# Institute of Actuaries

18th February 2010

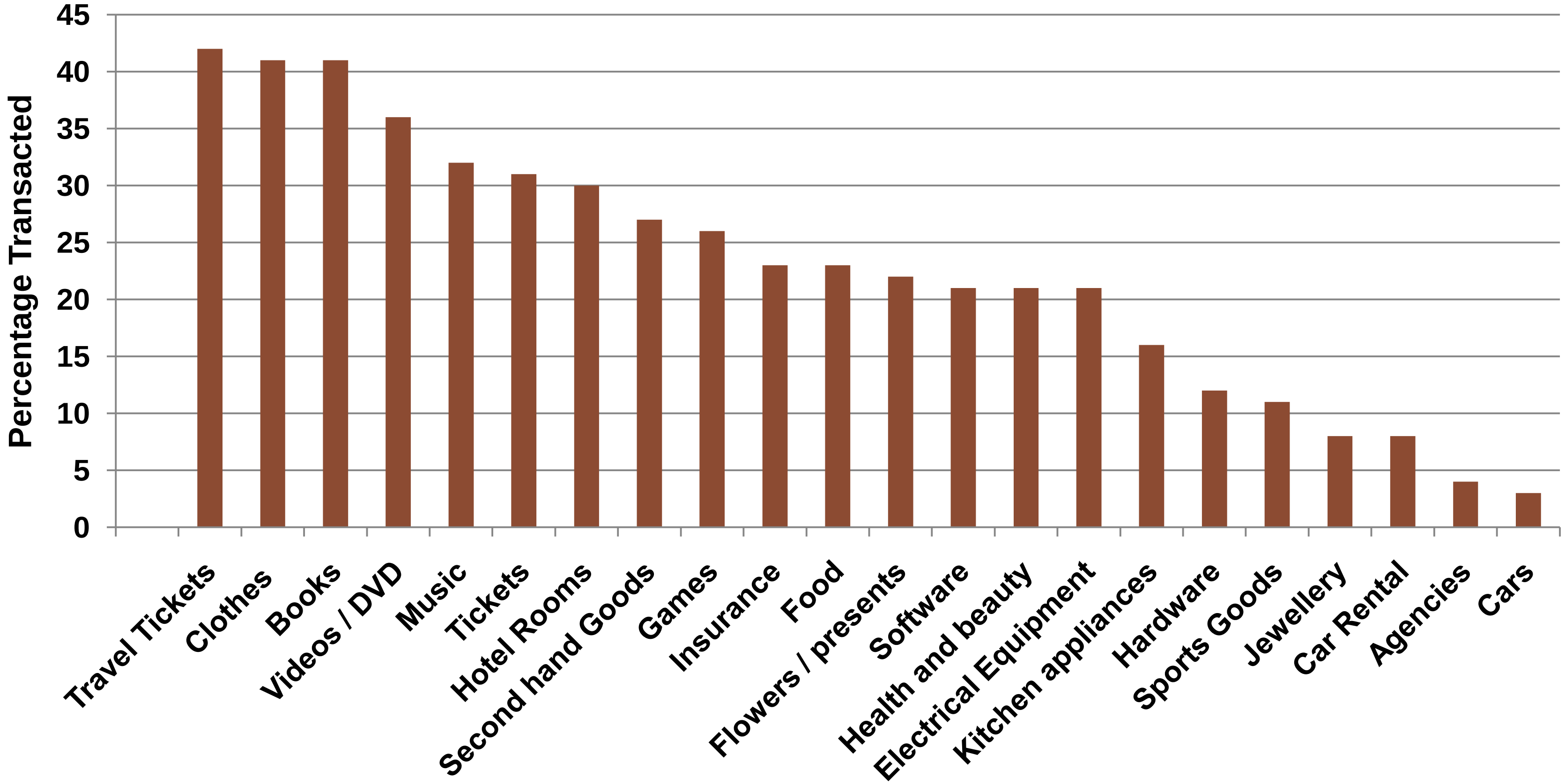
Jeremy Owenson – WNS

Ashley Hale – TCP LifeSystems

# A Changing Marketplace

# The rise of technology

## Internet Purchases




**93% of UK homes are connected to the Internet**

Delloites Retail review

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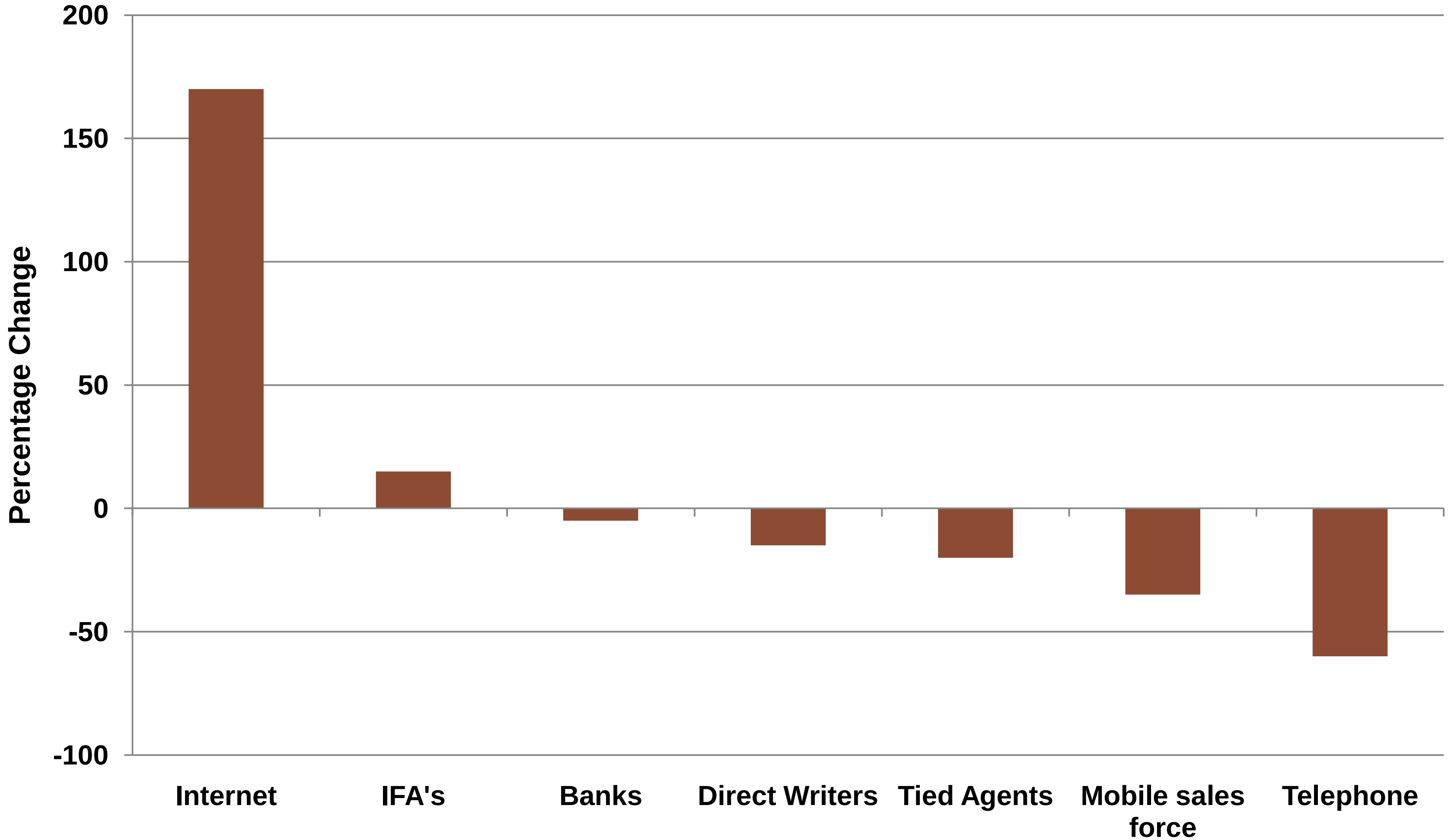
# Internet is the area of growth

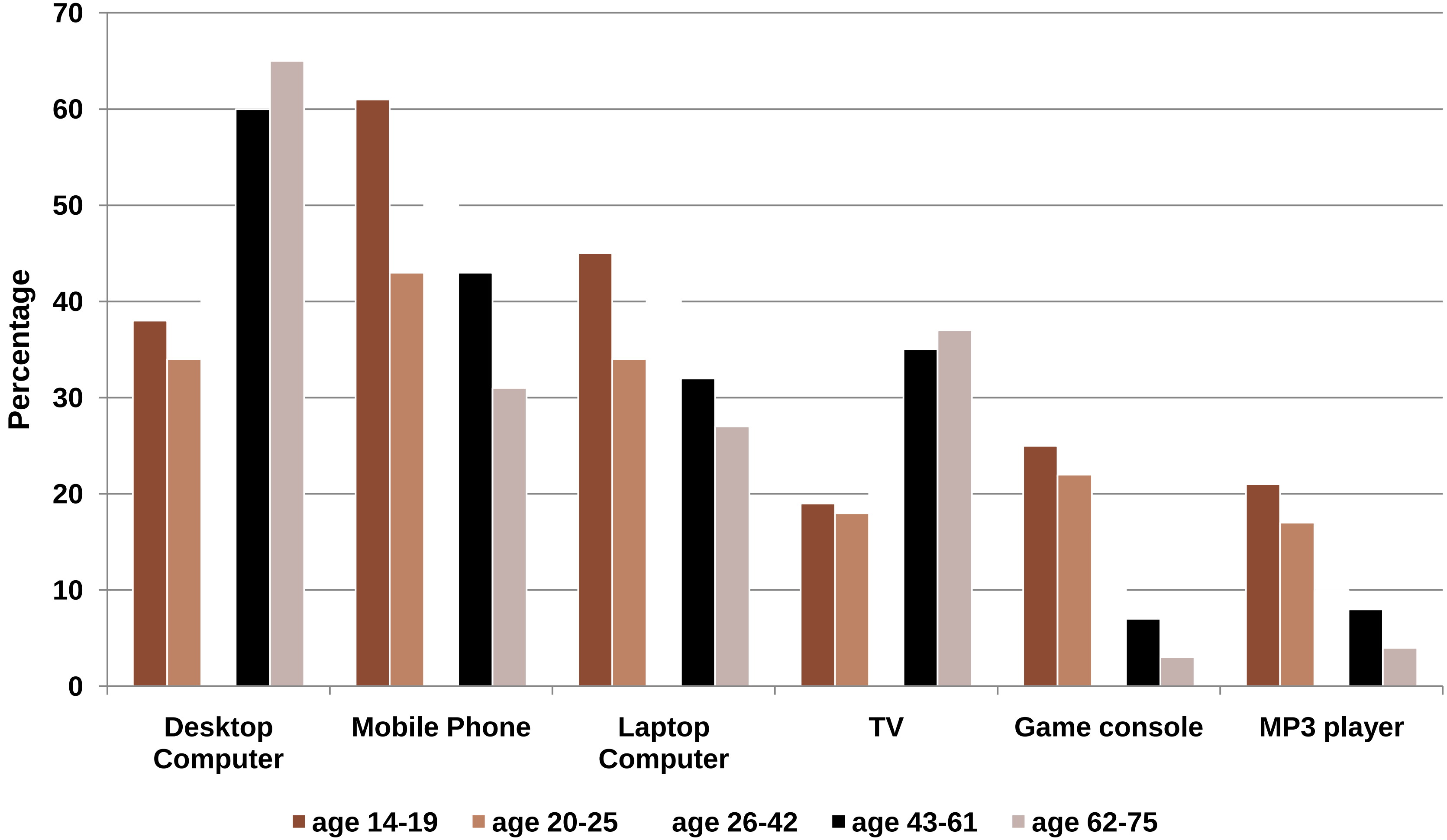
## Change in Distribution Channels




Cap Gemini

# The Internet is old news...

## Preferred Media by Age




Delloites Media Democracy Survey

# The New Transaction Models

- **Customers increasingly looking to self-fulfill**
- **Customers seeking instant decisions**
- **Munich Re survey found that 85% of GP referrals added no value to the underwriting process**
- **Underwriters need to be able to deliver decisions early to present rates on protection products**

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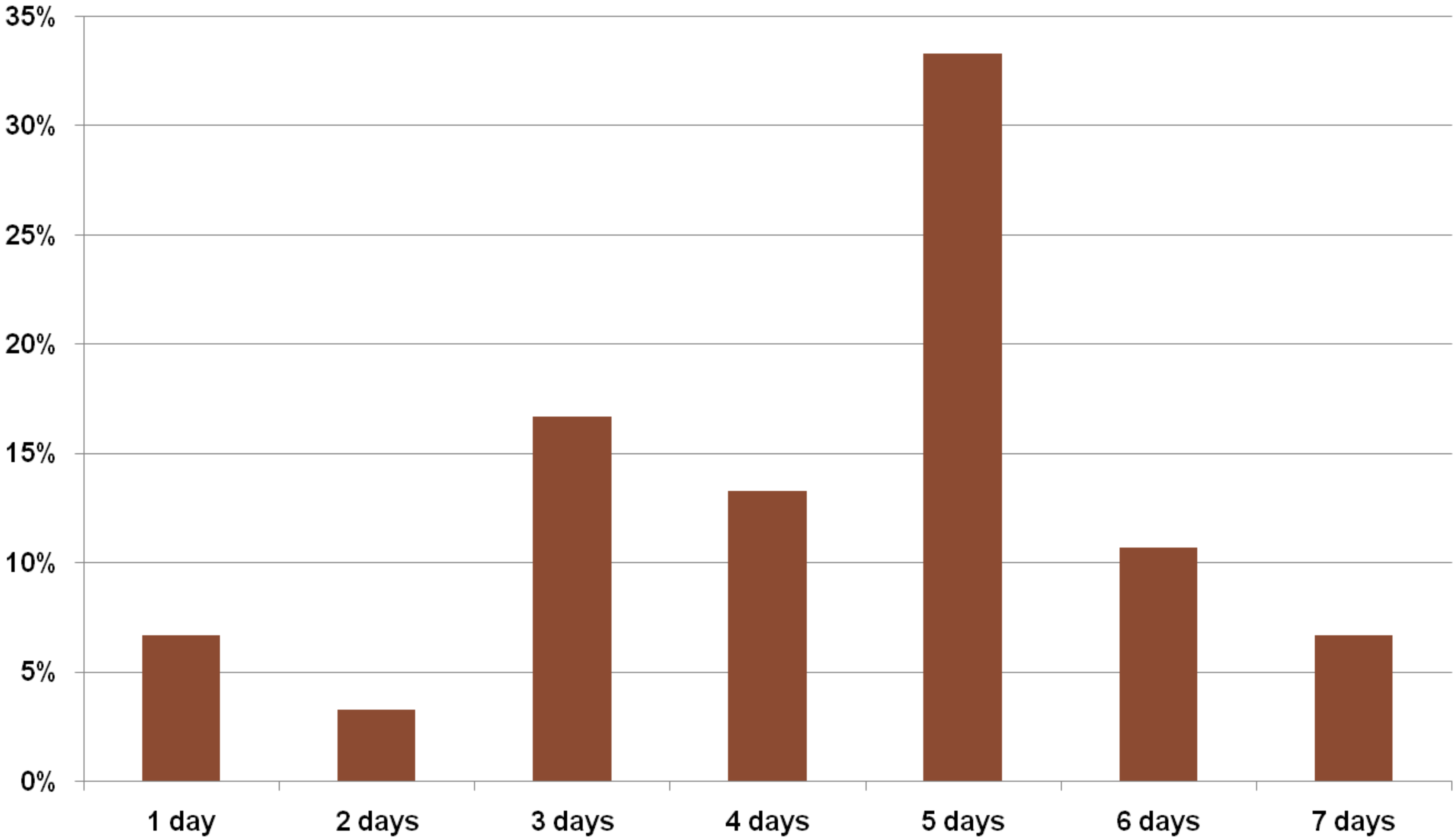
# 55% of Interviews are outsourced

## Time to complete Tele-interview



# Tele-underwriting

- **One of the issues with Tele-underwriting is the need to review underwriting questions:**
  - **Percentage of Reinsurers who responded favourably to the introduction of Tele-underwriting – 78%**
  - **Percentage of Reinsurers who have updated their underwriting manual to accommodate Tele-underwriting – 11%**

# Tele-underwriting

- **Insurers need to review rating engines and underwriting processes to present terms:**
  - **Need to consider:**
    - **Revising question sets**
    - **Consider offering alternate terms (e.g. sums insured)**
    - **Consider exclusions**

# Impact of Instant Underwriting on Distribution

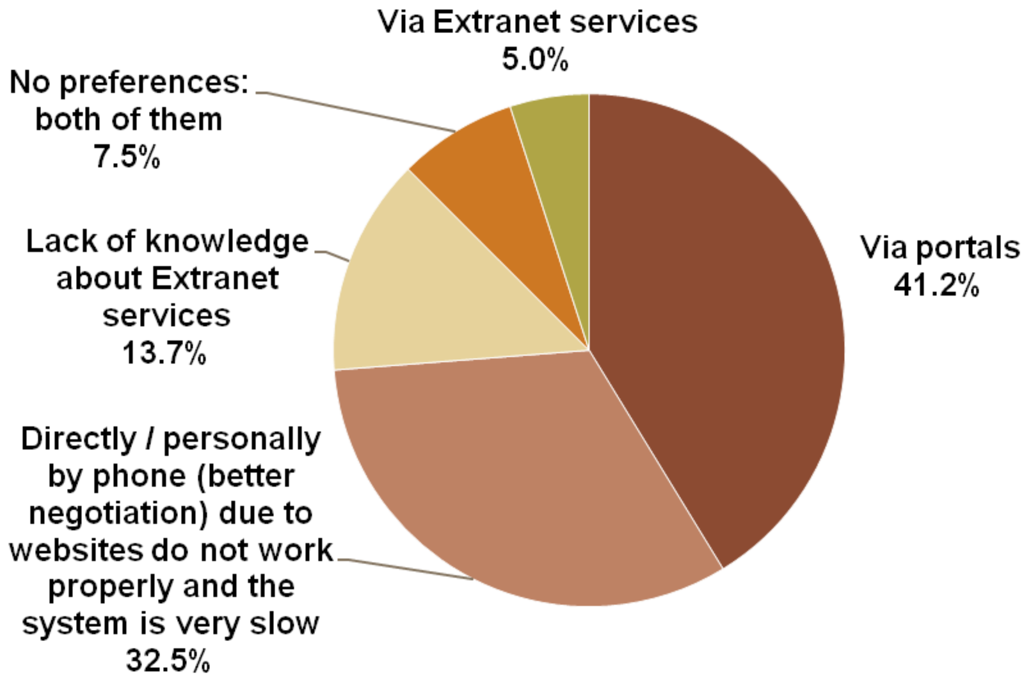
# The Distribution Journey

**Customers Want Advice**

**Broker**

# Research – 2003

## Do you prefer to deal directly with your product providers (via and extranet) or via portals?




Source: Datamonitor

- **Reasons Given:**
  - **Technology unreliable**
  - **Don't have the skills**
  - **Not Enough Benefit**

# The Distribution Journey

**Customers Want Advice**

**Broker**

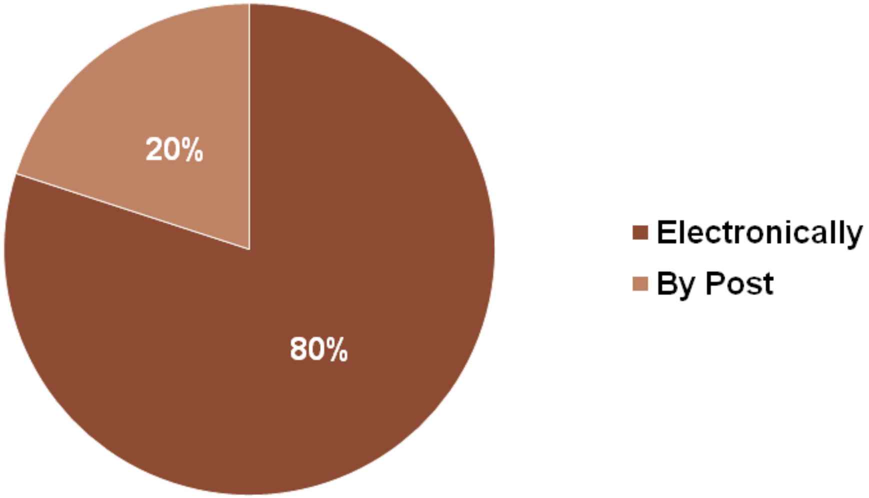
**Paper Apps**

**Internet?**

# Research – 2006

## Then, when it comes to submitting an application form, do you prefer to do it…

| | |
|---|---|
| **Electronically?** | **80%** |
| **By post?** | **20%** |
| **Respondents** | **150** |




Research conducted by Theta 2006.

# Research – 2006

## Would you tell me which would be most important to you… and second most important? …third?

| | |
|---|---|
| Speed of decision | 40% |
| Increased point-of-sale acceptance | 19% |
| Reduced administration | 16% |
| Easier cross-company comparisons | 7% |
| Reduced pipeline | 5% |
| Enhanced commission | 4% |
| Greater accuracy | 3% |
| Greater control | 3% |
| Speed of commission payments | 3% |
| Better disclosure | 1% |
| **Respondents** | **144** |

Research conducted by Theta 2006.

# The Distribution Journey

Customers
Want Advice

Broker

Paper Apps

Internet

Speed,
Control,
Commission,

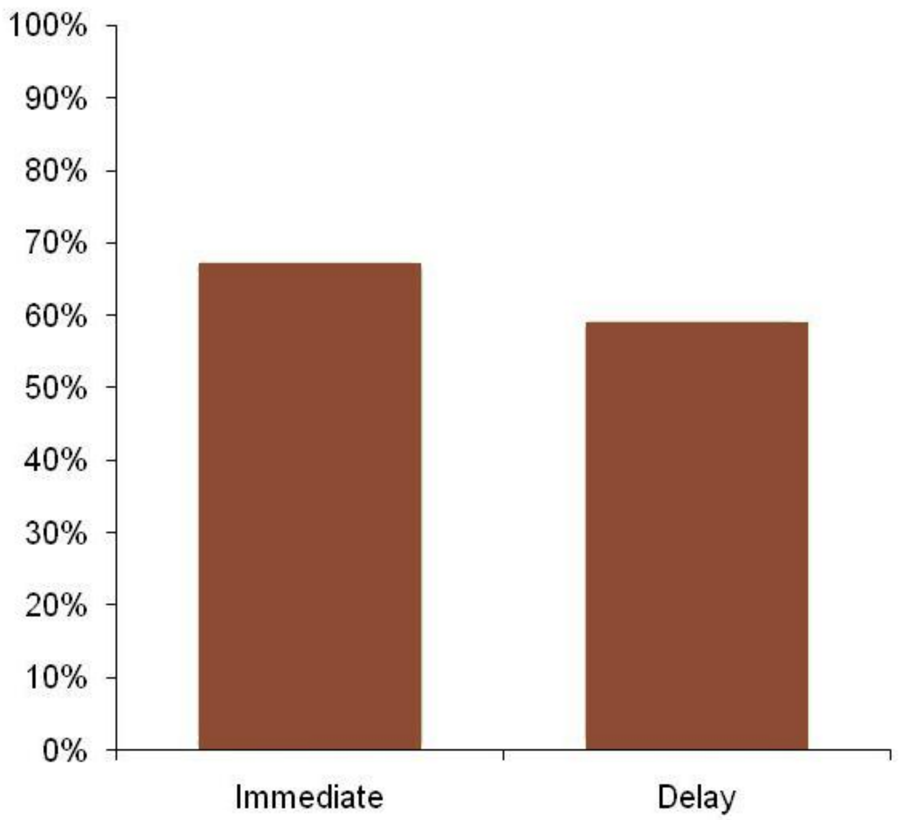
Customer
Behaviour

# Customer Behaviour

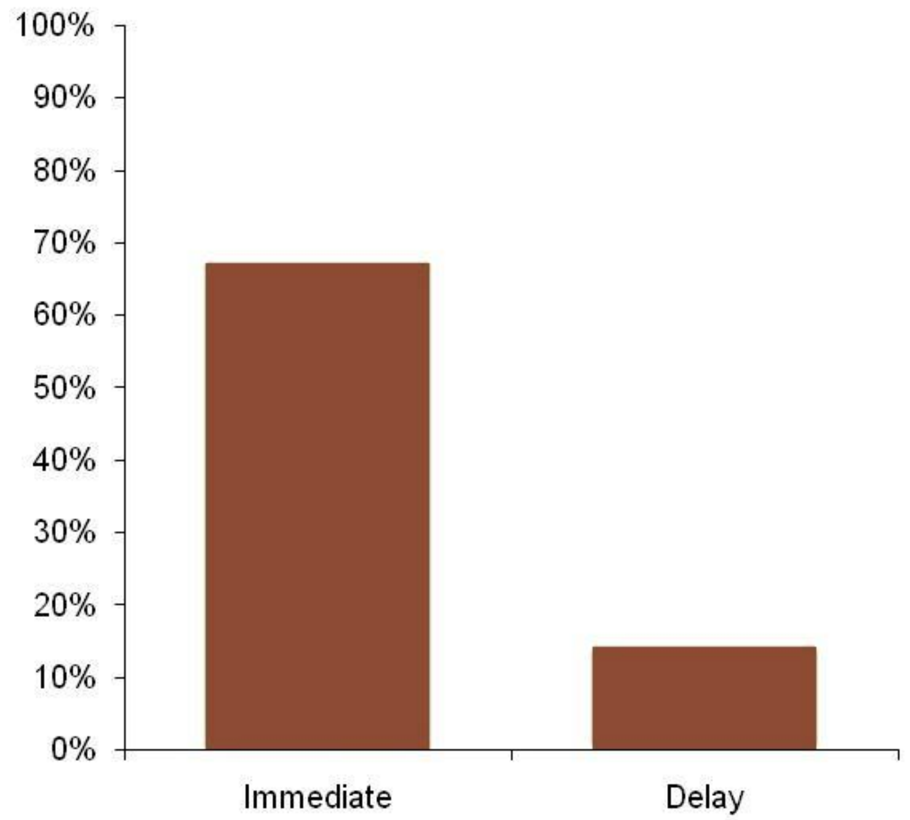
# Research – Buyer Behaviour

**Saying isn't doing: People who commit to taking future action usually don't then follow through**

**Decision Commitment –**
**Percent Who Said They Would Return**




**Completion Rate –**
**Percent Who Actually Did Return**



# Customer Behaviour – Attrition

| | NPW | | NTU | CFI | Total Offs |
|---|---|---|---|---|---|
| STP | 0% | Std | 15% | 17% | 29% |
| | | Rated | 25% | 23% | 42% |
| U/W App | 2% | Std | 27% | 13% | 37% |
| | | Rated | 40% | 18% | 51% |
| GPR | 74% | Std | 18% | 0% | 18% |
| | | Rated | 42% | 11% | 49% |
| Medical | 53% | Std | 26% | 8% | 32% |
| | | Rated | 33% | 12% | 41% |
| Combined | 69% | Std | 29% | 0% | 29% |
| | | Rated | 41% | 13% | 56% |

# The Distribution Journey

Customers
Want Advice

**Broker**

Paper Apps

Internet

Speed,
Control,
Commission,

Customer
Behaviour

Customers
Want Speed

**Direct?**

Speed of
Acceptance

Customer
Experience

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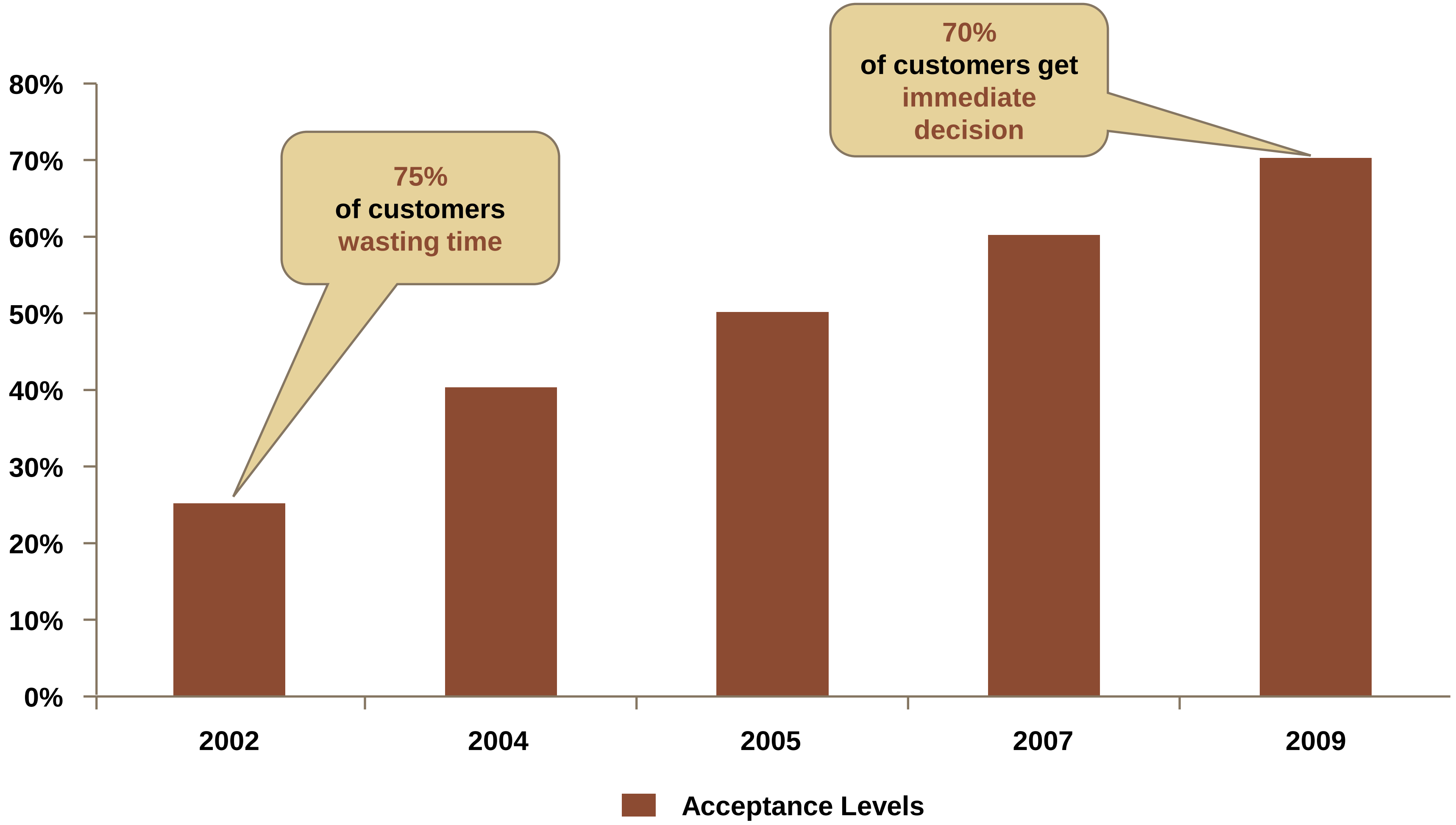
# Acceptance

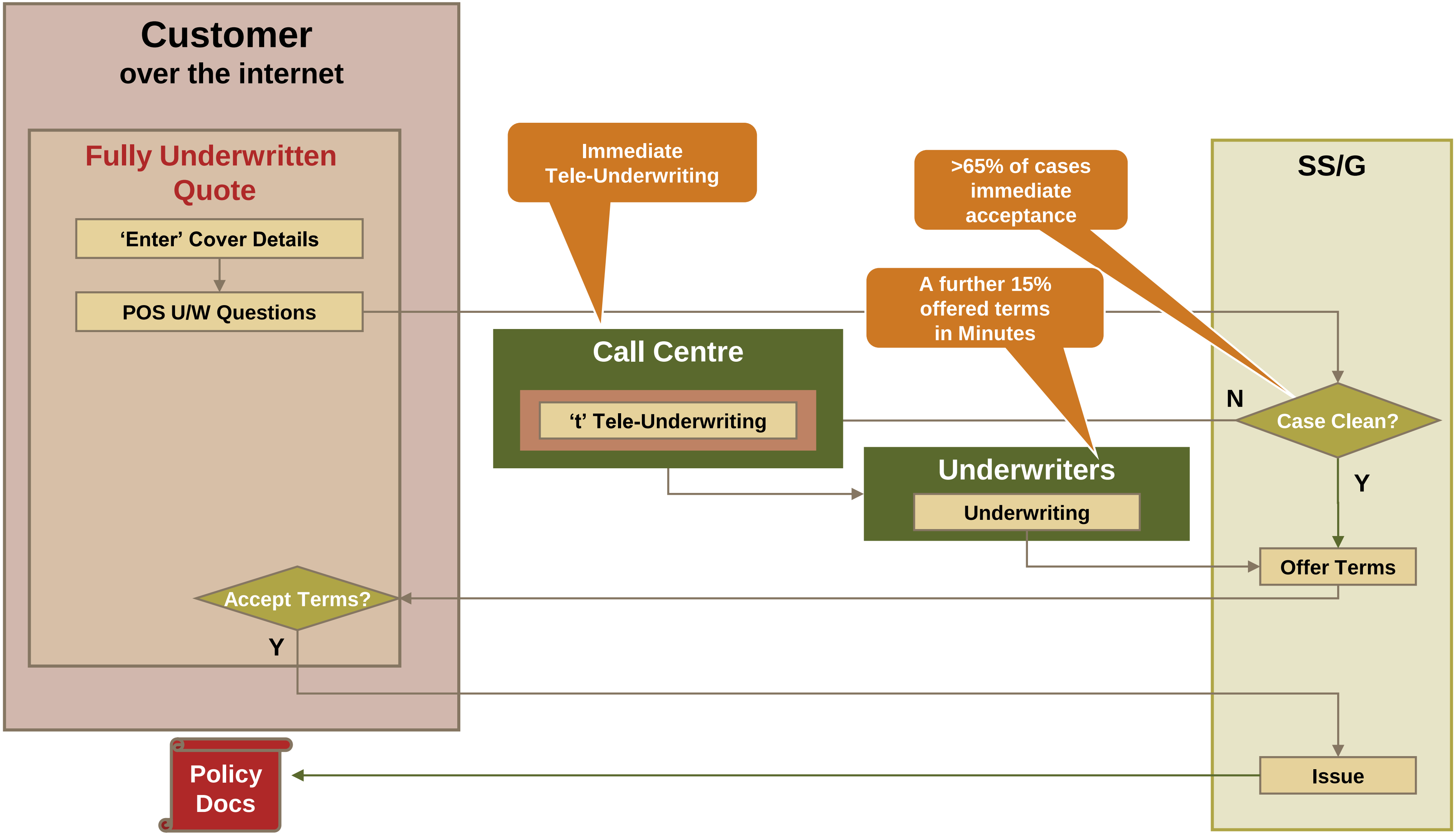
# Influencing buyer Behaviour

## Acceptance Levels

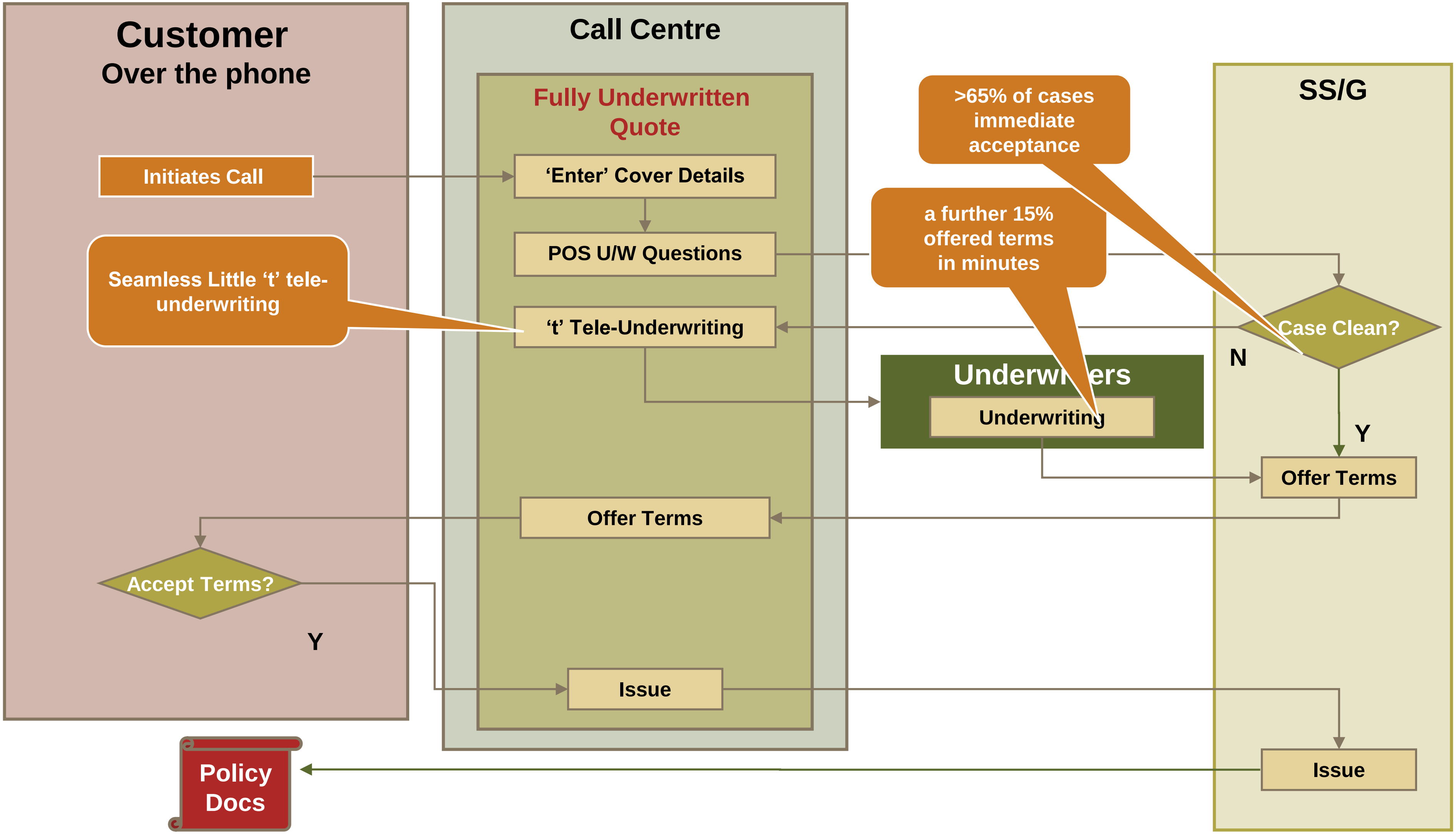


# The ‘New’ Customer Journey

# The ‘New’ Customer Journey – Internet



# The ‘New’ Customer Journey – Call Centre



# The Distribution Journey

Customers
Want Advice

Broker

Paper Apps

Internet

Speed
Control,
Commission

Customer
Behaviour

Customers
Want Speed

Direct?

Speed of
Acceptance

Customer
Experience

Internet?

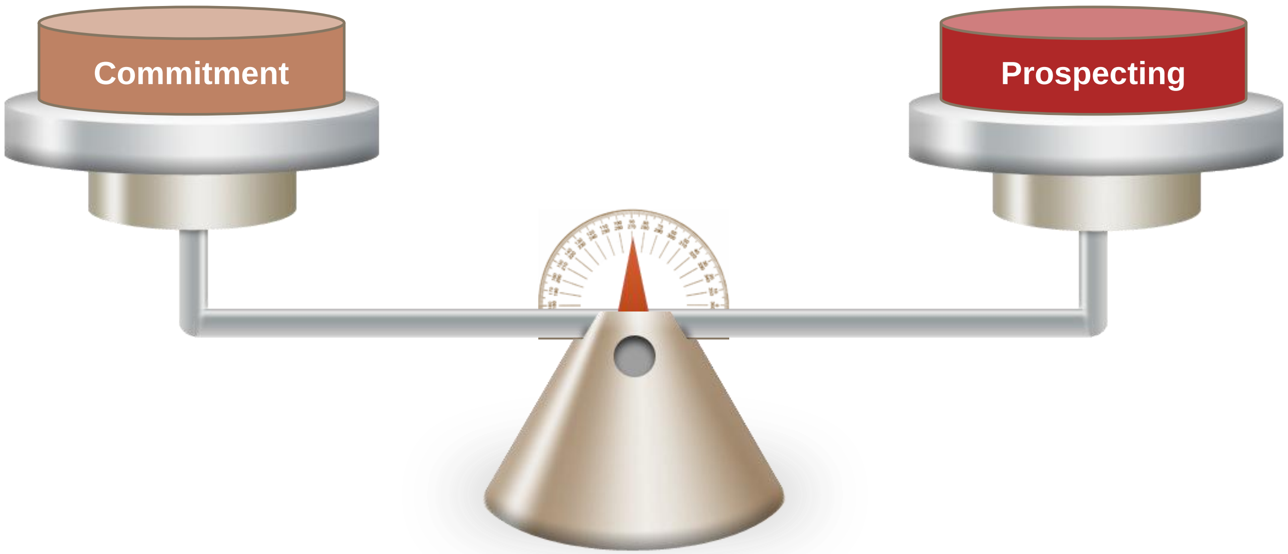
Call Centre?

# Going Direct

## Call Centre ‘v’ Internet

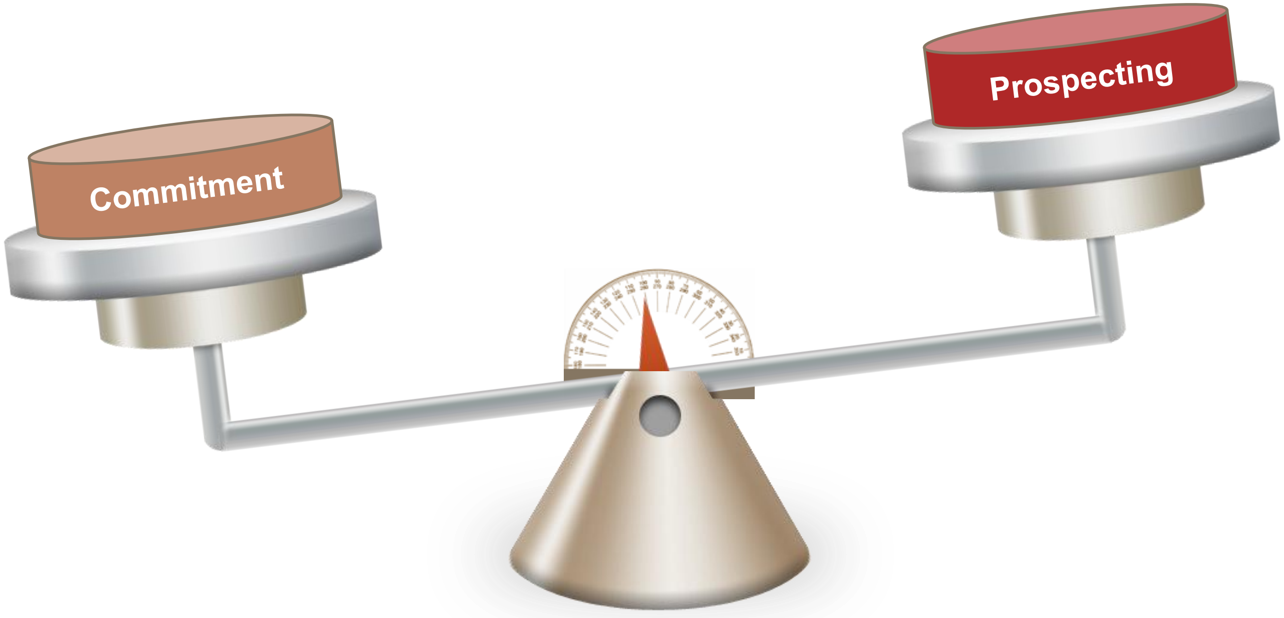
# Going Direct – Call Centre ‘v’ Internet

| Call Centre | Internet |
|---|---|



# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|



# Commitment

| Call Centre | Internet |
|---|---|
| 30,000 Prospects | 250,000 Prospects |
| = 7,500 Policies | = 8,000 Policies |
| 25% Conversion | 3% Conversion |

**8 times more likely to write business through the call centre**

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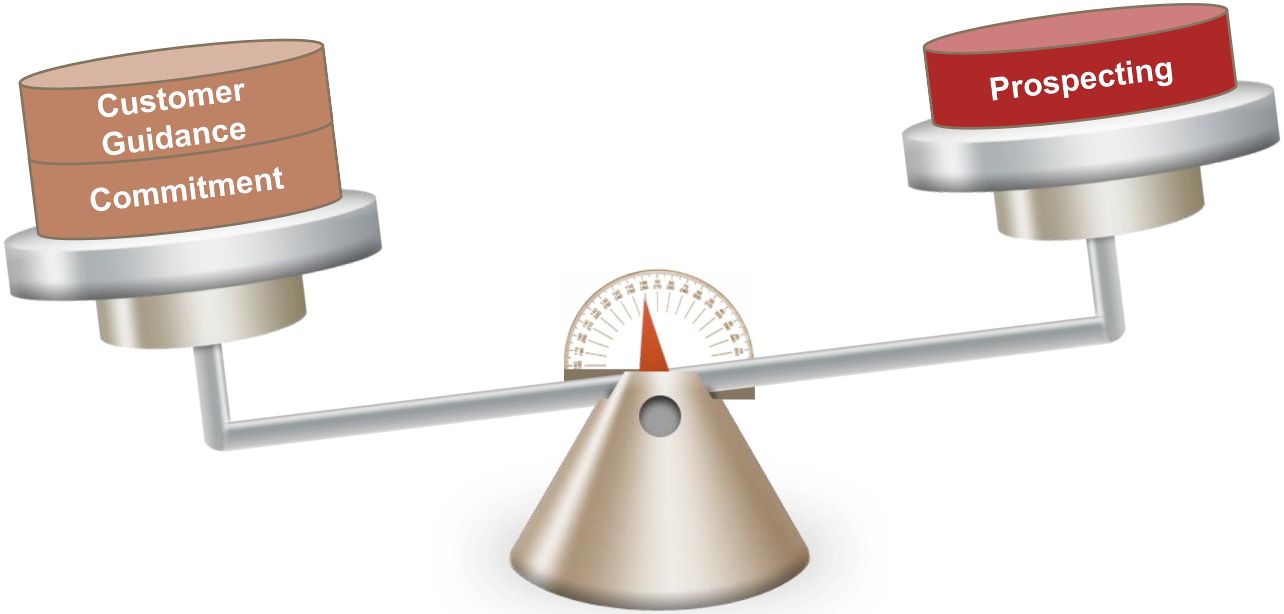
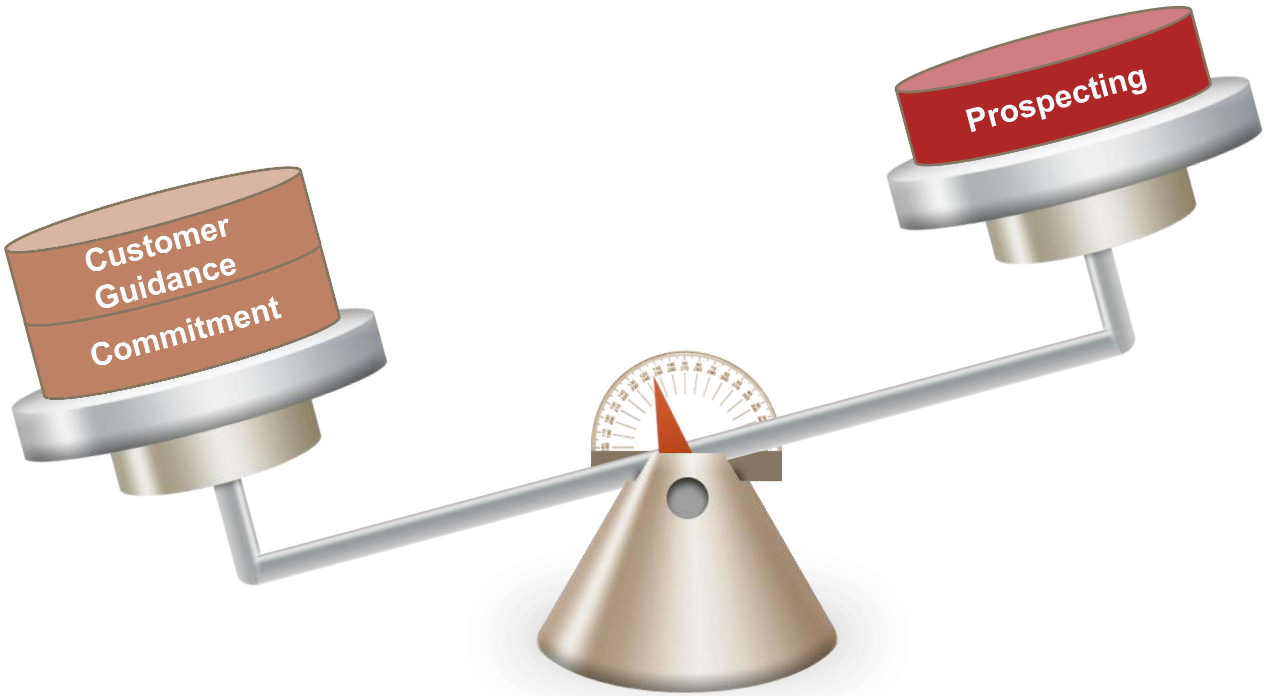
# Going Direct – Call Centre ‘v’ Internet

| Call Centre | Internet |
|---|---|



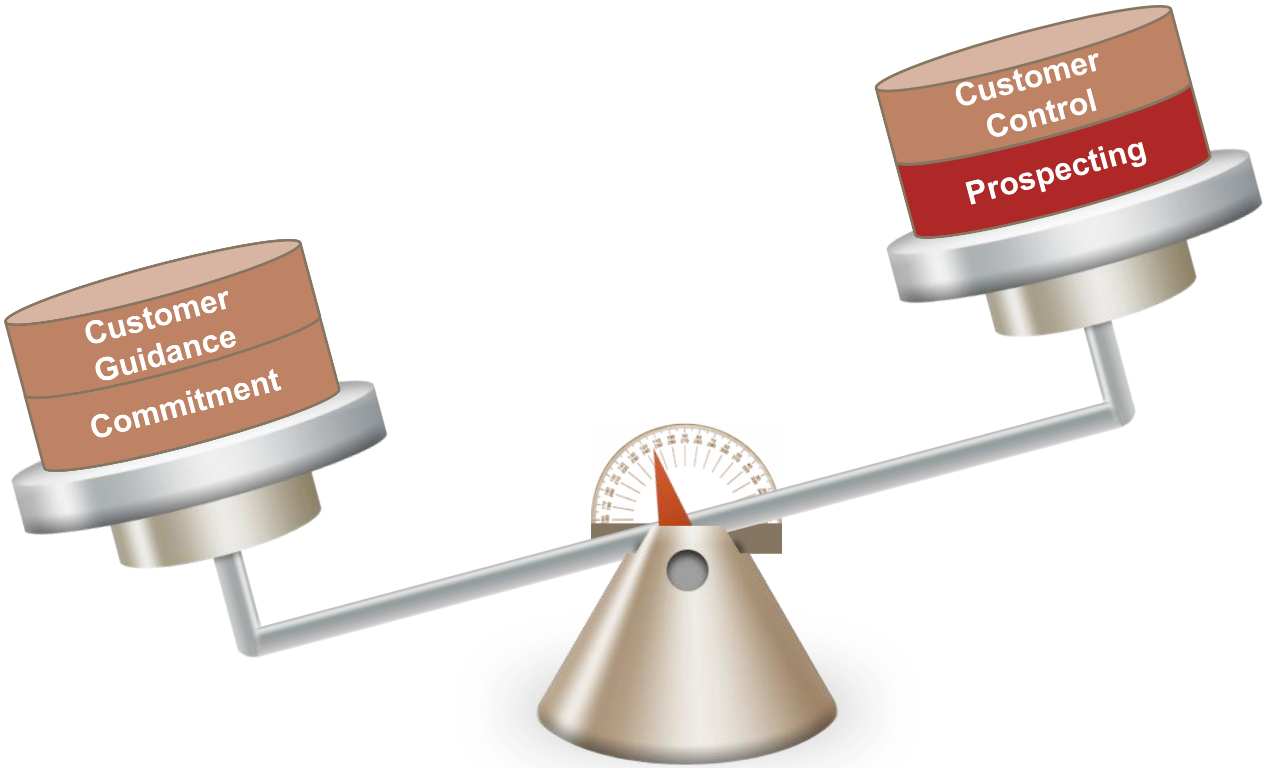
# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
| --- | --- |



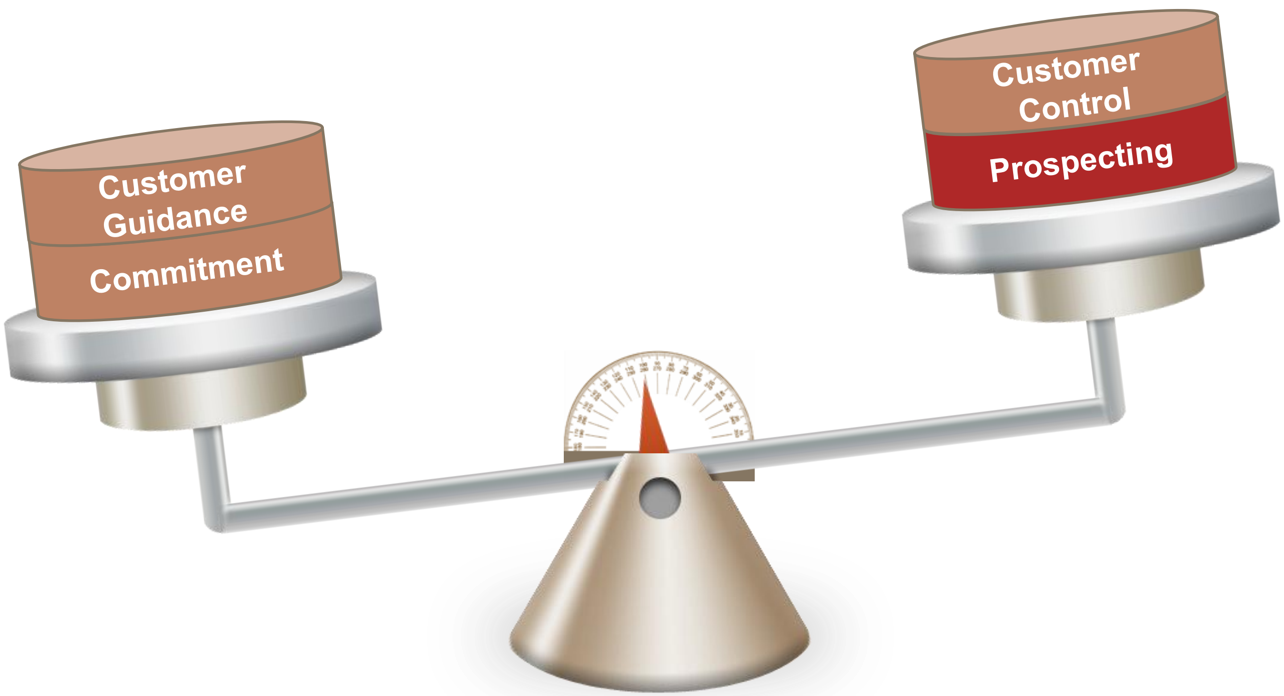
# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|



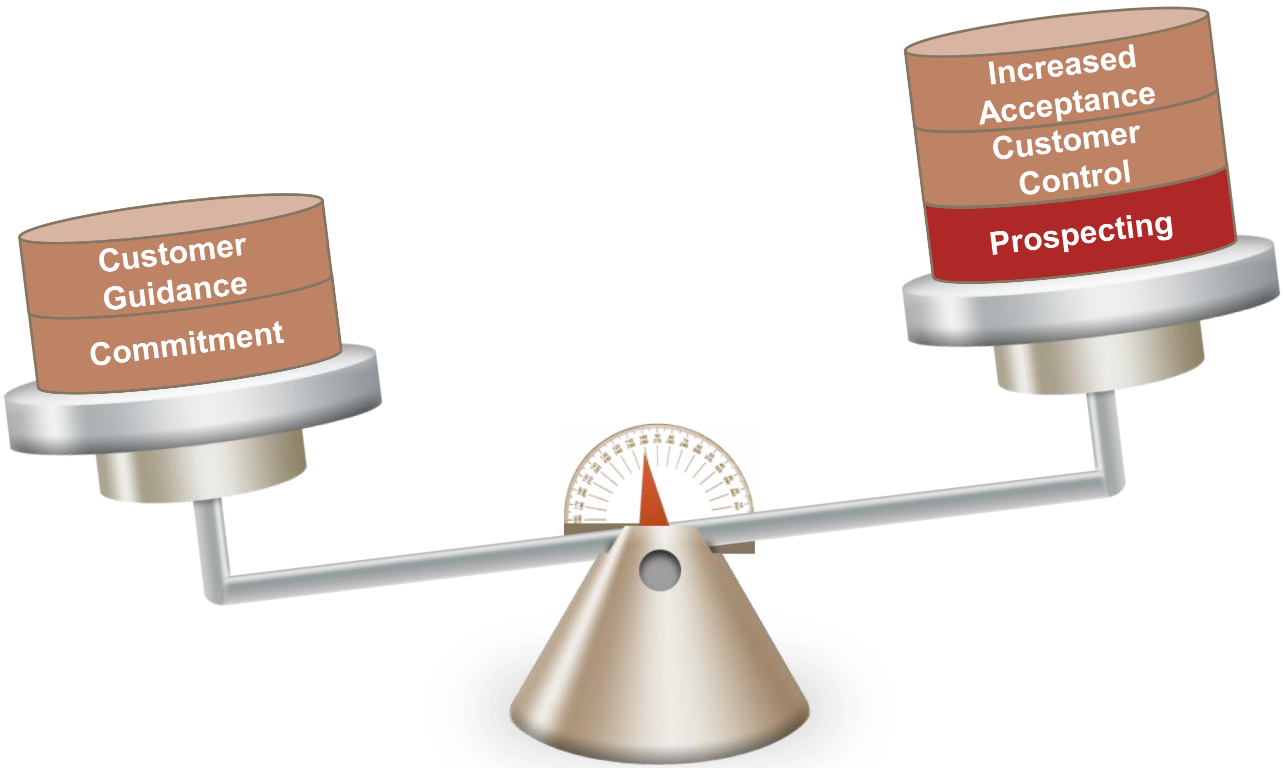
# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|



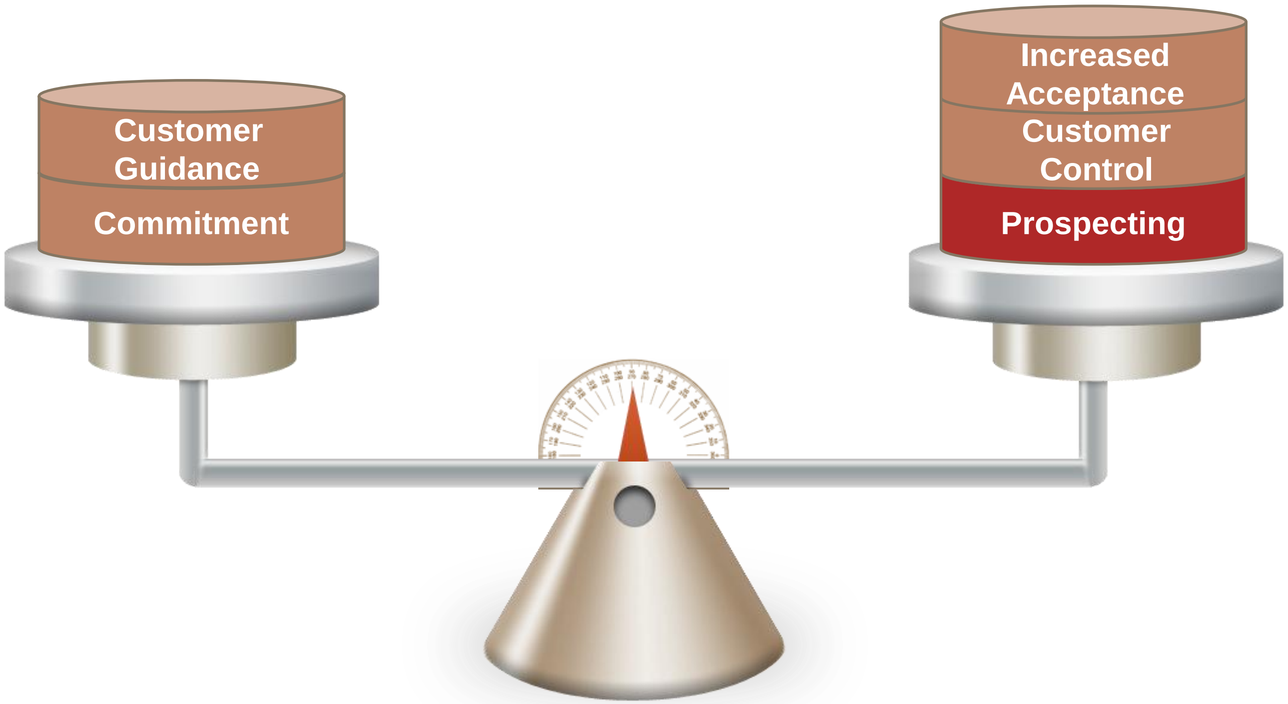
# Going Direct – Call Centre 'v' Internet (Cont'd)

| Call Centre | Internet |
|---|---|

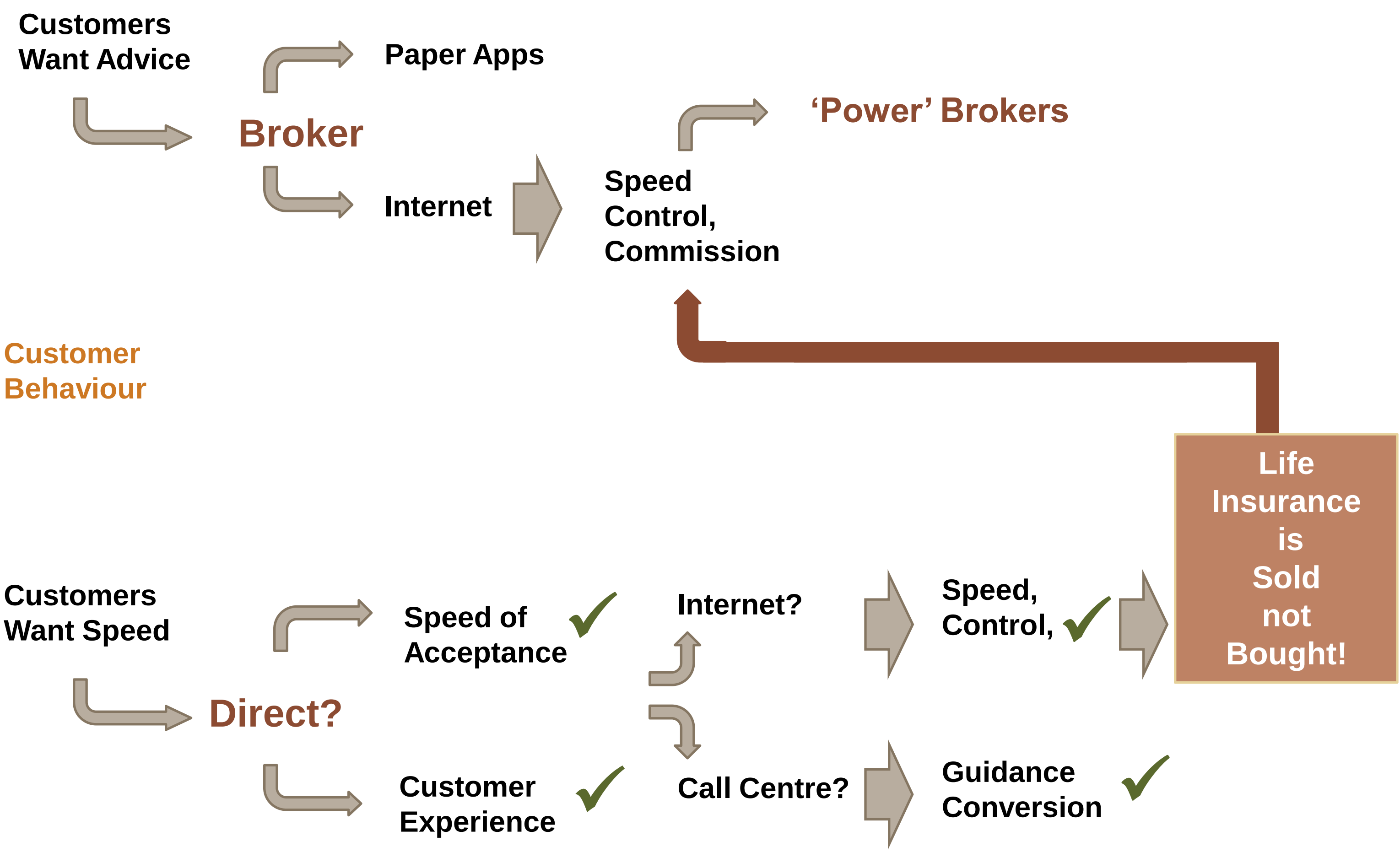


# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|



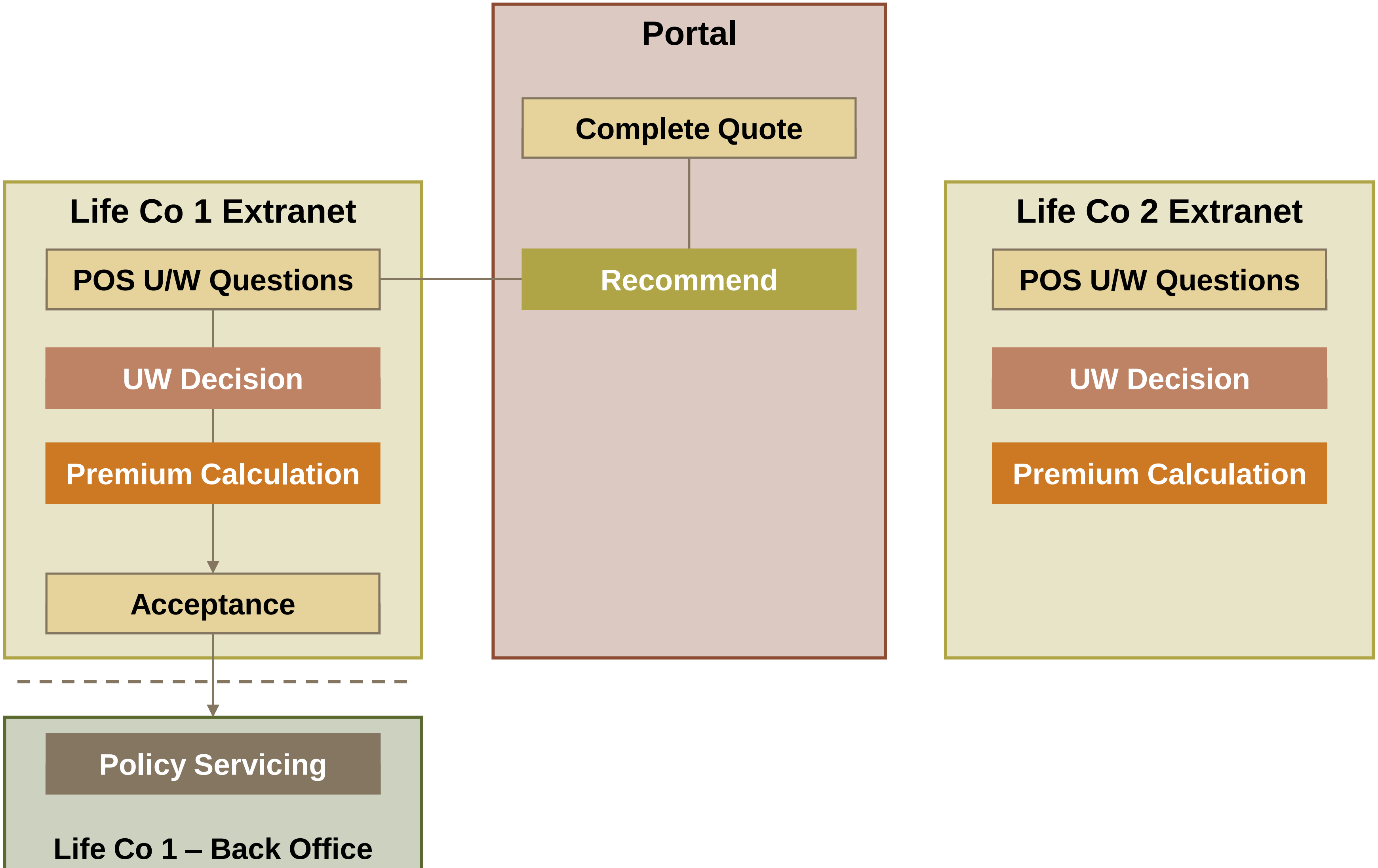
# The Distribution Journey



# Broking Today

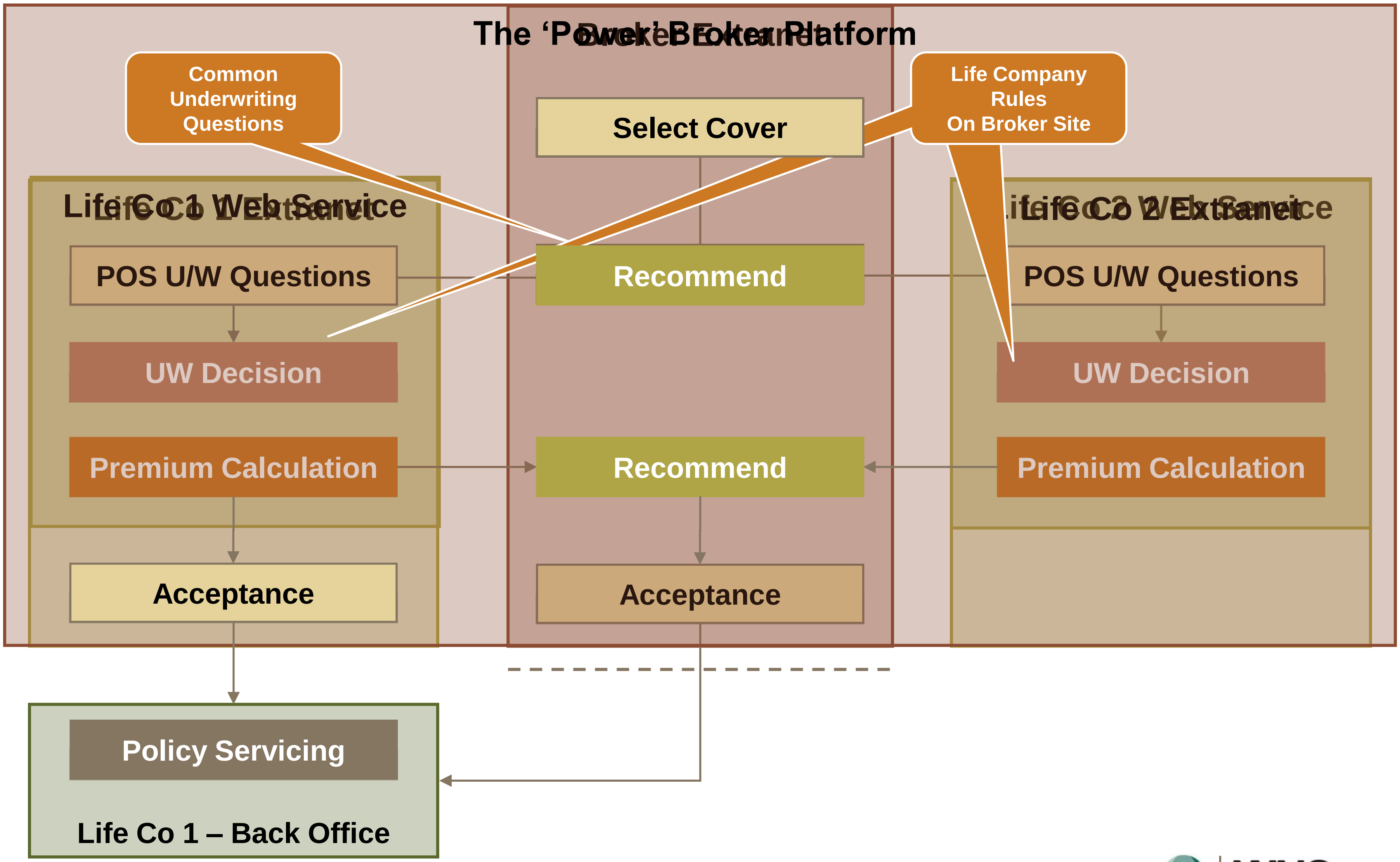
# Portals and Aggregators

# The ‘Call Centre’ IFA



# The ‘Power’ Brokers

# The ‘Power’ Broker



# 'Power Brokers' – Impact on Customer

Commodity Product

Fully Underwritten Quotes

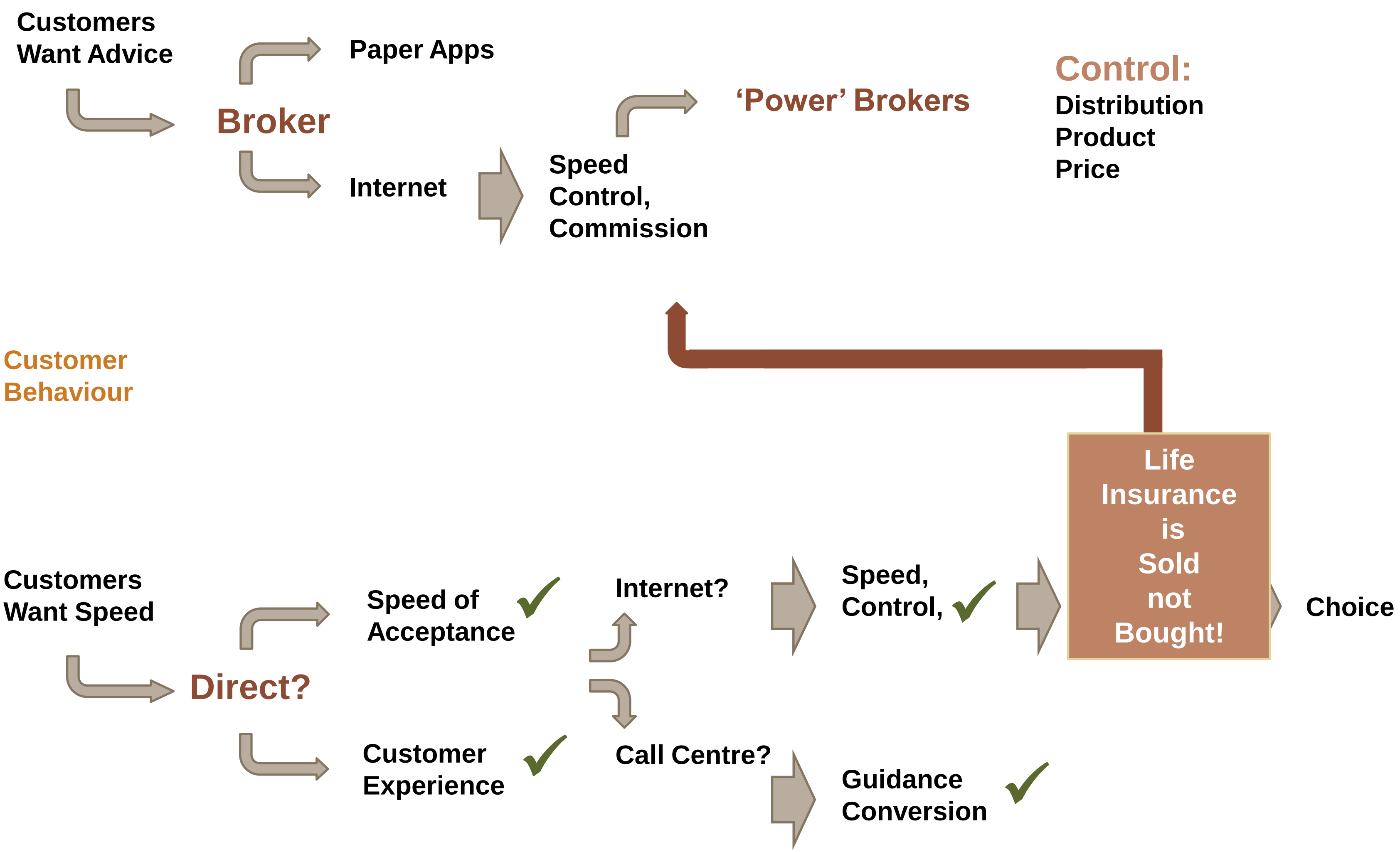
→

Best Price? ✓

1 Stop Shop ✓

⇒ **Good Customer Experience**

# The Distribution Journey



# Increasing Conversion

## Giving the Customer Choice

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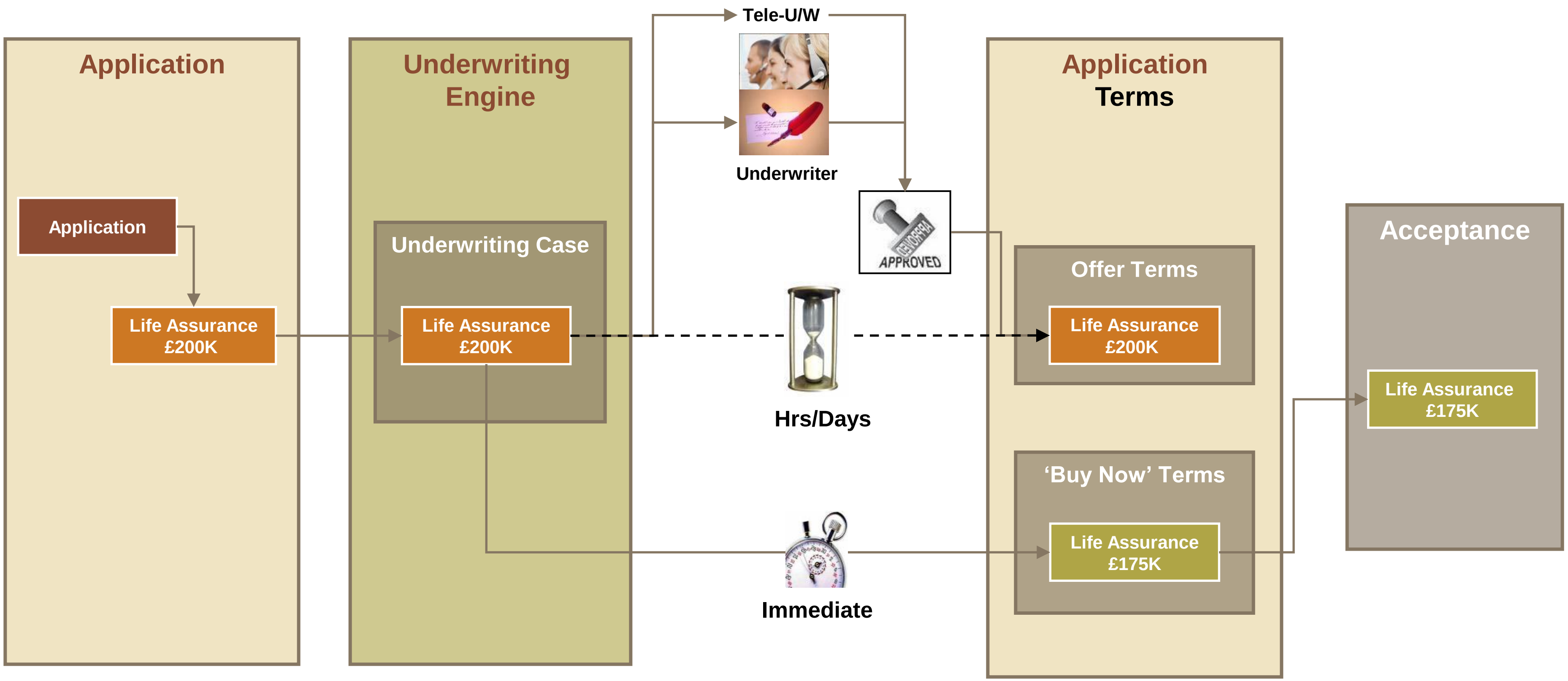
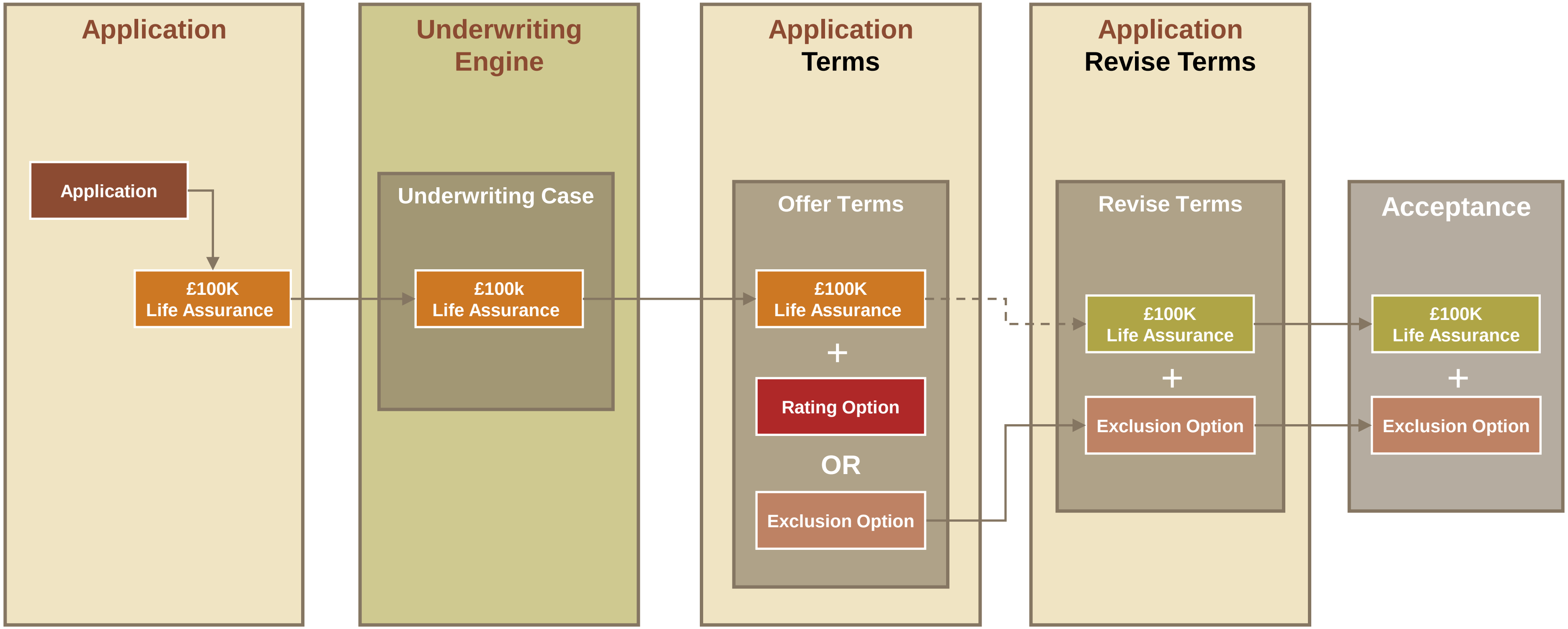
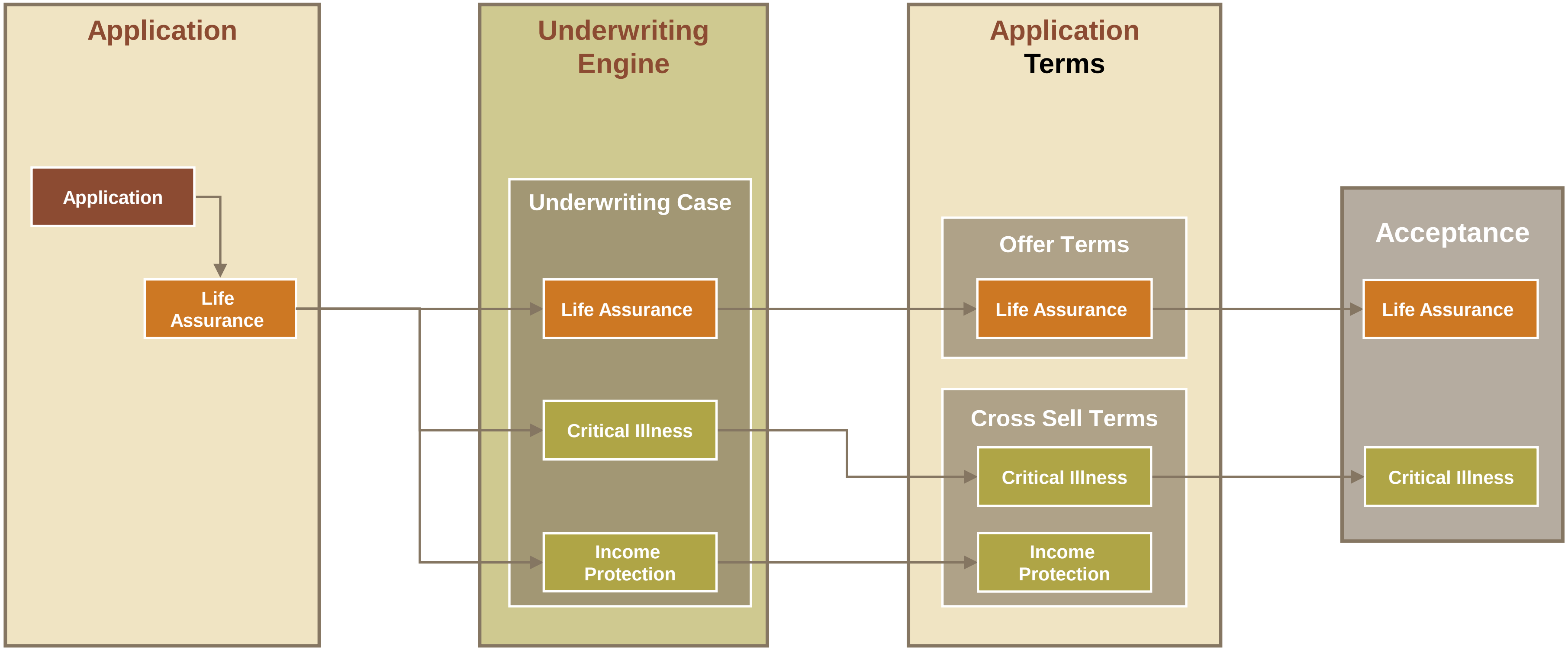
# Customer Choice – ‘Buy Now’



# Customer Choice – 'Revise Terms'

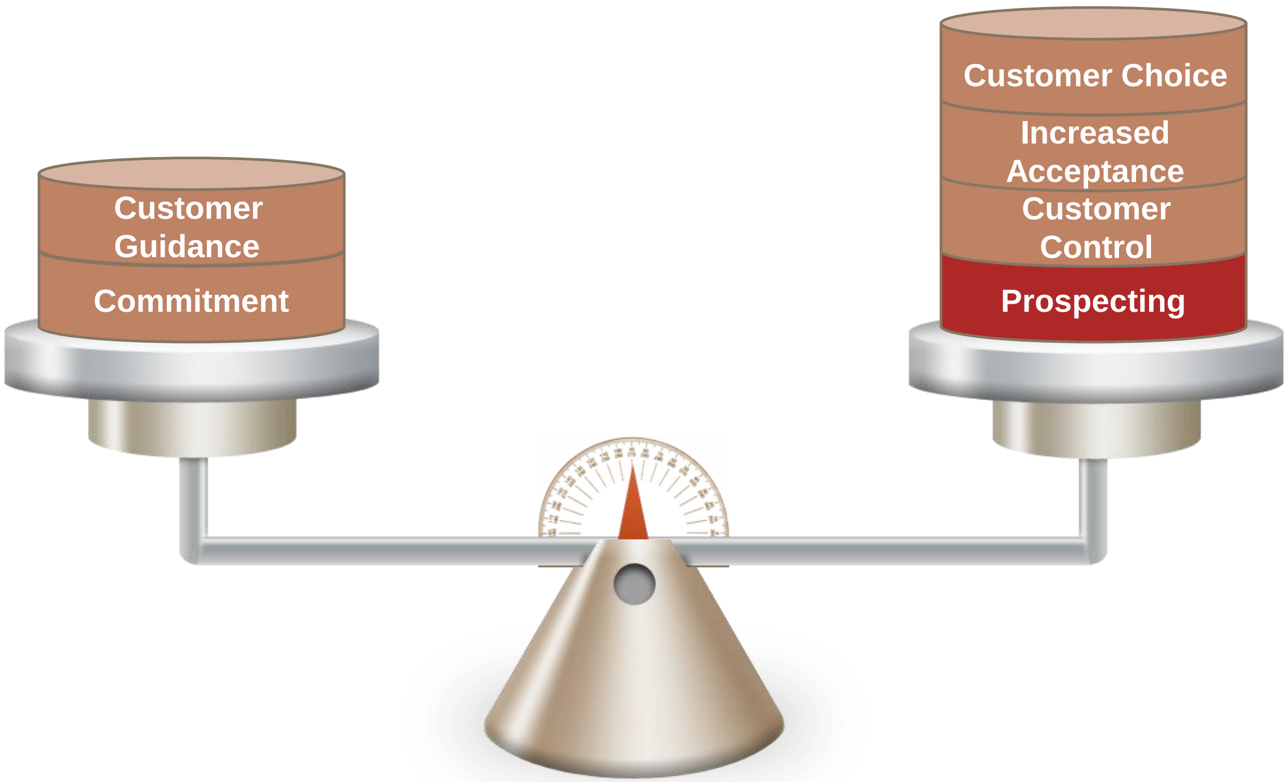


# Customer Choice – ‘Cross Selling’



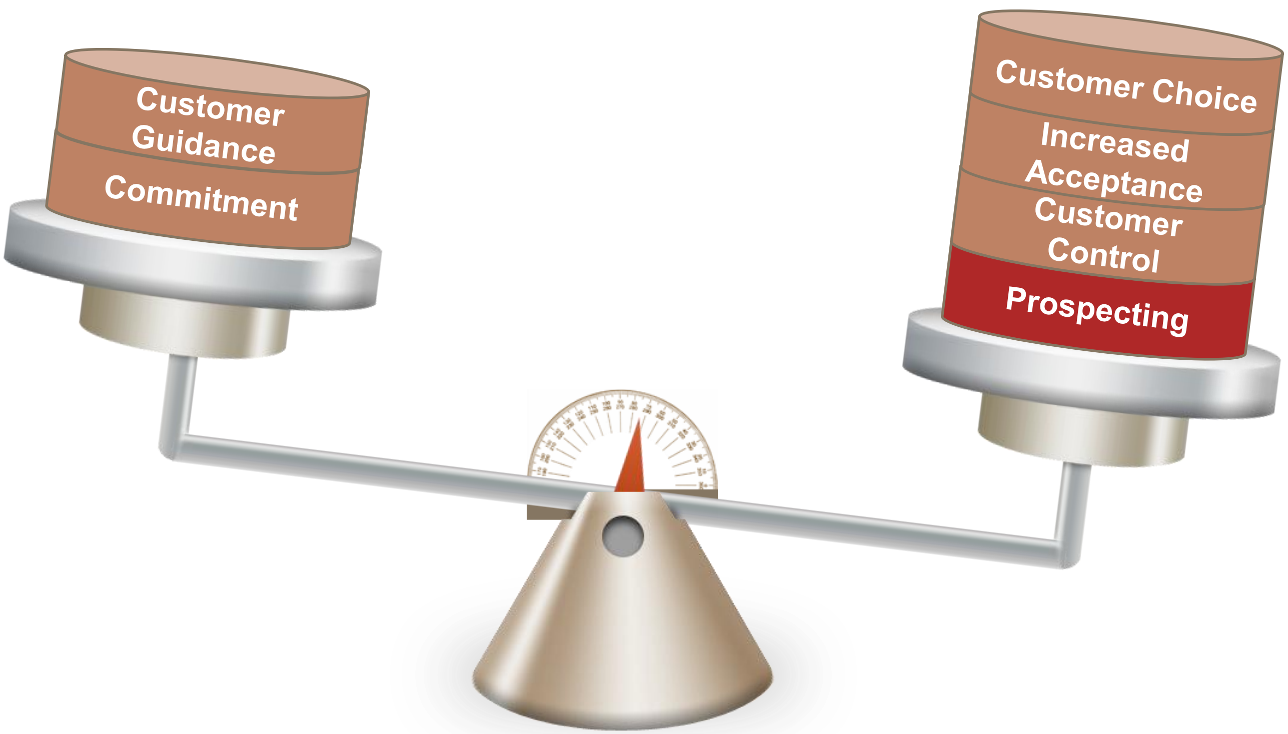
# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|



# Going Direct – Call Centre ‘v’ Internet (Cont’d)

| Call Centre | Internet |
|---|---|

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# The Distribution Journey

Customers
Want Advice

**Broker**

Paper Apps

Internet

Speed
Control,
Commission

'Power' Brokers

**Control:**
Distribution
Product
Price

**Customer Behaviour**

Customers
Want Speed

**Direct?**

Speed of Acceptance ✓

Customer Experience ✓

Internet?

Speed, Control, ✓

Conversion

Choice ✓

Call Centre?

Guidance Conversion ✓

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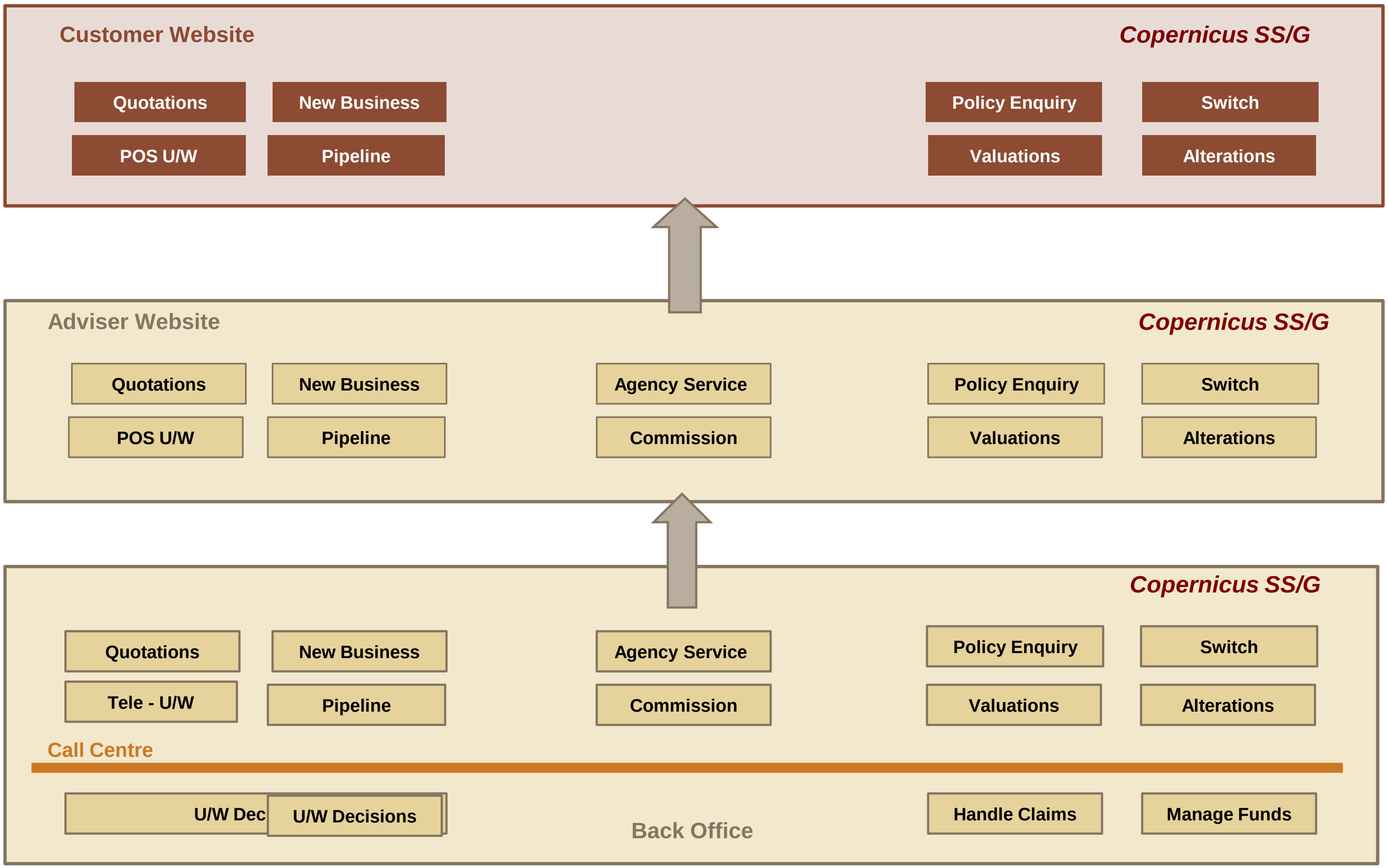
# Our Beliefs

# Our Beliefs – 'Self Service' Evolution



# Our Beliefs - Business in Control

## Control of Product

- **Product Design**
- **Products Launch**
- **Re-pricing**

## Control of Process

- **Deployment**
- **Processing**
- **Underwriting Approach**

## Control of Proposition

- **Access to distribution**
- **Accommodating Business Partners**

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# Discussion Points

# Handling Impaired Lives

**So if…**

- **>65% immediate**
- **15% within minutes**
- **What to do with the remaining 20%?**
  - **Decline**
  - **Defer**
  - **Go for Evidence?**
  - **Refer case on**

# Offering Revised Terms

## Disclosing Rating Decisions

## Offering Exclusions on Life Business

# The Impact of The ‘Power Brokers’

- **Distributors will Dictate**
  - **The Customer Journey ?**
  - **Products ?**
  - **Price ?**
- **Product Providers will Control**
  - **Risk Assessment ?**

# Conversion of Internet Business

- **But Life Insurance is ‘Sold’ not ‘Bought’**

**8 times more likely to write business through the call centre**

- **How do we increase ‘Conversion’ through the internet?**
  - **Electronic Advice?**
  - **Improve Choice?**
  - **Assisted Sales?**
  - **Brand Loyalty?**
  - **Fully Underwritten Quotes?**
  - **Innovative Products**

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