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## How insurers can innovate with non-insurance benefits

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26 October 2017

### Agenda

- How well does the protection market function?
- Case Study 1 - Vitality
- Case Study 2 – British Friendly Society, Mutual Benefits
- Where next and considerations for insurers

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## How well is the market functioning?

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### Problems

1. How do we get consumers to buy something they never want to use?
2. How do we keep them once they have bought it?

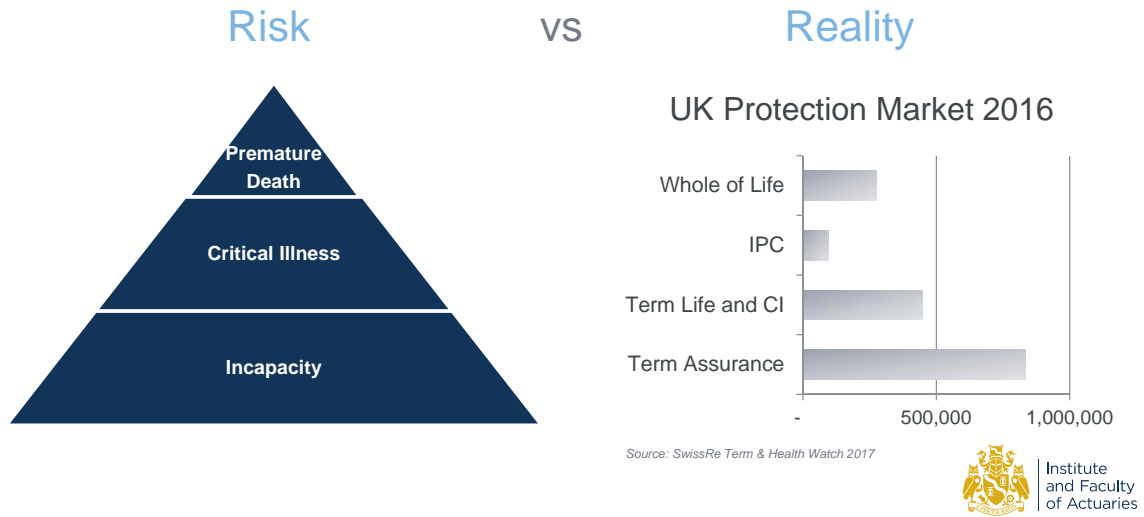


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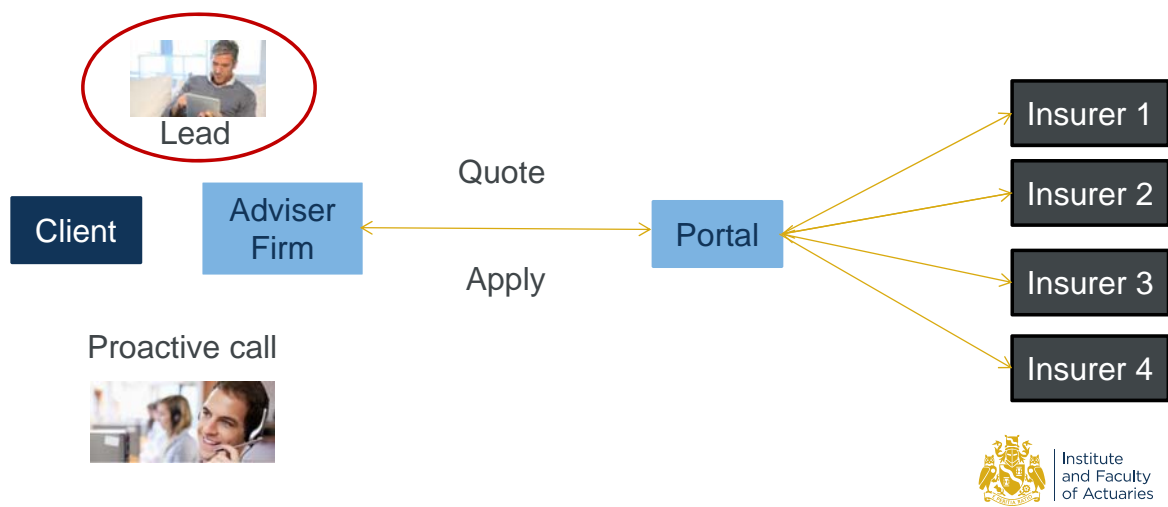
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4

## A dysfunctional market?

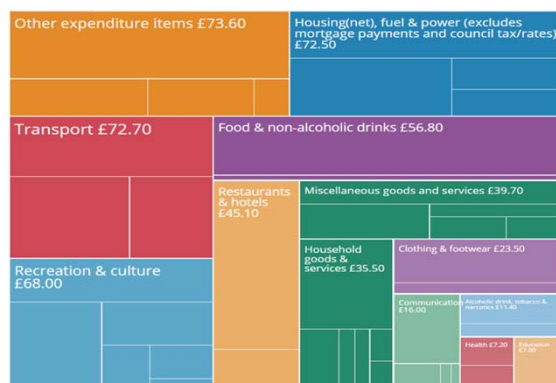


## How consumers access protection



## Who is the real competition

- The Average weekly household spending remained level at £528.90 p.w. in the financial year ending 2016
- Of this the average weekly amount (including mortgage payments) spent on housing costs for UK households was only £164.70 – 31%.
- This leaves a shortfall of £363.30



More money was spent on alcoholic drinks, tobacco & narcotics (£11.40) than Health (£7.20) or Education (£7.00)



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Source: Family spending in the UK: financial year ending March 2016, ending March 2016, ONS

## Reality

- c55% of people with a smartphone have mobile phone insurance<sup>1</sup>
- 85% of vehicle owners have vehicle recovery insurance<sup>2</sup>
- 3.9 million cats and dogs covered by pet insurance<sup>3</sup>
- 100% of people with a John Lewis TV have 5 year warranty



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1 - <http://www.insuremysmartphone.co.uk/news/smartphone-insurance-statistics>

2 - <http://store.mintel.com/vehicle-recovery-uk-september-2015>

3 - <https://www.abi.org.uk/news/news-articles/2016/03/we-are-claiming-cats-and-dogs-insurers-help-a-record-number-of-pet-owners>

## Why?

- Mobile Phone cover saves you (the parent!) £600
- Pet Insurance – It's the families pet
- Car Insurance/Breakdown insurance – covers all the users of the car
- TV Warranty – Affects the whole family



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## Solution

1. Create propositions that customers understand and value
2. Reward loyalty – immediate gratification
3. Keep it relevant – propositions that evolve with the consumer
4. Be easy to do business with
5. Nurture our customers - engage with them – remind them what they have got and why



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## Would you nurture this?



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## Why bother nurturing policy holders?

### Insurer

- Differentiation
- Engagement
- Higher premiums
- Retention
- Better risks

### Customer

- Better protected
- Enhanced value
- Better understanding
- Improved lifestyle
- Better experience



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## Case study 1 – Vitality

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### Applying shared-value to insurance

Healthier lifestyle



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## Applying shared-value to insurance

Healthier lifestyle



Improved life expectancy



76



74



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## Applying shared-value to insurance

Healthier lifestyle



Improved life expectancy



78



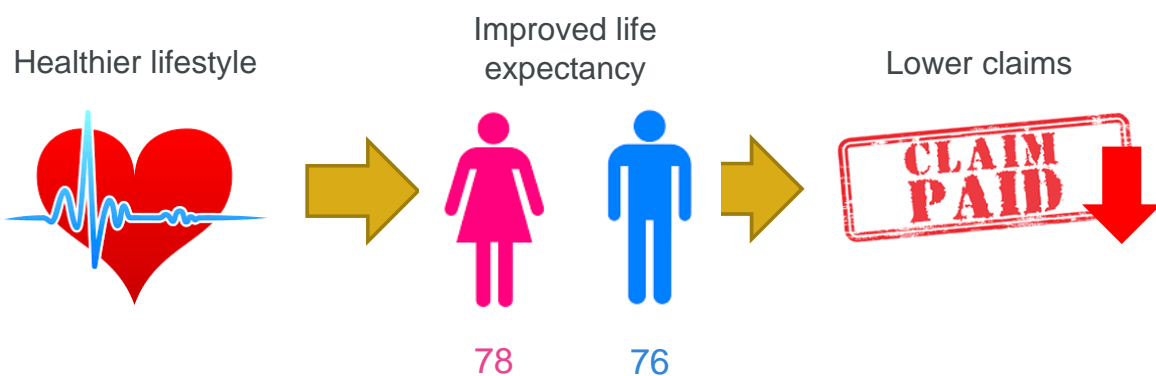
76



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## Applying shared-value to insurance



## Business objectives

1. Differentiate proposition
2. Drive loyalty
3. Add real value to customers lives

## Rewarding wellness

### Assess health



7,000 steps



3pts



10,000 steps



5pts



### Consistent currency

### Convert value

Annual premium changes:

0pts = Bronze = +2%

800pts = Silver = +1%

1,200pts = Gold = 0%

2,400pts = Platinum = -1%

Rewards:

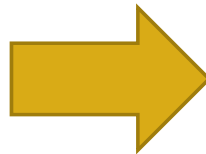
Discounts on gym

Free drinks or cinema tickets



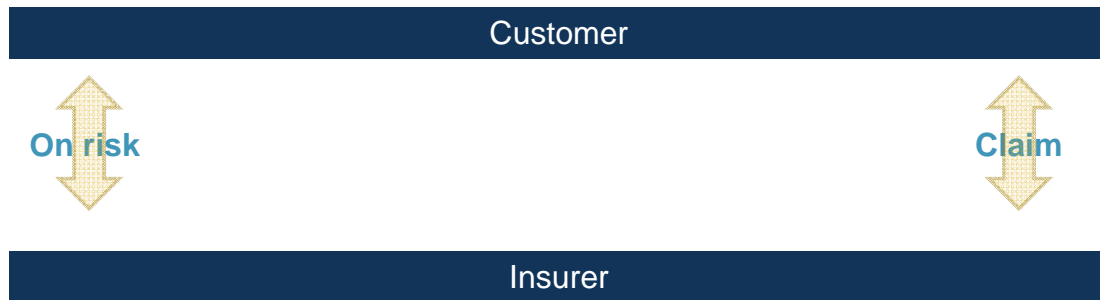
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## Differentiation: Lead with non-insurance benefits



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## Drive loyalty: A platform for regular engagement



## Drive loyalty: A platform for regular engagement



## Add value: improve customer outcomes

Most engaged members have **76% lower mortality**, and can expect to live between **13 to 21 years longer**, on average, compared to the rest of the insured population.

Source: Cover Magazine, 2017



## Business objectives

- Differentiate proposition ✓
- Drive loyalty ✓
- Add real value to customers lives ✓





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## Case study 2 – British Friendly Mutual Benefits

Creating a modern form of mutuality

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### About British Friendly

A friendly society founded in 1902, specialising solely in Income Protection products.



As a friendly society, we are owned by and work for our growing members. Because of this we are committed to putting our members at the heart of everything we do.



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## Our challenge

1. To create a tangible expression of the value of membership of British Friendly Society
2. Evidence the value of mutuality through a new mechanism to return value to members
3. Increase engagement between BFS and its members
4. Encourage loyalty by providing enhanced value for members
5. Create a differentiated proposition that appeals to major distributors and improves BFS competitiveness



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## Mutual Benefits

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### Mutual Benefits

At British Friendly, we believe that loyalty should always be rewarded. Mutual Benefits is a programme designed exclusively for our members. It's our little way of saying thanks for putting your trust in us. With the Mutual Benefits programme you will be given access to great deals and discounts, free healthcare services, tips to help you live a healthier lifestyle and benefits offers from our partners. We'll even offer you practical support services for when the going gets tough and you need that extra helping hand on your route to recovery. After all, our members are at the heart of our business.

All members who are over the age of 18, UK residents and up-to-date on premium payments are eligible to join. Registering is free and only takes a few moments.

\*Please note, the password you create must be a minimum of 8 characters long and contain at least one lowercase letter, one uppercase letter, one number and one of the following special characters: !@#\$%^&\*~. Also, if you're a Halfway member you will need to enter 1000 before your policy number to sign up.

For more information, download our Mutual Benefits brochure [here](#) and terms and conditions [here](#).

#### Mutual Rewards



##### Mutual Rewards

Be showered by amazing deals and offers so that you can give yourself the care and attention you truly deserve.

#### Mutual Wellbeing



##### Mutual Wellbeing

Stay on track as we will provide you with all the information, recommendations and tools you need to kick-start your healthy journey.

#### Mutual Support



##### Mutual Support

Receive the help and support you need for your road to recovery so you can start enjoying the things you love once again.

#### Mutual Partners



##### Mutual Partners

Access to exclusive promotions provided by our partners\* tailored to you.



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28

## Mutual Support – Discretionary Benefits

### Death Benefit

- 26 x weekly benefit payments paid on death of member

### Care Assistance Benefit

- £125 pw payable if members spouse/partner or child requires full time care Maximum 26 weeks

### Bereavement Benefit

- 13 x weekly benefit payments paid on death of members spouse/partner or child



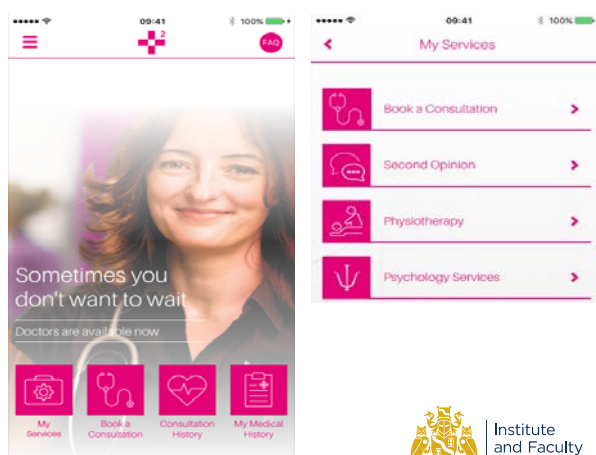
## Mutual Support – Square Health

Square Health provides access to a range of health services through a mobile application

- ✓ Members receive 100 Health Support Points (HSP) pa.

Available Services:

- ✓ Virtual GP Consultations 25 HSP
- ✓ Physiotherapy 33 HSP
- ✓ Counselling 33 HSP
- ✓ 2<sup>nd</sup> opinion services 100 HSP



## Has it been worth it?

- Client called in to notify IP claim
- Diagnosis of Pancreatic Cancer
- Prognosis inoperable – life expectancy <18 months
- Claimant referred to Square Health
- Second Opinion was operable and Whipple procedure carried out within 14 days
- Prognosis – life expectancy < 5 years



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## Where next?

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## Using new technologies to create better solutions



1. Create propositions that customers understand and value
2. Reward loyalty – immediate gratification
3. Keep it relevant – propositions that evolve with the consumer
4. Be easy to do business with
5. Nurture our customers and engage with them



## Why bother nurturing policy holders?

### Insurer

- Differentiation
- Engagement
- Higher premiums
- Retention
- Better risks

### Customer

- Better protected
- Enhanced value
- Better understanding
- Improved lifestyle
- Better experience



## Considerations for insurers

- Differentiation

- Engagement
- Higher premiums
- Retention
- Better risks

1. Are you too different?
2. What is customer appetite to share data?



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## Considerations for insurers

- Differentiation

- Engagement

- Higher premiums
- Retention
- Better risks

1. New Operational risks
2. Mis-judge engagement levels
3. Reputational risks



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## Considerations for insurers

- Differentiation
- Engagement
- Higher premiums
- Retention
- Better risks

1. Price elasticity of demand?



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## Considerations for insurers

- Differentiation
- Engagement
- Higher premiums
- Retention
- Better risks

1. How much can you improve retention? How is the product sold?
2. Better value to invest here vs new leads
3. How do you measure change? How much improvement?



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## Considerations for insurers

- Differentiation
- Engagement
- Higher premiums
- Retention
- Better risks

1. Understanding of new data
2. Reliability of technology & data
3. Increased risk of fraud
4. Regulation



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## Considerations for customers

- Better protected
- Enhanced value
- Better understanding
- Improved lifestyle
- Better experience

1. By better protecting certain customers, are others left worse off. E.g. more granular data could result in de-pooling and stratification of risk.



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## Considerations for customers

- Better protected
- Enhanced value
- Better understanding
- Improved lifestyle
- Better experience

1. How do you measure improvements in these areas?



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## Opportunities for insurers

1. Manage and improve health
2. Increase value to customer and insurer
3. Widen access to insurance and expand market

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