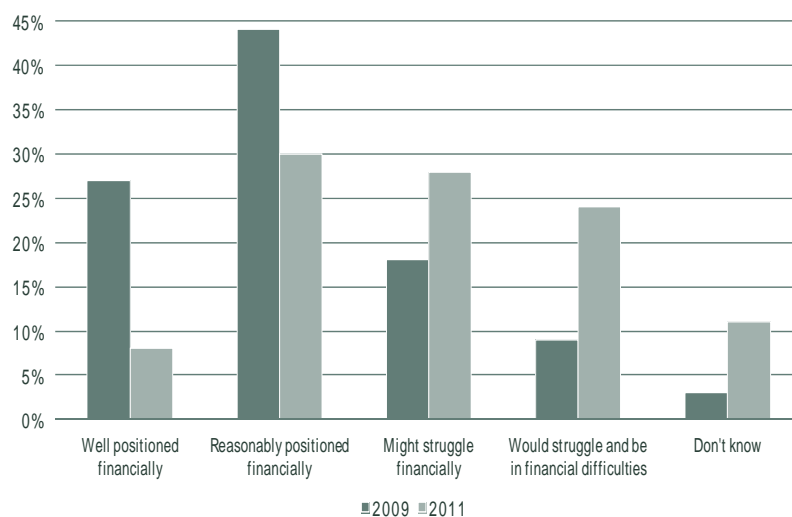


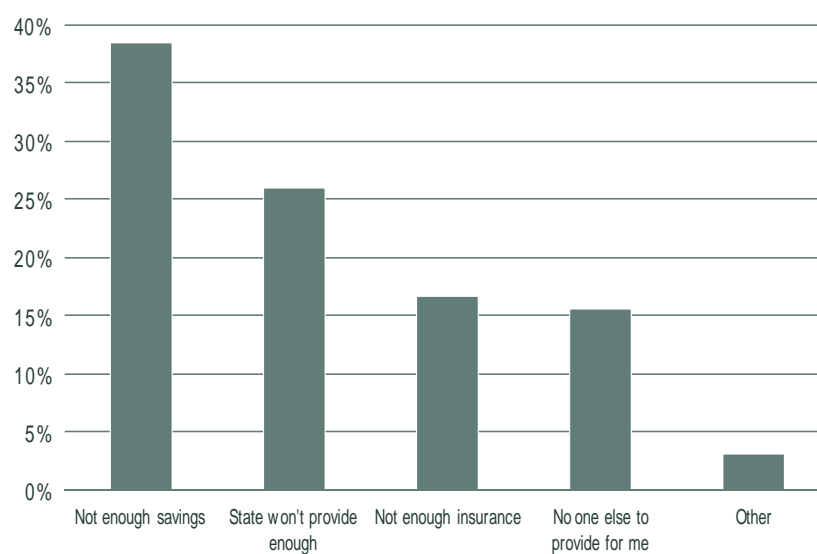
## Agenda

- Swiss Re Consumer Research Findings
- Making sense of the consumer
- Background themes in today's market
- Accessing, Engaging and Delivering products
- Entry level products
- and finally....

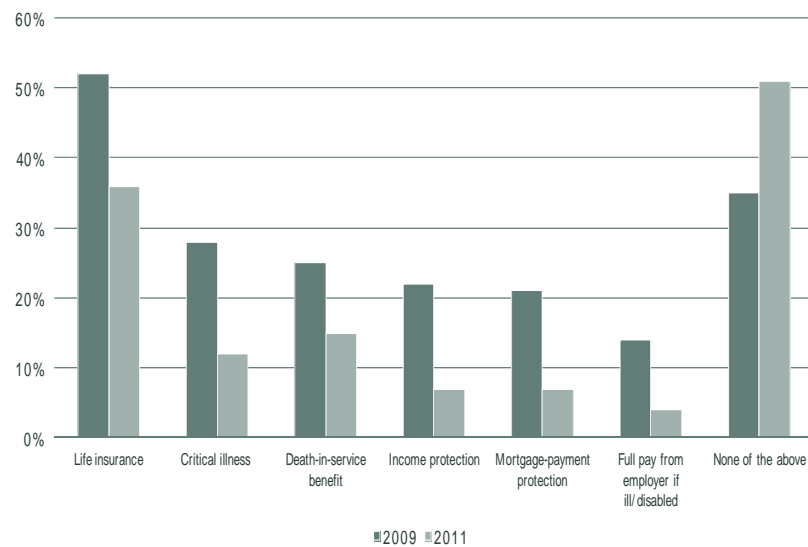
### In the event of long-term illness, disability or death, how would your household be financially positioned?



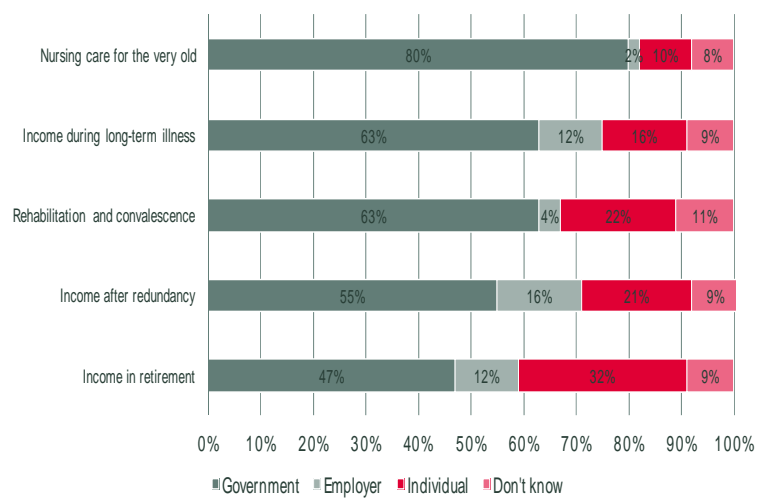
### Which statement best describes why you might or would struggle?



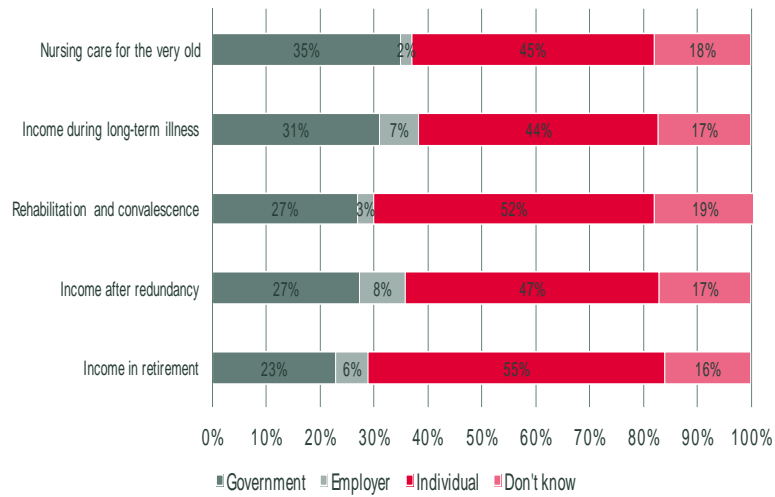
### Which insurance products or benefits do you have?



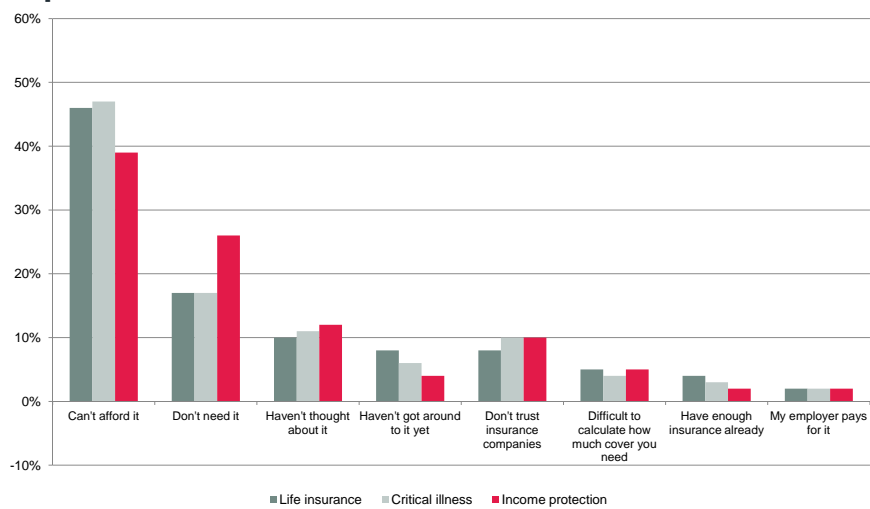
### Whose responsibility is it today?



## Whose responsibility in 10 years' time?

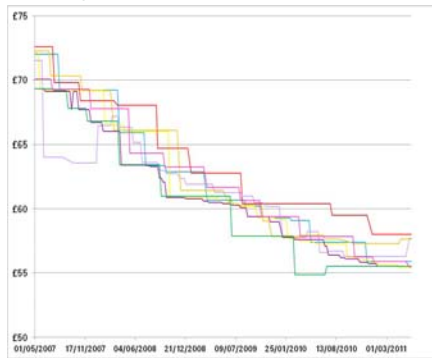


## What's your main reason for not buying life insurance, critical illness cover or income protection?

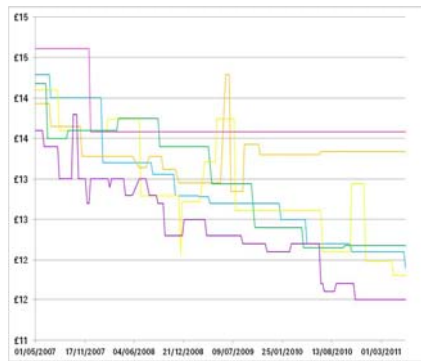


## Market pricing example

Level Accelerated Critical Illness  
Male, Age 40, 25 year term £100,000



Level Term Life  
Male, Age 40, 25 year term £100,000



Price driven down purely by the dynamics of contested market... not consumer need

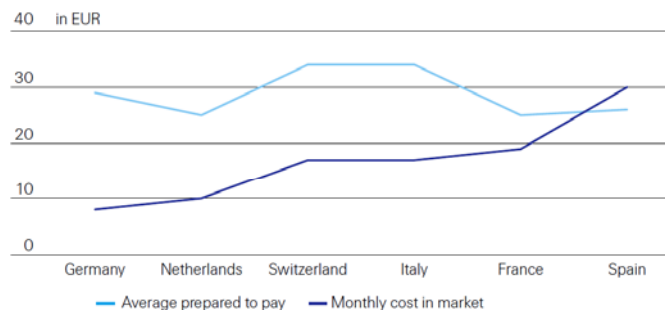
Swiss Re Analysis of Moneyfacts data 1/5/2007 – 3/8/2011

8

## People are able and willing to cover the cost of life insurance

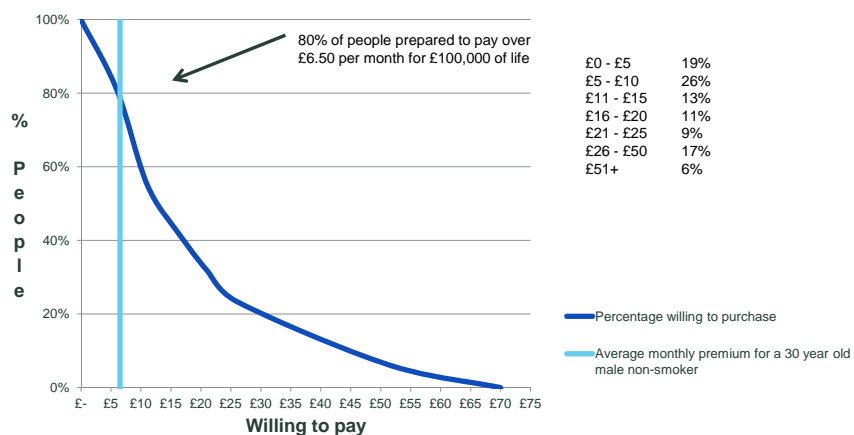
Average amount respondents would be prepared to pay per month for EUR 100,000 of life cover, by country, and lowest level premium available for that country (male aged 35, 20-year term)

Results backed up by UK Focus group research at Swiss Re in 2009



9

## How much would you be willing to pay each month for £100,000 of life cover?

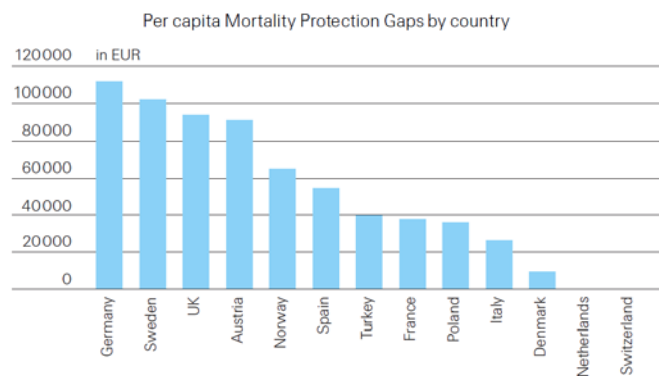


Swiss Re Insurance Report 2011

10

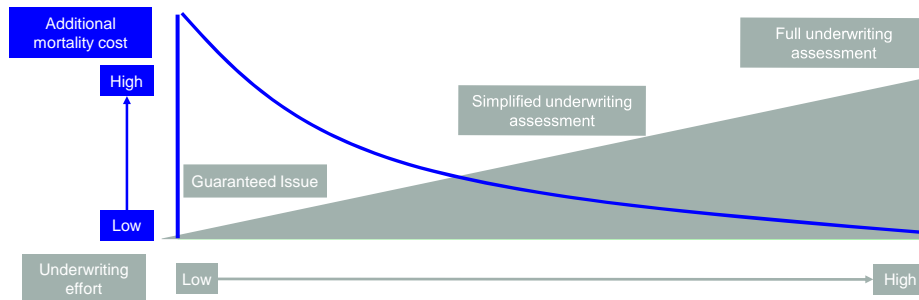
## Huge potential market untapped by traditional distribution

Life Assurance Protection Gap up to £2.4 trillion in UK



11

## Balancing ease of sale and price

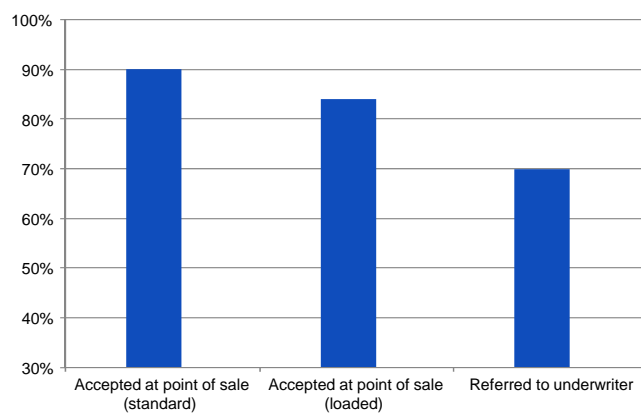


- Customer journey and ease of sale more important than product design
- Focus: Develop a relevant, efficient process balanced by product design and price
- Swiss Re developing solutions that provide easy sales without compromising risk controls

12

## Completion is much higher for cases accepted at point of sale

Comparison of completion rates for cases accepted at point of sale (standard or loaded) versus those referred to underwriting



Source: Magnum UK data 2009 / 2010

13

## Survey Conclusions

- Most people do not feel well positioned in case of illness, disability or death
- Most people do not have Critical Illness or Income Protection
- Only 50% have life insurance
- Most say that they cannot afford or do not need insurance!
  - however there is a huge protection gap
  - prices are falling whilst cover is increasing
  - (life) premiums are actually cheaper than 80% are willing to pay.
- Is this therefore our fault?

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14

## Key consumer themes....

- Lack of awareness
  - Need: Will it happen to me?
  - Solution: Saving for a rainy day vs. insurance
  - Cost
- Lack of trust (Confidence)
  - Complexity, small print, payment rates
- Making the need (and solution) more tangible

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15



## Issues specific to the next generation "Baby Buster"

- Traditional distribution unlikely to ever reach them
- Traditional approaches will not appeal
  - We must fully embrace the new world & technology
  - Simplicity (Beyond product & process)
- Used to purchasing exactly what they need
  - Tailored packages / More targeted offerings
- We need to appeal in short term
  - Cover needs to make sense now
  - May need to adapt over time

16

## Market: Background themes (1 of 2)

- Life providers generally lack direct customer access and regular engagement
  - Little brand awareness and
  - Lack of customer touch points to demonstrate quality and build trust
- Aggregator / Broker distribution model stifles innovation
  - Products increasingly commoditised
  - Insurer / distributor only focus on price and commission (not customer need)
  - Insurers unable to develop bespoke product solutions in contested space

17

## Market: Background themes (2 of 2)

- Distributors have position of strength in value chain
  - but missing out on an opportunity to truly engage the customer over time?
- Even the banks struggle with their traditional channels..
  - 60% of UK customers do not enter a branch
  - Telephone / internet banking removing typical touch points
- Model predominantly focused on acquisition
  - Single one off purchase vs. extracting value over lifetime

18

## Addressing the sales process and customer journey is the key to growth



### Accessibility

How do we break into the consumer's busy life to sell them insurance?



### Engagement

How do we create a sustainable long-term relationship with customers and become less transactional?

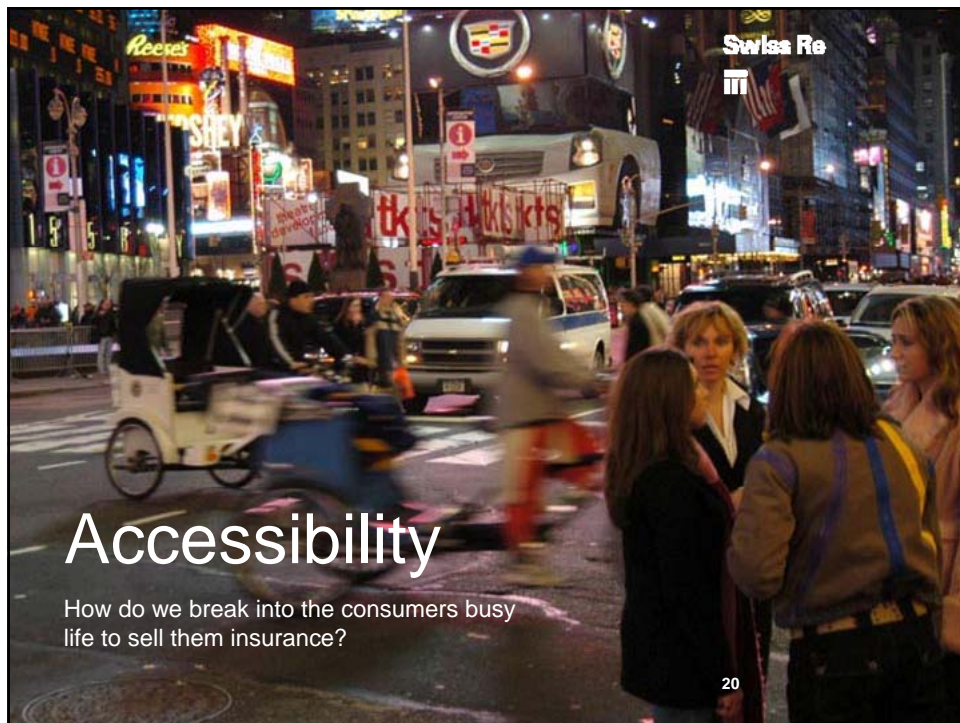


### Delivery

A slick sales process  
Removing / reducing the burden of underwriting from the point of sale

- Life insurance is sold, not bought
- Propositions that rely on the customer to instigate the sale are rarely effective
- Have we ever really tested this (!?)

19



## Accessibility

- Do your sales channels effectively identify life stage triggers ?
  - Birth of child, death of close family relative, marriage, divorce, new job, moving house, taking a loan etc.
- If a customer required insurance would they think of you?
- Do customers have an easy access point to approach you ?
- Possible solutions:
  - Intelligent use of data to identify when customer most likely to purchase (change of address, free cover for new mothers)
  - Creating access points for engagement / selling insurance (Health, occupation groups, self employed etc.)

21



## Engagement

- Creating regular customer touch points
- Extract value from customer over time
  - No need to solve all of a customers problems in one product
  - Leave some room for cross and up sell opportunities
- Each "upgrade" a relatively small incremental step
- Up selling campaigns
  - Proactively "sell" guaranteed insurability options (GIOs)
  - No underwriting within two years of first sale (Declaration of health)
  - A few triage questions



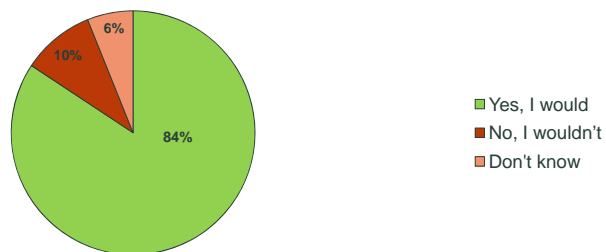
## Delivery

- Simple products
  - As much focus placed on ease of underwriting as product features
- Intelligent use of existing data
  - Pre select / segment lives
  - Fully underwrite lives using data
  - Predictive underwriting
  - Use of previous "recent" underwriting decisions
- We should not be afraid of asking a few simple health questions
  - 2011 UK Swiss Re survey:  
Health questions not a roadblock to sale for healthy lives  
(underwriting is !)

25

## Reasonableness of health questions

- Would you consider it reasonable to be asked medical or health-related questions when purchasing life insurance?



Swiss Re / YouGov 2011

26

## Potential solutions

- Behave as retailers and market our products !
- Focus on simple solutions to life's problems ("One small step")
  - Solve a problem that customer understands with a simple solution
  - Focus on what the customer will buy – not what we feel they need
- Use of technology and data to create instant sales offers with minimal / no underwriting
  - Crucial in the world of instant gratification
  - Traditional Direct Mail vs. iPhone Apps
  - Payment options

27



## Entry Level Products



Our cover range	Radiators & controls	Central heating	Annual boiler service	Plumbing & drains	Home electronics	Prices from (£30 monthly)
Boiler & controls breakdown	Included	✗	✗	✗	✗	£6.50 per month Get a quote Find out more
Central heating breakdown	Included	Included	✗	✗	✗	£8.50 per month Get a quote Find out more
HomeCare 100™	Included	✗	Included	✗	✗	£10.50 per month Get a quote Find out more
HomeCare 200™	Included	Included	Included	✗	✗	£12.50 per month Get a quote Find out more
HomeCare 300™	Included	Included	Included	Included	✗	£15.50 per month Get a quote Find out more
HomeCare 800™	Included	Included	Included	Included	Included	£18.50 per month Get a quote Find out more

- Clear target market
- Specific need addressed
- Simple, low cost initial sale (Challenging minimum premium?)
- Cross and up sell over time
- The product is one thing, the journey is another

### Half price Sky TV for 6 months

Join Sky TV with broadband and calls\* for only £10 a month for 6 months – and just £20 after that!

- Top TV entertainment from Sky
- Free Sky+ box & free standard set-up
- Plus a £25 M&S voucher\*



**Sky Entertainment**  
Over 40 channels of entertainment, comedy & drama

**£20** per month  
Get a quote  
Find out more

**Sky Entertainment Extra**  
Everything in Entertainment plus over 10 additional channels of movies, news, documentaries, kids shows & much more! Just £5 extra a month

**£25** per month  
Get a quote  
Find out more

**Movies Pack**  
Enjoy the very best of premium & Hollywood films at an unbeatable price

**£18** extra per month  
Get a quote  
Find out more

**Sports Pack**  
Enjoy live & exclusive sports action from around the world with all on Sky Sports channels

**£20** extra per month  
Get a quote  
Find out more

**More sports channels**  
You can also watch live Sky Sports on the move – only with Sky

**£12** per month  
Get a quote  
Find out more

28

## Final Conclusion

- Consumer is increasingly aware of the risks
- Insurance rarely seen to be a viable solution..
- Largely our (The industry) fault this is the case...
  - Failed to position our products
  - Failed to access and engage with customers
  - Failed to think as retailers
- The gap between us and the consumer is growing...
  - Lets do something about it !

29

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## Questions or comments?

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Expressions of individual views by members of The Actuarial Profession and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

