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SCOR ReMark

Understanding the Customer

Dublin, 19 November 2015

Mandy Luo, FSA

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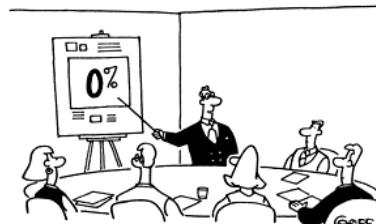
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Drivers of change – consumer behaviour

Ease of product research, finding alternatives, getting advice



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"Our study concludes that this is the percentage of our customers who will buy from us without any effort whatsoever on our part."



Customer influence, speed of communication

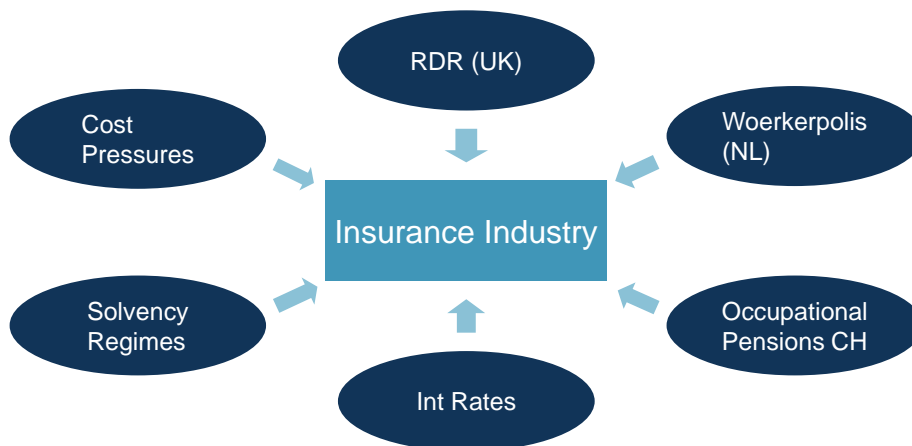
Channel choice

<http://paratureprod.blob.core.windows.net/wp-uploads/2014/01/SocialCustomerPower.jpg>

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2

Drivers of change – regulatory and economic

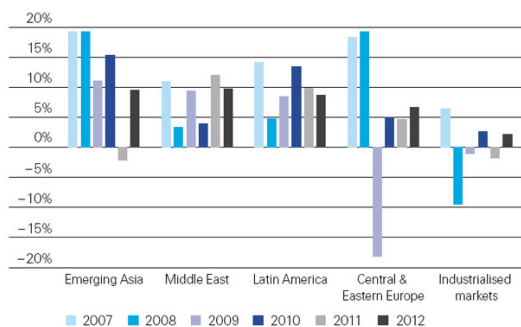


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3

Development of Life Premiums

Life insurance premium real growth rate, 2007 - 2012, by region

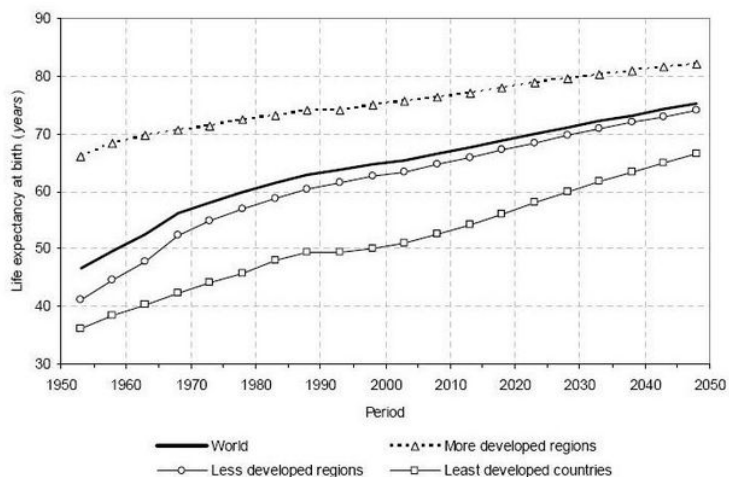


Source: Swiss Re Economic Research & Consulting.

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4

Development of need factors



http://a.static.trunity.net/files/118301_118400/118327/620px-Figure_3_life_expectancy_at_birth.JPG

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5



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Through the Looking Glass

Mandy Luo (FSA)

Chief Actuary ReMark International



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ReMark 2015 Global Consumer Study

Customer centricity is easier to say than do.



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Flash back on 2014 GCS report – ‘Say no to maturity’

We challenged the industry not to write off growth opportunities in developed markets.

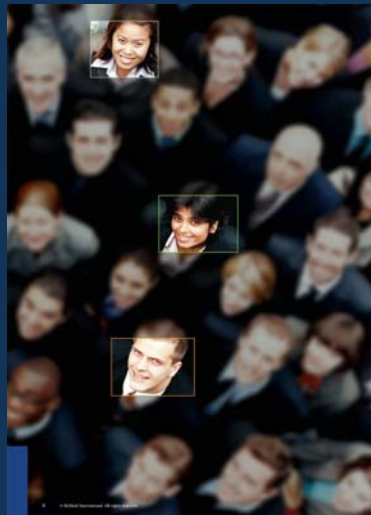


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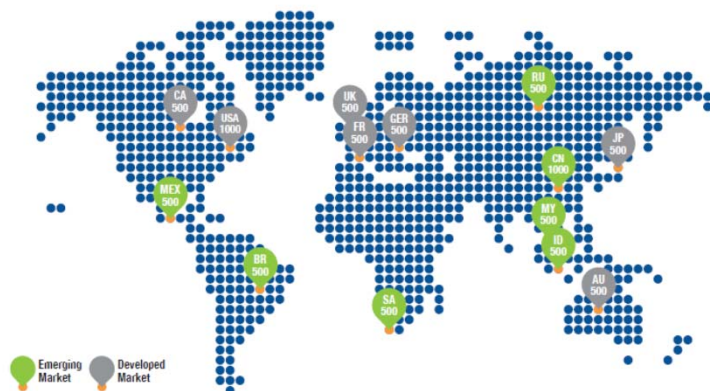
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This year, we challenge the industry to rethink the conventional understanding of advisory channel or brand through the eyes of its customers



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Breakdown of 2015 customer survey sample



- Consumer interviews across 14 key life insurance markets
- Covers representative set of demographic and socio-economic parameters
- The 14 markets account for c.a. 80% global GDP and 85% global life insurance risk premiums.

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10



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Key Themes

1. Advice or Guidance
2. Bundling or Bungling
3. Brand
4. Analytics

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Key finding 1: advice or guidance?

Our study suggests that the complexity and intangibility of insurance

products means customers are placing greater emphasis on how they receive

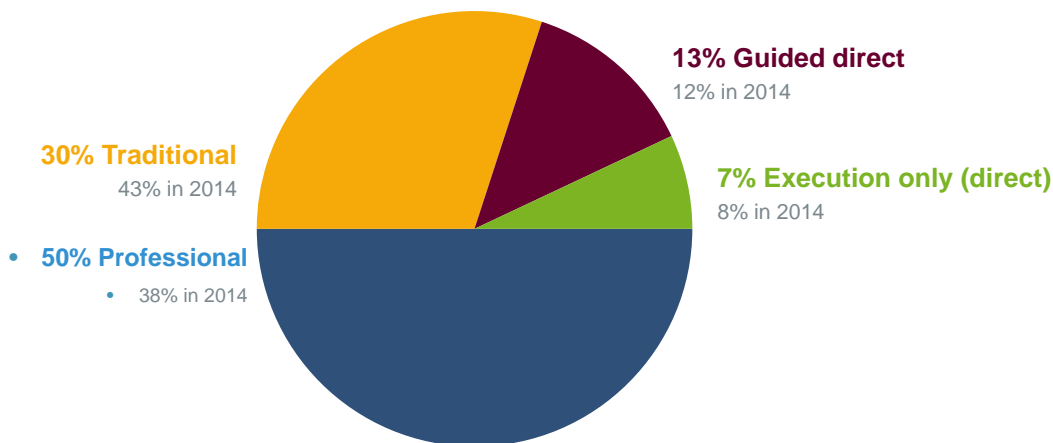
advice (channel), the nature of advice and the credibility of that advice.



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12

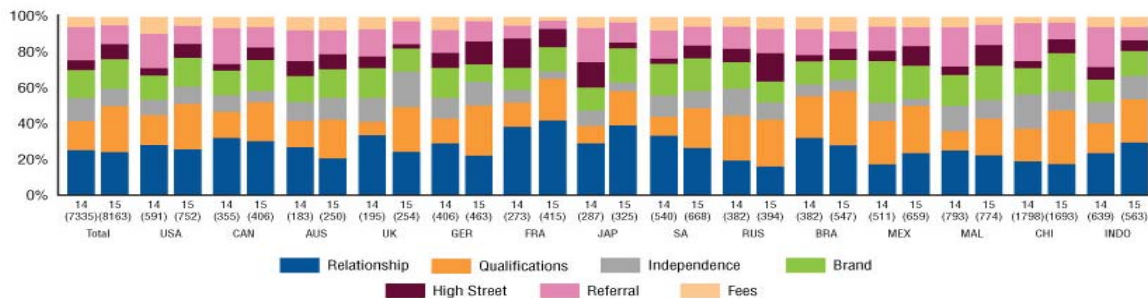
Increasing number of customers seek professional advisers



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13

Qualifications is increasingly cited for adviser selection

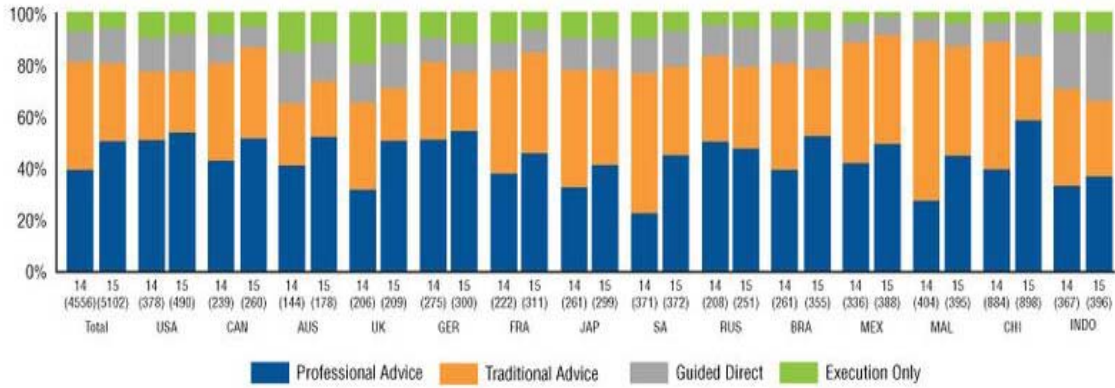


Note: % ranked first for each factor by region
Q18A. What are the reasons why you chose your existing adviser? You can select more than one. Sample size in brackets.

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14

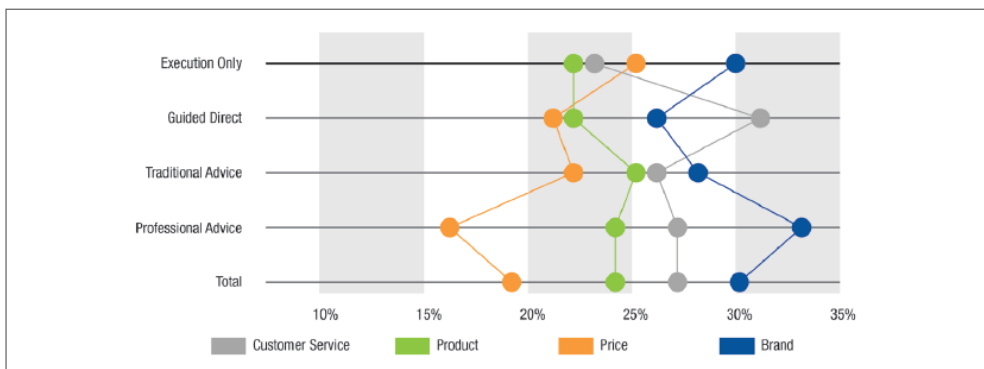
Customer's purchase channel segmentation



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15

Providers - What are important for the customer?



Note: % ranked first for each factor for developed (Dev) and emerging (EM) markets by customer channel segmentation. Please rank the following factors in terms of their importance to you when selecting a life insurance provider, where 1 is most important and 4 is least important. Again, even if you have never taken out life insurance, please consider what would be of importance to you if you were to look into it.

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16



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The industry is largely expecting the advisor to drive provider selection, but the focus need to be what the customers want to deliver proposition.

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Key finding 1: advice or guidance?

Our study suggests that the complexity and intangibility of insurance

products means customers are placing greater emphasis on how they receive

advice (channel), the nature of advice and the credibility of that advice.



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18

Product bundling: protection and savings

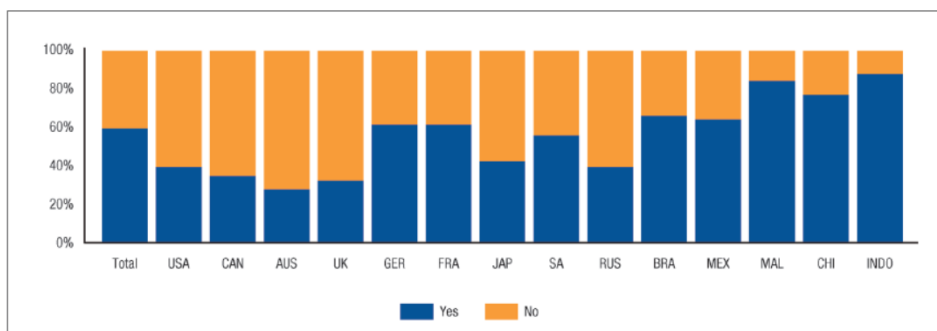
60% of customers who have a life insurance policy, also have an in-force policy including a savings or investment component



But relevant to mass market everywhere

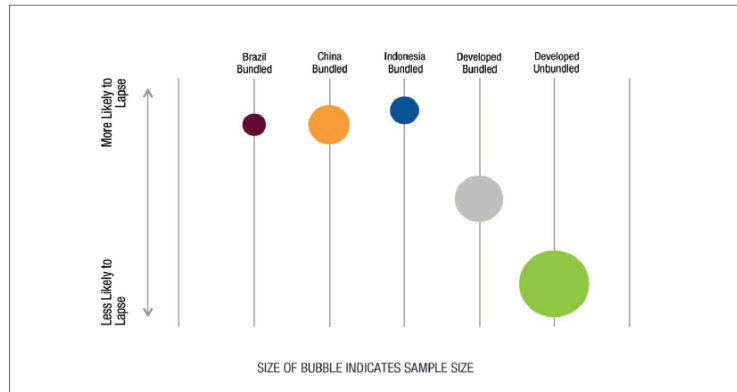
Most common in Asia, emerging markets & Continental Europe

Most customers understand they are purchasing life insurance with investment elements



Note: % of life insurance customers with product type.
Do any of your life insurance policies also contain a savings or investment plan?

However, they remain unconvinced of the deal they are getting from the product provider



Note: % respondents for each response by country, region and product type (bundled versus unbundled).
Do any of your life insurance policies also contain a savings or investment plan? Which of the following features are included in this life insurance policy? For each policy please state how likely you are to cancel it within the next five years.

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21



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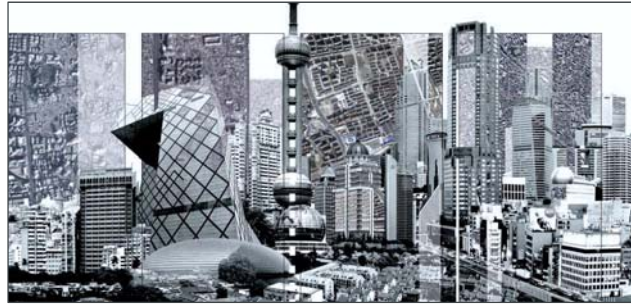
Implications: solutions focused on the customer

- Focus on or measure customer perceptions on value and effectively link these customer insights to proposition innovation
- Effectively collect and use management information on their customers, especially for intermediated sales
- Establish a systematic customer engagement strategy which considers lifetime value and changing customer needs

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Key finding 3: brand – promise or promiscuity?

Disruptive changes are required in how we treat the brand within the context of social media and smart technology



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One-way broadcasting no longer valid in the environment of Web 2.0

Recipients of brand promotions are also creators of brand image thanks to social media

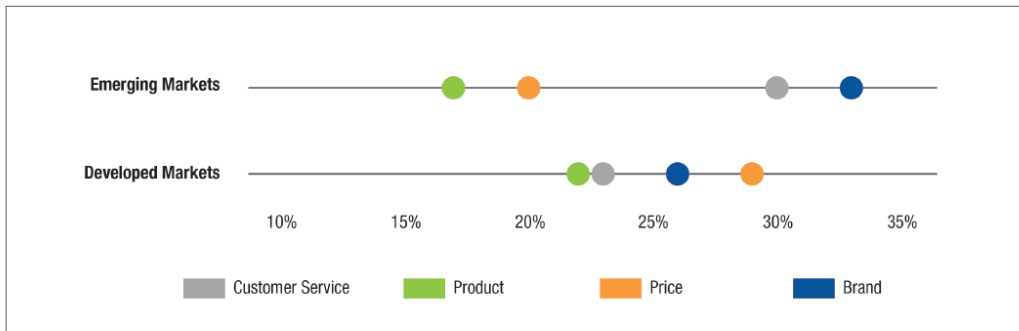
Regulatory environment provides customers with a false sense of security – more consideration of price and proposition at cost of brand impression

Aggregators have actively commoditised insurance products

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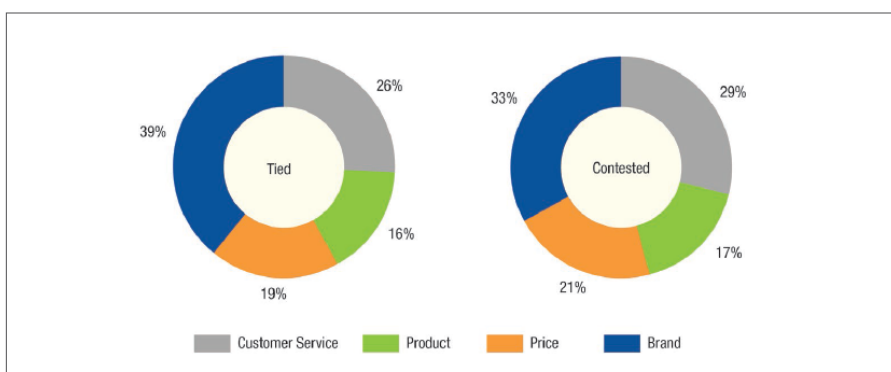
24

Brands matter to customers, but more so in emerging markets



Note: % ranked first for each factor by region.
 Please rank the following factors in terms of their importance to you when selecting a life insurance provider, where 1 is most important and 4 is least important. Again, even if you have never taken out life insurance, please consider what would be of importance to you if you were to look into it.

Brands seem to matter more for Tied Agency



Note: % ranked first of tied agency and contested / IFA channels for each factor for emerging markets.
 Please rank the following factors in terms of their importance to you when selecting a life insurance provider, where 1 is most important and 4 is least important. Again, even if you have never taken out life insurance, please consider what would be of importance to you if you were to look into it. Which one of the following channels did you mainly use to actually arrange this product? (Tied and contested channels only).

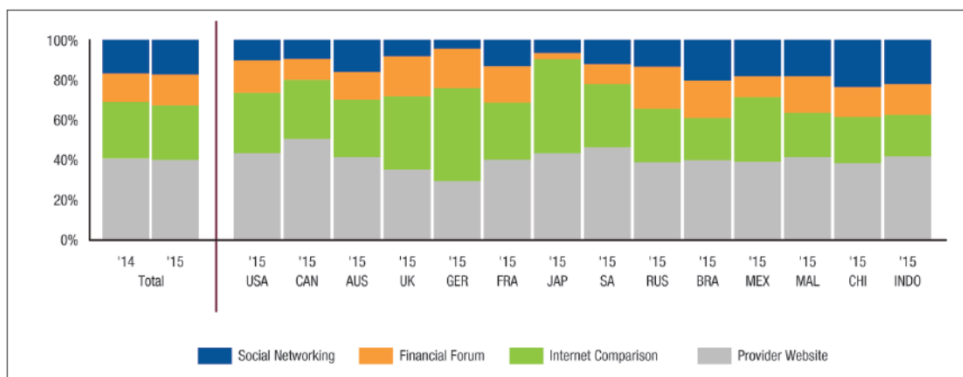
The effect of digital disruption



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How customers do their homework



Note: % ranked first for each factor by region, year on year.
 What sources of information, if any, did you use before you took out this product?

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Implications:

Effective brand promotion creates both a positive customer experience and high engagement from sales through to service and claims

This requires dynamic data processing ability and customer engagement

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Key finding 4: analytics – symphony versus noise?

A move away from high quantity data to smart relevant data is crucial for a meaningful customer experience



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30

Life industry is picking up on analytics and innovation as well

Latest technology and the move to cloud based propositions offer smaller insurers and new entrants access to affordable first class systems.

Furthermore, the ability to append external data (e.g. prescriptions, blood tests) is transforming middle market life insurance propositions in the US.



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31

Underwriting and claims automation



There has been significant innovation in underwriting and claims processes over the past decade.

Around the world tele-underwriting services and auto-underwriting engines

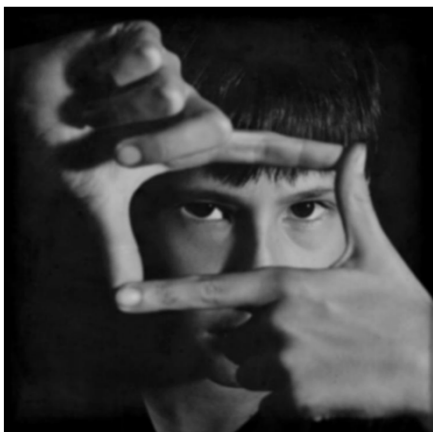
are helping to enhance adviser value propositions, improve disclosure,

drive down industry costs and ultimately improve customer pricing.

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32

But have they been focusing on the customer?



Most innovations have originated from a focus on insurer/reinsurer underwriting and claims results, anti-selection risk management or on adviser demand

Studies show that the % of positive customer experience in insurance has actually decreased (2013-2014 Capgemini study).

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33



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Implications:

A customer centric approach to data with leaner and simpler structures

Analytics should also aim to improving customer experience.

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In Summary

1. Advisory Channel

Customers place a great deal of importance on advice, though not where we think

2. Bundling Products

Customers do buy bundled products, though are not necessarily convinced they provide the best value

3. Brand Impact

Disruptive changes are required in how we treat the Brand within the context of social media and smart technology

4. Analytics

A move away from high quantity data to smart relevant data is crucial for a superior and meaningful customer experience

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35



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Understanding the Customer – the challenge for actuaries

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Some thoughts on opportunities for applying enhanced understanding of the customer



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Sales, Marketing, and Distribution



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38

Products

Guarantees	<ul style="list-style-type: none"> • How long? Valued? • Will we “forget” the lessons of the crisis?
Social Policy	<ul style="list-style-type: none"> • Taxation (NL, US) • Risk pools & fairness
Competency	<ul style="list-style-type: none"> • Long-term focus • Build, buy, or cooperate for other skills?
Rethinking “Product”	<ul style="list-style-type: none"> • Advice? • Outcomes?

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39

Inforce management

- Significant activity already and growing fast
- How much inforce management is focused on the customer and how much is focused on the company?
- Better understanding of customer attitudes, needs, and desires can lead to
 - Improved identification of risk segments?
 - Increased opportunities to provide less capital intensive and more valued product alternatives
 - Clearer understanding of lapse drivers

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Capital and customer behaviour

Impact of lapse on capital through sensitivities and shock lapse scenarios a challenge for many companies.

Some reinsurers are investigating capital relief through quantification and risk transfer

Can lapse risk be diversified with other counter-parties?

Regulatory stability should help development of solutions

Can we identify drivers and find an opportunity for swaps?

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41

Risk Management

- How exposed are we really to customer's behaviors – looking beyond static sensitivities
- How well do we engage with customers? Are we resilient if something goes wrong?
- Strategic risk – if the old business model is on the way out, what's next?

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42

Insurance strategy and the role of the actuary

Strategic questions

- Imperative for transparency
- Can we differentiate on trust?
- Long time frames give us advantages and provide a barrier to change - inforce

Challenges for actuaries

- Demand and diffusion
- Competition from other professions
- Value beyond the numbers

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43

Questions

Comments

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44