

**The Actuarial Profession**  
making financial sense of the future

Life Conference  
Peter Temple and James Louw



**Why do we undersell  
our products?**

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**Where did it all go wrong?**

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**“Life Insurance is  
SOLD, not BOUGHT”**

## Value

- People don't value life insurance for what it is worth
- People don't value financial services brands
- People are sceptical about value for money from insurers
- Financial performance of the industry lags other products/industries

## The result





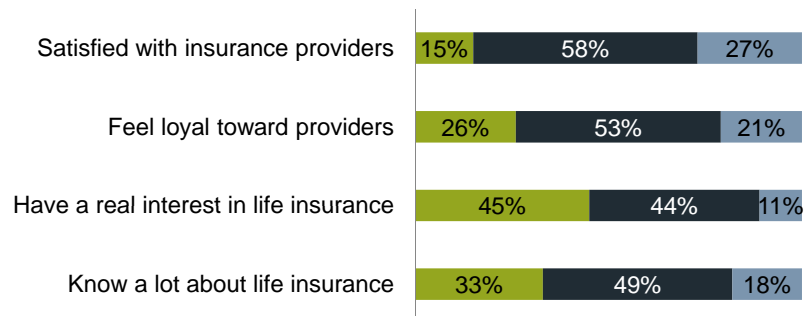
tap  
water  
is, on  
average,  
**500 times**  
cheaper than  
bottled water.\*  
**boycott the  
bottle.**



## Life insurance: uninteresting and unengaging

### Consumer attitudes toward and involvement in life insurance

■ Disagree strongly ■ Agree somewhat ■ Agree strongly



Source: Accenture Global Consumer Survey 2010.

n=1300

## It could get even harder

Attitudes about life insurance	Gen Y b.1981-86	Gen X b.1965-80	Boomers b.1946-64
Most people need life insurance – agree	63%	75%	73%
Life insurance is the best protection – agree	60%	71%	71%



Source: LIMRA. Protecting the futures: life insurance and Gen X & Y, 2008

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## How do you sell insurance if no desire to buy?

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- Expensive distribution
  - Advisors
  - Direct mail
  - TV advertising
  - Pay to access potential customer
- Hard sell practices with reputational damage
- Product complexity to attempt differentiation
- Insurers have ceded the consumer to advisors & sales
- Claims ratios are at 50% and (sometimes much) lower
  - We can debate “value”
  - AAPL has a 40% margin

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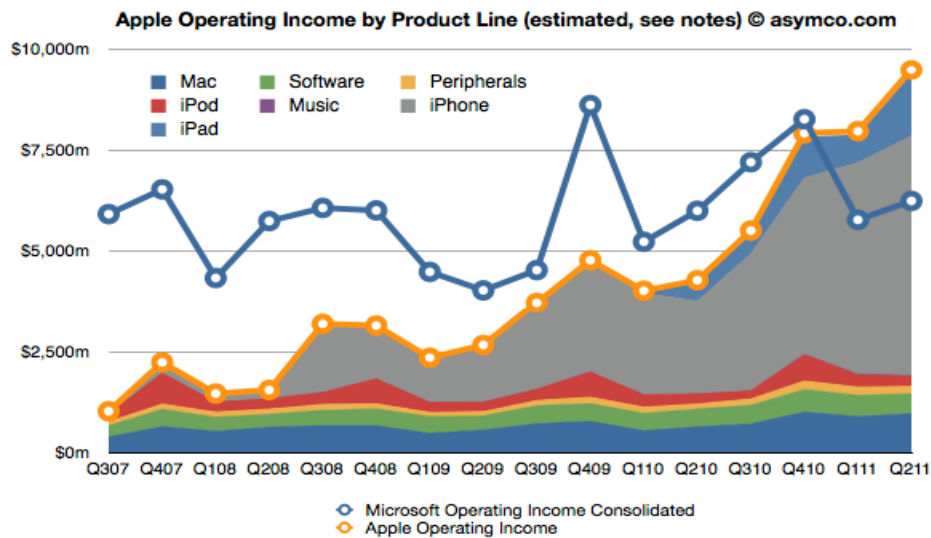
## What about other industries?

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- Value for money?
- Emotional value?
- Simplicity
- But very cunning
- Obsessed about the client



## The Value of Innovation



## Why has Apple done so well?

- Visionary leadership
- Innovation
- Brilliant marketing
- Emotive appeal
- Complex product
- BUT really easy to use



- "Why can't we move life & disability insurance into a similar space?"

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## Value

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- I think we would all have a similar understanding of what someone means when they say “it was good value for money”
- BUT
- We need to split this up into “economic value” and “emotional value”

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## The Economic Value of Insurance

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- 35 year old male
- Non-smoker
- Best “class” of life
- United Kingdom (from moneysupermarket.com)
- £ 500,000 / £47.33 (level term 40 years)

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## The Economic Value of Insurance

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- Die at age 85
- “Value” of premiums      £ 28,398
- “Value” of claim          £ 500,000
- HUGE WIN

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## The Economic Value of Insurance

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- Die at age 85
- Present value of premiums      £ 12,423
- Present value of claim          £ 70,356
- Big win



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## The Economic Value of Insurance

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- Die age 45
- Present Value of premiums      £ 4,691
- Present Value of claim            £ 337,782
- Back to a BIG WIN again

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## The Emotional value of Insurance

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- We have to tap into the emotional side of insurance....



- Are we doing anything to help customers assess value?
- Is it value to pay claims quickly but allow a few to slip through the cracks?
- Is it value to target a cheap product?
- Is it value to have thorough underwriting (and lower premiums)?
- How can we argue we creating value when we allow cross subsidies in our pricing?

## What did we do?



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## Gen Re Consumer Survey

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- Behaviour compared to other goods
- Run in 3 countries
- July to September 2011



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## Survey Results

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These will be revealed at the Convention – come along to the session to see the results!

## Products



## High Performance Insurer of the Future

- The consumerisation of IT
- Increasing risk and regulation
- Changing consumer behaviour
- Shifting competitive landscape

From an Accenture publication "The Point" Vol 11, No. 2

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## What should we do differently?

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- Work together to SELL the VALUE of insurance
- Present complexity in a simple way
- Make sure your platform supports the CONSUMER
- Remove hurdles to purchase
- Differentiate your proposition in a meaningful way
- Ensure a fantastic claims experience

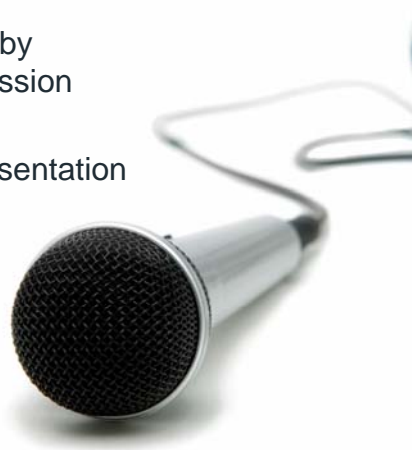
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## Questions or comments?

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



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