develop the PURE EQ program. Employees first complete evaluations that assess self-awareness, self-restraint, empathy, and relationship skills. Then they spend a day in training, using role-playing scenarios to practice how to respond to different emotional states (see Figure 3). At the end of the training, each employee commits to a self-development project and forms an accountability partnership with a colleague. The pairs meet monthly to discuss their projects and give each other support and feedback (see Figure 4).

■ **Celebrates customer success stories.** PURE holds a monthly town hall meeting with all employees where senior leaders share recent customer success stories. The stories highlight the customer obsession among employees. For example, one customer had a house fire at Christmas, ruining a family gathering. The claims adjuster not only coordinated temporary housing at a comparable home for the customer but also sent over a fully decorated Christmas tree and catered Christmas dinner for the extended family.

■ **Implements customer-focused metrics and incentives.** PURE measures NPS and has a two-tiered closed-loop system that follows up with Detractors and then feeds issues back into its continuous improvement process.[7] Additionally, all customer-facing employees have NPS

as part of their individual performance evaluation. And at the company level, NPS is one of four metrics that determine the size of the end-of-year profit sharing pool that applies to all employees, including executives.

Figure 2 PURE's "Love Your Insurance" Ad Campaign Emphasizes Its Great Member Experience
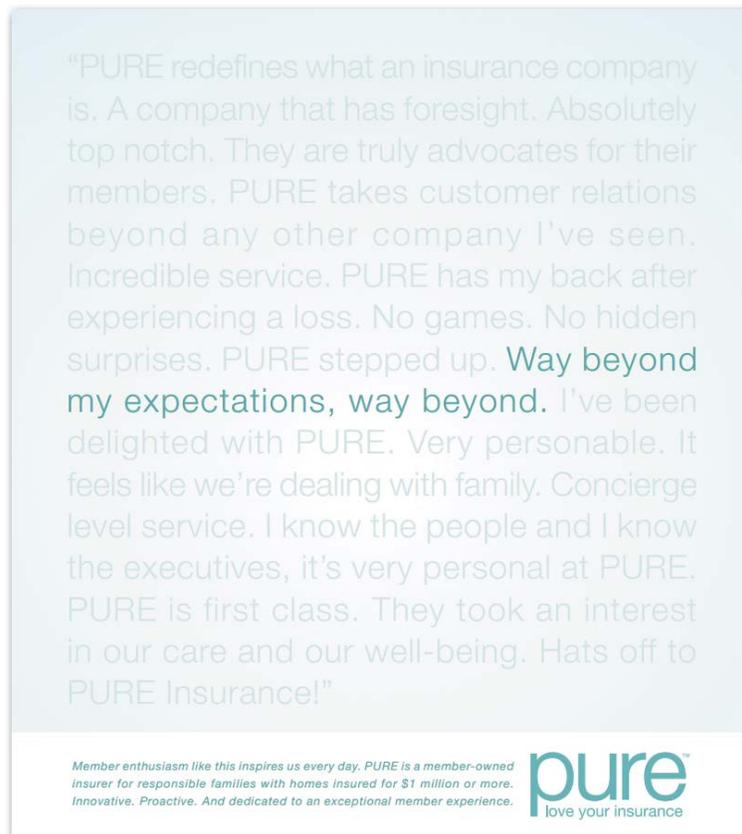
Source: Privilege Underwriters Reciprocal Exchange website

116302   Source: Forrester Research, Inc.

Figure 3 PURE EQ Program Range Of Emotions Worksheet

Intensity of feelings

Exploring the range of emotions

(Excerpted and adapted from *Emotional Intelligence 2.0*)

	Happy	Sad	Angry	Confused	Afraid	Weak	Strong	Shame
High	• Elated • Excited • Overjoyed • Thrilled • Exuberant • Ecstatic • Fired up • Delighted • Inspired • Carefree	• Depressed • Devastated • Alone • Hurt • Dejected • Hopeless • Sorrowful • Crushed • Miserable	• Furious • Enraged • Outraged • Aggrava- ted • Irate • Seething • Hostile	• Bewilder- ed • Trapped • Troubled • Desperate • Lost • Torn • Suspi- cious	• Terrified • Horrified • Scared stiff • Petrified • Fearful • Panicky • Shocked • Alarmed	• Helpless • Beat • Over- whelmed • Impotent • Small • Exhausted • Drained • Defeated	• Powerful • Aggres- sive • Gung-ho • Potent • Super • Forceful • Proud • Deter- mined	• Admon- ished • Remorseful • Ashamed • Unworthy • Worthless • Humiliated
Medium	• Cheerful • Up • Good • Relieved • Satisfied • Content • Optimistic • Grateful	• Heart- broken • Low • Gloomy • Distressed • Regretful • Melancholy • Somber • Left out • Dis- regarded	• Upset • Mad • Annoyed • Frustrated • Agitated • Hot • Disgusted • Offended	• Dis- organized • Foggy • Misplaced • Dis- oriented • Mixed up • Doubtful • Skeptical • Dubious	• Scared • Frightened • Threat- ened • Insecure • Uneasy • Anxious • Con- cerned • Distrustful • Apprehen- sive	• Depend- ent • Incapable • Lifeless • Tired • Rundown • Lazy • Inept • Shy	• Energetic • Capable • Confident • Persua- sive • Sure • Stubborn	• Sorry • Lowdown • Sneaky • Guilty
Low	• Glad • Warm • Touched • Pleasant • Fine • Mellow • Pleased	• Unhappy • Moody • Blue • Repressed • Bad • Dis- satisfied • Dis- appointed	• Perturbed • Uptight • Dismayed • Put out • Irritated • Touchy • Grumpy	• Unsure • Puzzled • Bothered • Uncom- fortable • Un- decided • Baffled • Perplexed	• Pre- occupied • Nervous • Worried • Timid • Unsure • Vulnerable • Cautious • Hesitant	• Un- satisfied • Under par • Shaky • Soft • Lethargic • In- adequate • Powerless	• Secure • Durable • Adequate • Able • Ground- ed	• Embar- rassed • Let down • Silly • Ridiculous

Source: Travis Bradberry and Jean Greaves, *Emotional Intelligence 2.0,* TalentSmart, 2009

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Source: Forrester Research, Inc.

Figure 4 PURE EQ Accountability Partners Ensure Employee Progress On Self-Development Projects

TALENTSMART®

Accountability partner — monthly agenda:
The following can be used to guide your monthly discussions with your partner. Each of you will have the opportunity to share insights about your progress and also receive insights from your partner.

Share these insights with your partner:
1. Review Action Plan Discovering EQ program and what one strategy you are currently practicing (page 48 or 49 from Insight & Action Guide).
2. Discuss what you have observed with yourself and how things are going (for example, did you practice a strategy and see a different outcome from it in yourself or in others around you?).
3. What successes have you had when you practice this strategy?
4. What challenges do you experience?
5. What examples can you share?
6. If you feel like you are making noticeable progress with your strategy, is it time to try another strategy? How do you know?
7. If you are ready, what is the next strategy you will practice?

Ask your accountability partner for their insights about:
1. Do you have any insights and feedback on what I've just shared with you?

Source: Privilege Underwriters Reciprocal Exchange

116302 Source: Forrester Research, Inc.

RECOMMENDATIONS

IGNITE YOUR COMPANY'S CUSTOMER OBSESSION

PURE Insurance's consistent, rapid growth makes a strong case for its customer-obsessed business model. Companies that want to transform their cultures with customer-obsessed models or bolster them against customer-obsessed competitors should:

- **Create a compelling business case for transforming the culture.** Customer experience (CX) executives at public companies can't take the business benefits of a superior CX as a given — they must demonstrate linkage between CX and profits in their business cases. CX professionals should use the strong correlation between customer experience and loyalty metrics like willingness to consider the company for another purchase, likelihood to switch to a competitor, and likelihood to recommend it to a friend or colleague to make the case for customer focus.[8] Forrester data shows that loyalty improvements from better customer experience mean somewhere between $55 million and $1.6 billion in increased revenue per year for North American companies, depending on the industry.

■ **Select a partner for the transformation.** Most executives don't have the advantage of starting a new business from scratch the way the PURE founders did. For them, creating a customer-obsessed culture means transforming the existing culture — often a far more difficult task.[9] But outside experts can help. Companies should select either culture transformation specialists like Ferrazzi Greenlight or Root or customer experience consultancies like Andrew Reise Consulting, Mulberry Consulting, or Strativity to help guide them along the path to customer obsession.

ENDNOTES

[1]   The top 10 property and casualty insurers have more than $10 billion in annual revenue and have been in business for at least 75 years. Source: "Property And Casualty Insurance Industry 2012 Top 25 Groups And Companies By Countrywide Premium," National Association Of Insurance Commissioners, April 1, 2013 (http://www.naic.org/documents/research_top_25_market_share_pc.pdf).

[2]   State Farm insures nearly one in five cars on the road in the USA. Source: State Farm Mutual Automobile Insurance (https://www.statefarm.com/about-us/company-overview/company-profile/state-farm-companies).

[3]   Geico has grown by more than 50% since 2009, while All State's property and casualty business hasn't grown at all. Source: "Geico Passes Allstate to Become 2d Largest U.S. Auto Insurer: SNL," Insurance Journal, December 16, 2013 (http://www.insurancejournal.com/news/national/2013/12/16/314530.htm).

[4]   Geico spent more than $1 billion on advertising in 2012. Source: "Geico Success Highlights Advertising Dollars vs. Agent Commissions Debate," Insurance Journal, October 22, 2013 (http://www.insurancejournal.com/news/national/2013/10/22/308779.htm).

[5]   In 2012, Geico, State Farm, and Progressive were all in the top 25 brands in terms of total advertising spend according to Advertising Age. Source: "Infographic: Meet America's 25 Biggest Advertisers," Advertising Age, July 8, 2013 (http://adage.com/article/news/meet-america-s-25-biggest-advertisers/242969/).

      The top 10 property and casualty insurers spent more than $100 million in advertising each year. Source: Terry Leone, "Geico advertising soars to $1B mark," SNL Financial, June 21, 2012 (http://www.snl.com/InteractiveX/Article.aspx?cdid=A-15125531-13619).

[6]   PURE is not the only company to use the reciprocal exchange model. Insurance companies USAA, Farmers, and Erie also use this model. Source: Privilege Underwriters Reciprocal Exchange (http://www.pureinsurance.com/about/reciprocal-structure).

[7]   Net Promoter, Net Promoter Score, and NPS are registered trademarks of Bain, Fred Reichheld, and Satmetrix Systems. Source: Bain (http://www.bain.com/search.aspx?q=Net+Promoter); Satmetrix Systems (http://www.satmetrix.com/).

[8]   Years of Forrester data confirm the strong relationship between the quality of a firm's customer experience and customer loyalty. For more detail on the correlation between customer experience and loyalty metrics, see the March 27, 2014, "The Business Impact Of Customer Experience, 2014" report.

9 Culture transformations run into common pitfalls like a loss of interest, lack of clarity, or failure to get broad-based buy-in. See the April 16, 2014, "Five Steps To Create And Sustain A Customer-Centric Culture" report.