

The Actuarial Profession
making financial sense of the future

Highlights of Life Conference 2011
Jules Constantinou

Why do we undersell our products ?

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Where did it all go wrong?



“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



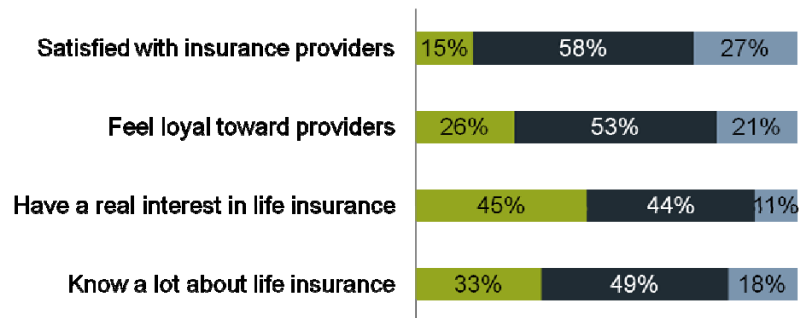
tap
water
is, on
average,
500 times
cheaper than
bottled water.*
**boycott the
bottle.**



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

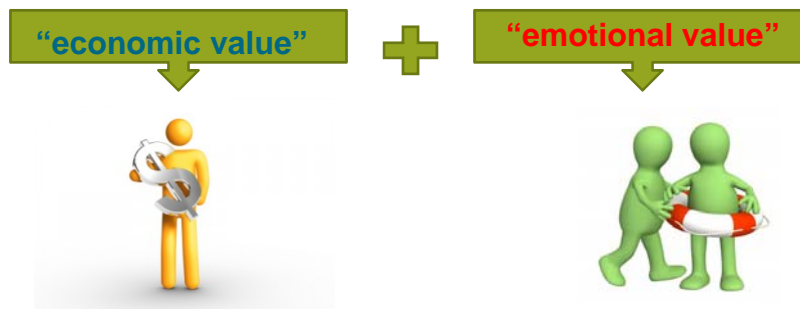
Attitudes about life insurance	Gen Y b.1981-86	Gen X b.1965-80	Boomers b.1946-64
Most people need life insurance – agree	63%	75%	73%
Life insurance is the best protection – agree	60%	71%	71%



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

Value

- 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



The Economic Value of Insurance

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



The Economic Value of Insurance

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



HUGE WIN!

The Economic Value of Insurance

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



BIG WIN!

The Economic Value of Insurance

- Die age 45
- Present Value of premiums £ 4,691
- Present Value of claim £ 337,782



Back to a BIG WIN again

What did we do?



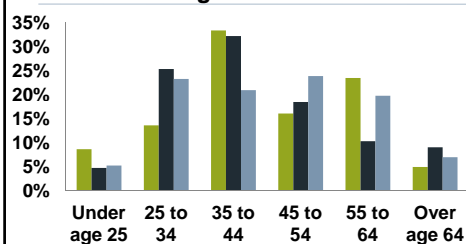
Gen Re Consumer Survey

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

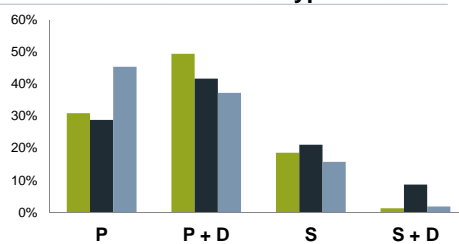


Demographic

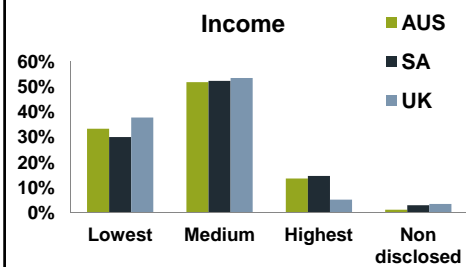
Age Profile



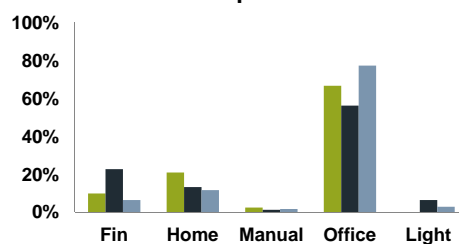
Household Type



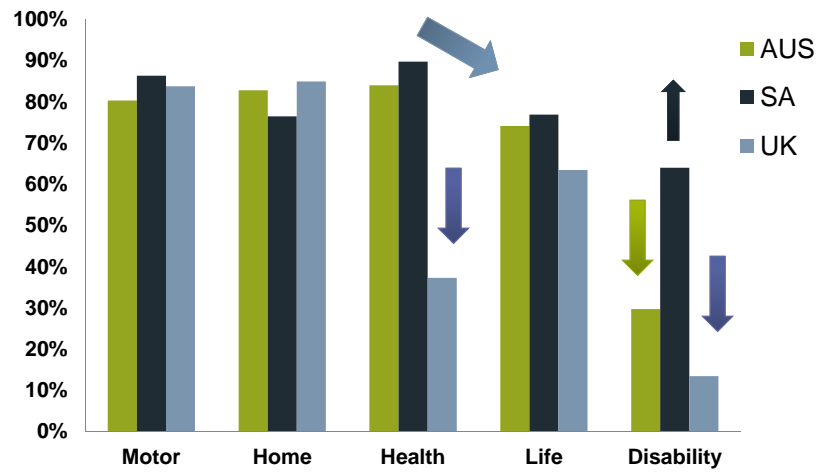
Income



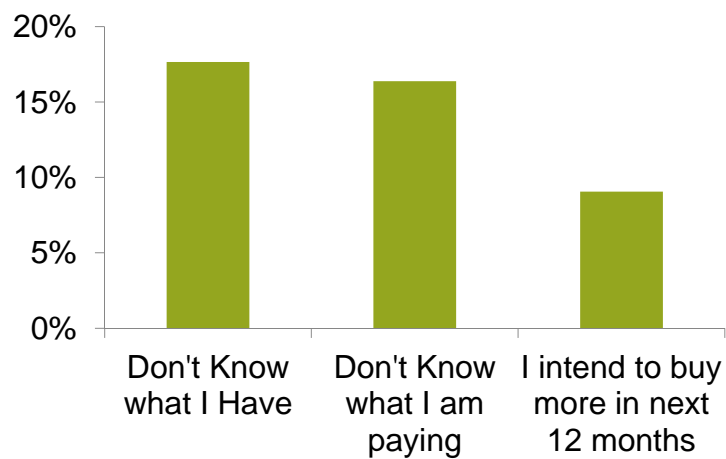
Occupation



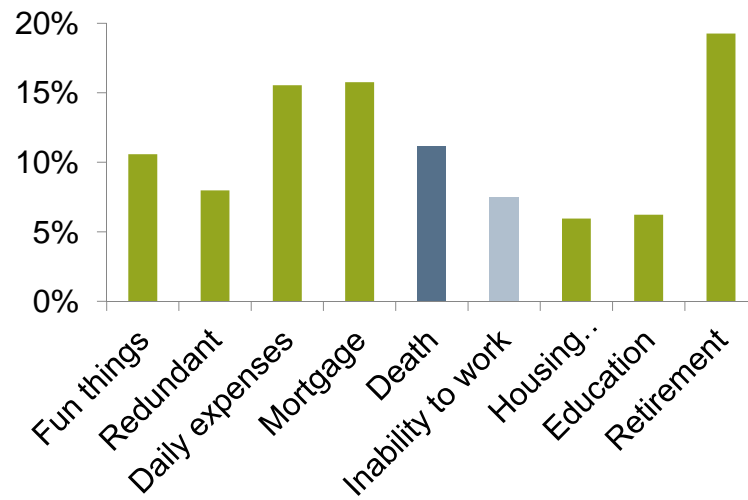
What insurance do you have?



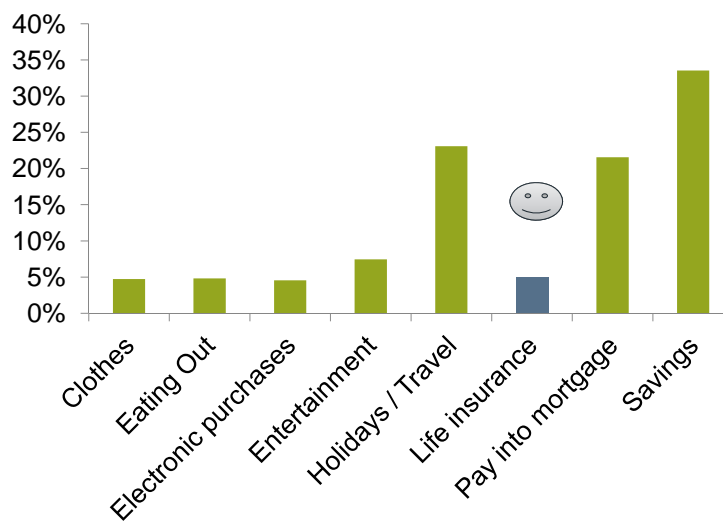
Do you know how much insurance you have?



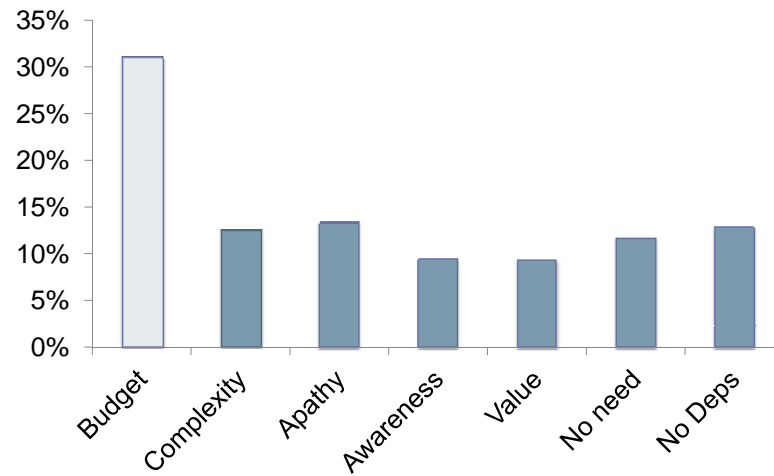
Top Financial Concerns



Where would you spend extra disposable income?



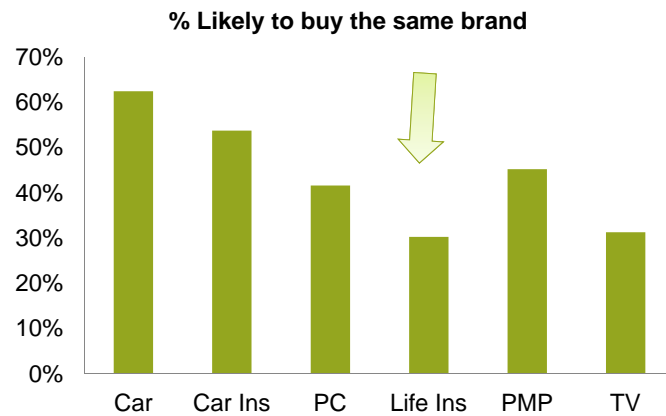
Reasons not to buy insurance



Products

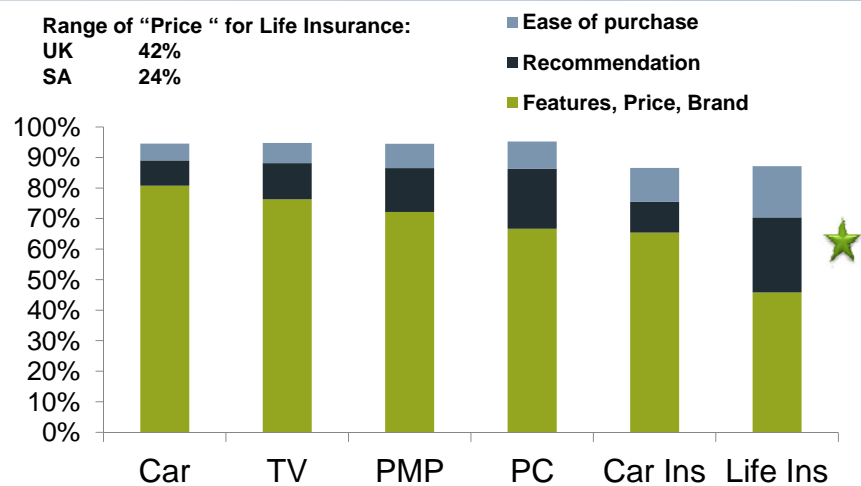


Brand Loyalty

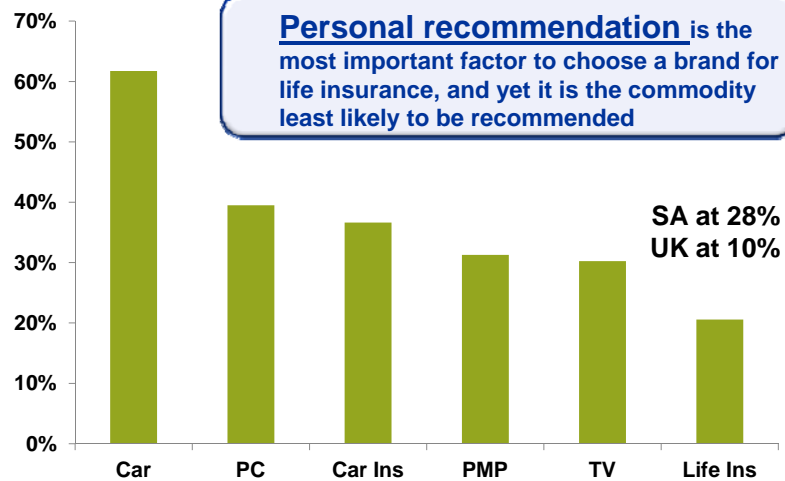


In SA the brand loyalty for life Insurance is 38%

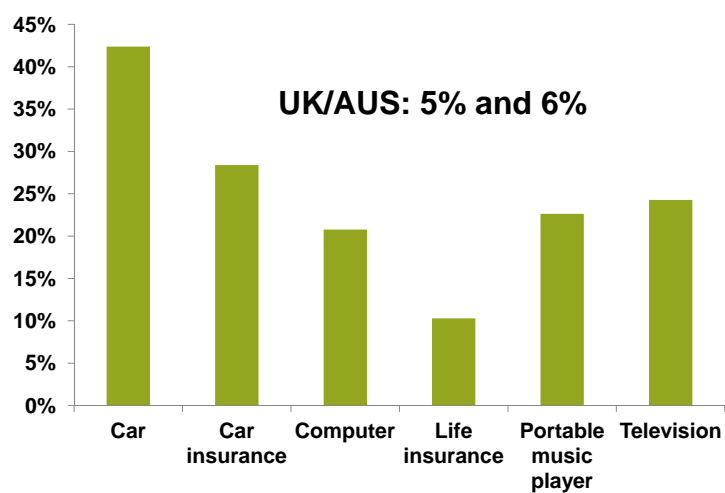
Brand Choice



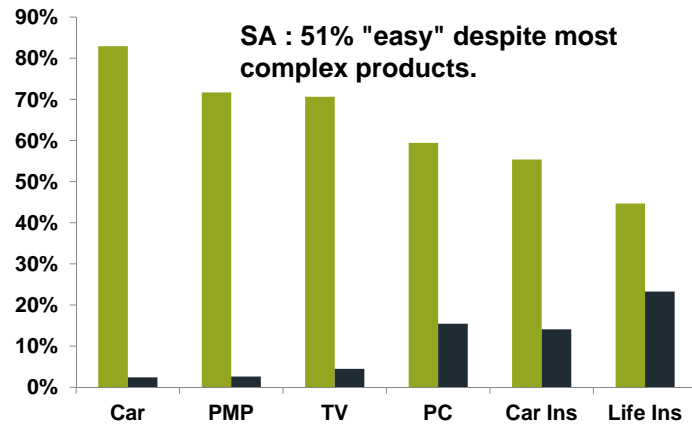
Likely to recommend a brand



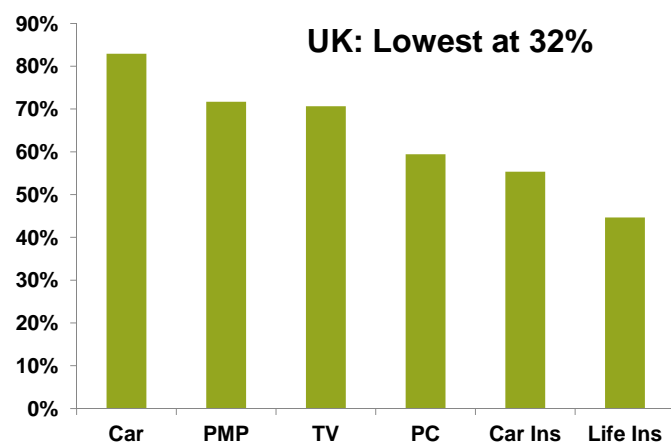
Effectiveness of advertising - Effective



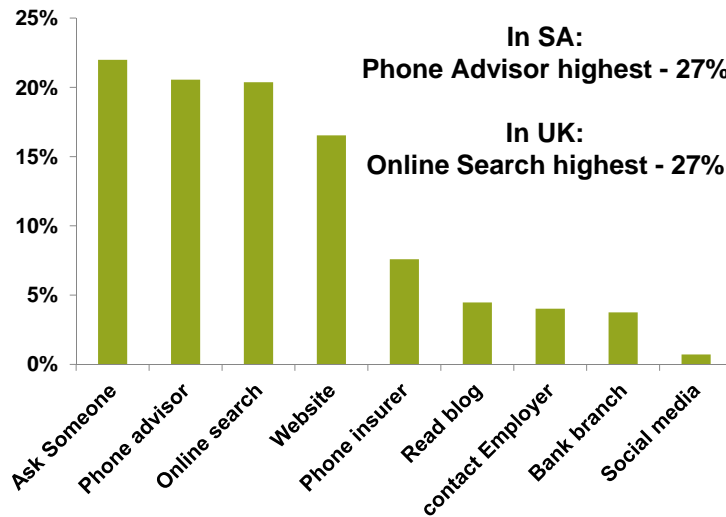
Understanding features - Easy



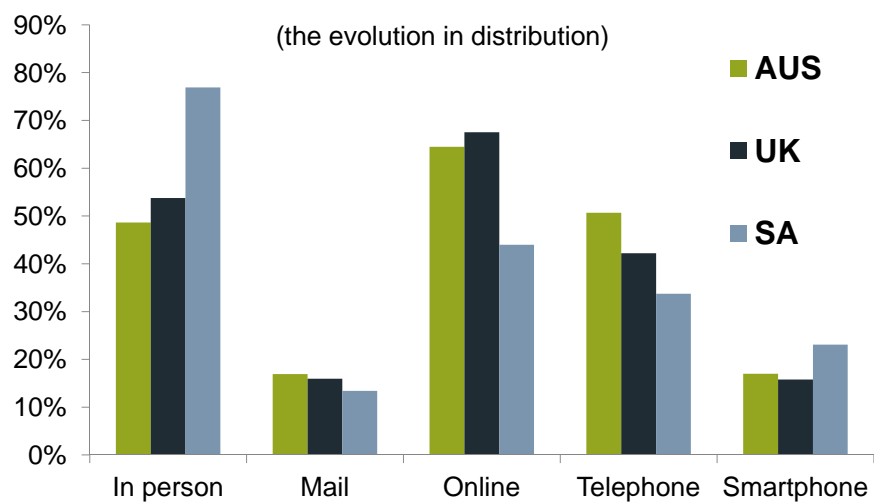
Ease of purchase - Easy



Where would you start if buying insurance?



How are you most likely to complete the transaction?



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

What should we do differently?

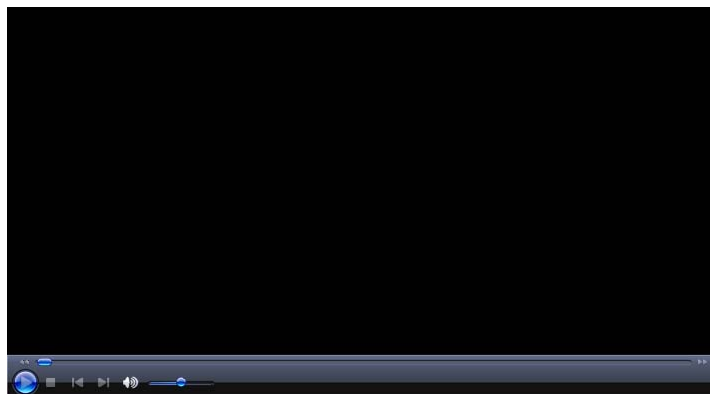
Work together to SELL the VALUE of insurance

- Pres
 - Make
 - Rem
 - Diffe
 - Ens
- UMER
way



The Emotional value of Insurance

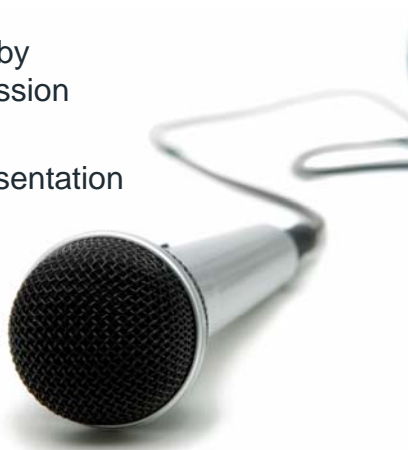
- We have to tap into the emotional side of insurance....



Questions or comments?

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.



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