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Consumer Risk Metrics Working Party

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Agenda

- Working Party Mandate
- Consumer Risk
- Consumer Risk YouGov Survey analysis
- Survey limitations
- Working Party conclusions





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Consumer Risk Metrics Working Party: Objective

The Consumer Risk Metrics Working Party is established to study and provide recommendations to the IFOA on the measurement of insurance customer risk. The objective as defined by the working party is:

To promote thought on matters relating to risks faced by insurance consumers (“policyholders”) – an effective communication of consumer risk metrics.



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Working party members

Chair: Jane Hitchcox (XL Catlin)

Deputy Chair: Annie Tay (LCCG)

Lewis Fogden (Scottish Widows)

Nicola Foote (Retired)

Russell Beaumont (Consultant),

Rob Gallagher (Consultant),

Ashara Peiris (Government Actuary's Department)

Ibitoru Lilley (Legal and General)

Rami Reslan

Kikeleemo Walker (Consultant)



Consumer Risk Metrics Research Scope

This scope of the research in this phase includes the following:

- **Objective 1:** the identification and understanding of **key consumer risks/concerns**;
- **Objective 2:** Highlight practical considerations of customer risk metrics which, allows the **consumer to make an informed choice**



Consumer Risk Taxonomy

We can consider customer risks being categorised into three groups:

- A. Risk of Claim not being paid on Event; a binary/discrete
- B. Risk of Claim Amount uncertain: a distribution
- C. Claim incidence/occurrence Risk: a discrete or continuum

The research focuses on A and B as these are insurance product risks for consumers.

While C is a key risk for insurance companies (e.g. personal loss /longevity risk), from individual customers perspective, it is the risk which the product aims to mitigate, or an issue/decision rather than a risk.

For information: The Working Group created definitions and some Statistical Analysis of Metrics which are contained in the 2016 Life Conference Slides (A5) and are not covered here further.



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The Working Party Hypothesis

- **H1: PEACE OF MIND is a policyholders' main concern**
 - Policyholders are mainly concerned about not getting assurance /peace of mind from their insurance policy

Objective 1

- **H2: ANTICIPATION OF NEEDS and added value is a critical driver**
 - Policyholders would like insurers to better anticipate their needs and provide value added services (partner rather than a payor, Big Data, AI)

- **H3: ADVISORS INFLUENCE AND PRICE DRIVE CONSIDERATION**
 - Policyholders are influenced by their insurance advisors (Life) and price (GI) - “insurance is sold not bought”

Objective 2

- **H4: KEEP IT SIMPLE**
 - Policyholders want simplicity in communication – keep it simple!



Consumer risk survey methodology

Methodology – questionnaire via a YouGov Omnibus survey. There were 3 releases of the survey to maximise potential respondents

Omnibus	Sample	Size each release	Frequency	Fieldwork time from sign off to results	Response to RFQ	Extra analysis turnaround
GB/ UK	GB adults 18+	2,000 nationally representative	Daily	Next working day	Within half a working day (aiming for 30 minutes/ 1 hour where possible)	Up to 1 working day for simple analysis, 1 to 2 days for more complex analysis

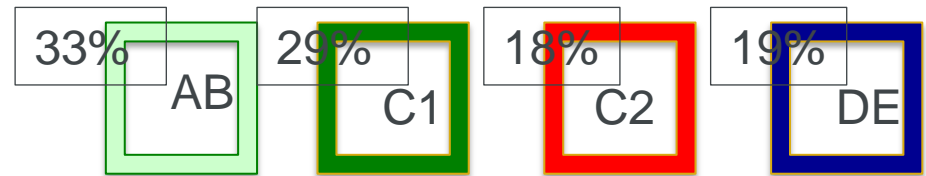
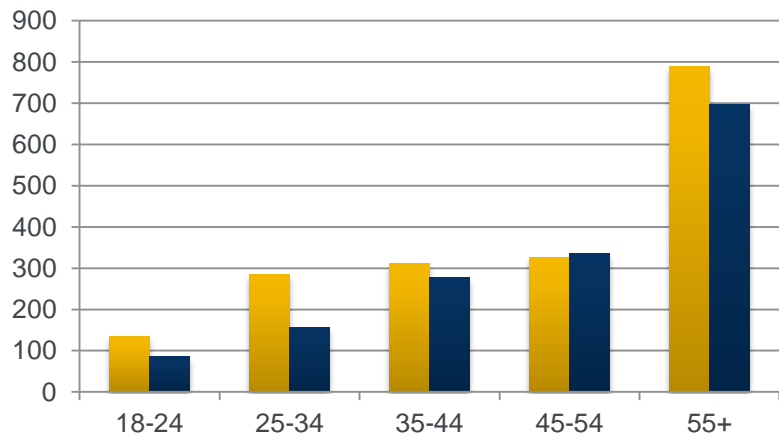
The survey is available via the following link: <https://g4-emea.yougov.com/v77fdMhxNtNm3d>



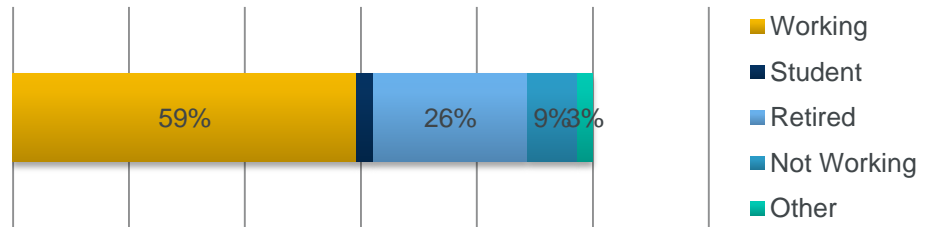
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2017 IFoA Insurance Customer Survey

Sampled 4181 British adults, studied **3393** who held an insurance policy,
534,144 data points.



■ Female
 ■ Male



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Validation

- **H1: PEACE OF MIND is a policyholders' main concern**

Policyholders are mainly concerned about not getting assurance /peace of mind from their insurance policy



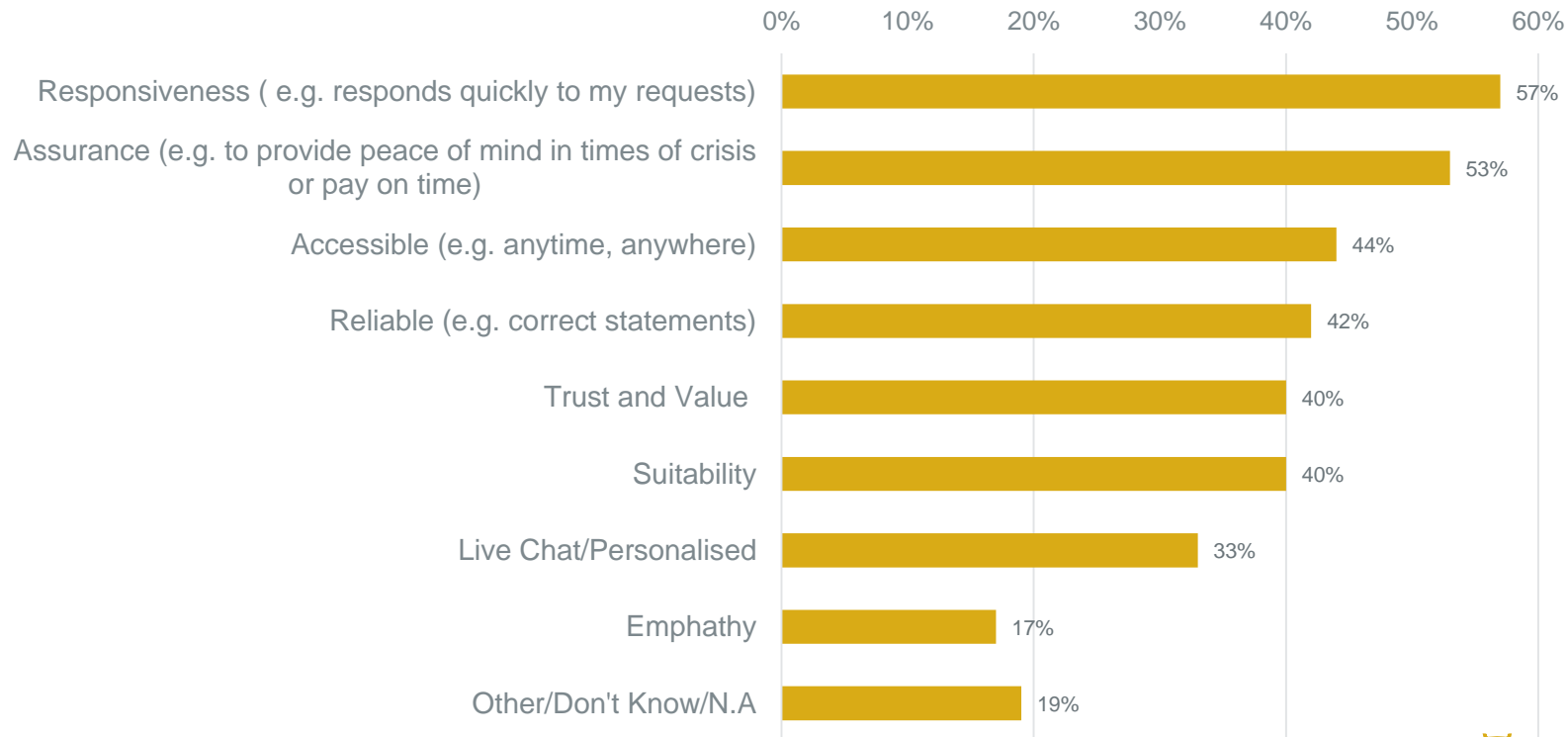
“ I rather you **RESPOND** to me swiftly to my request though giving me **ASSURANCE** is also important”



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Survey – A Policyholder’s Main Concern

VAC_Q2. For the following question, please think about all the insurance policies/ insurers that you deal with. Which, if any, of the following are key concerns for you? (Please select all that apply. If nothing in particular concerns you, please select the 'Not applicable' option)



Base: All GB adults who have an insurance policy (3393)



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Validation

- **H2: ANTICIPATION OF NEEDS** and added value is a **critical driver**

Policyholders would like insurers to better anticipate their needs and provide value added services (partner rather than a payor, Big Data, AI)



X

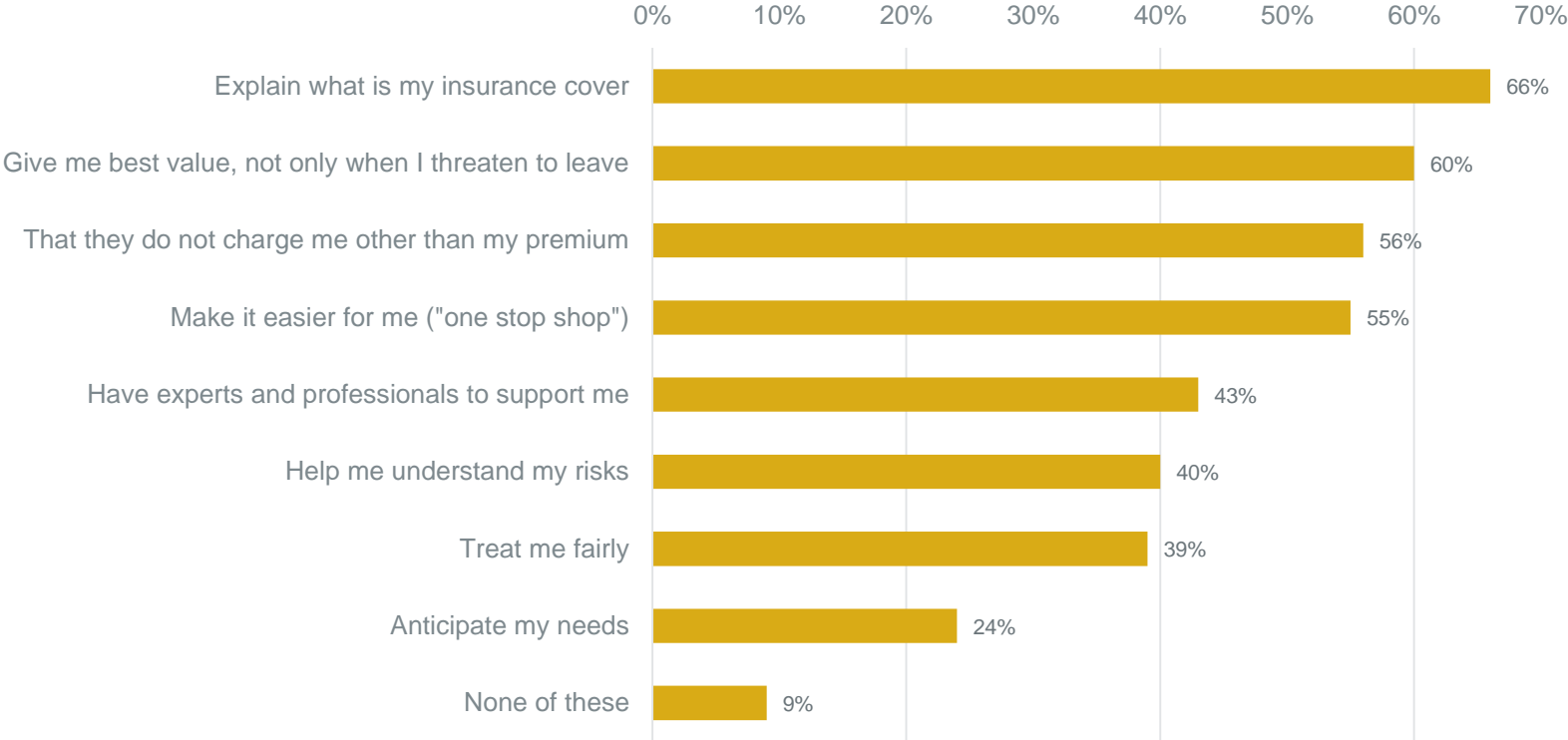
“ I rather you **HELP ME UNDERSTAND** what my insurance coverage is in the language I understand”



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Survey– What will drive better service for Policyholders

VAC_Q3. Still thinking about all your insurance policies/ insurers that you deal with... In general, which, if any, of the following would you like to see your insurer do? (Please select all that apply)



Base: All GB adults who have an insurance policy (3393)



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Validation

- **H3: ADVISORS INFLUENCE FOR LIFE INSURANCE**
- AND**
- **PRICE DRIVE FOR GI INSURANCE**

Policyholders are influenced by their insurance advisors (Life) and price (GI) - “insurance is sold not bought”



Life
X

GI

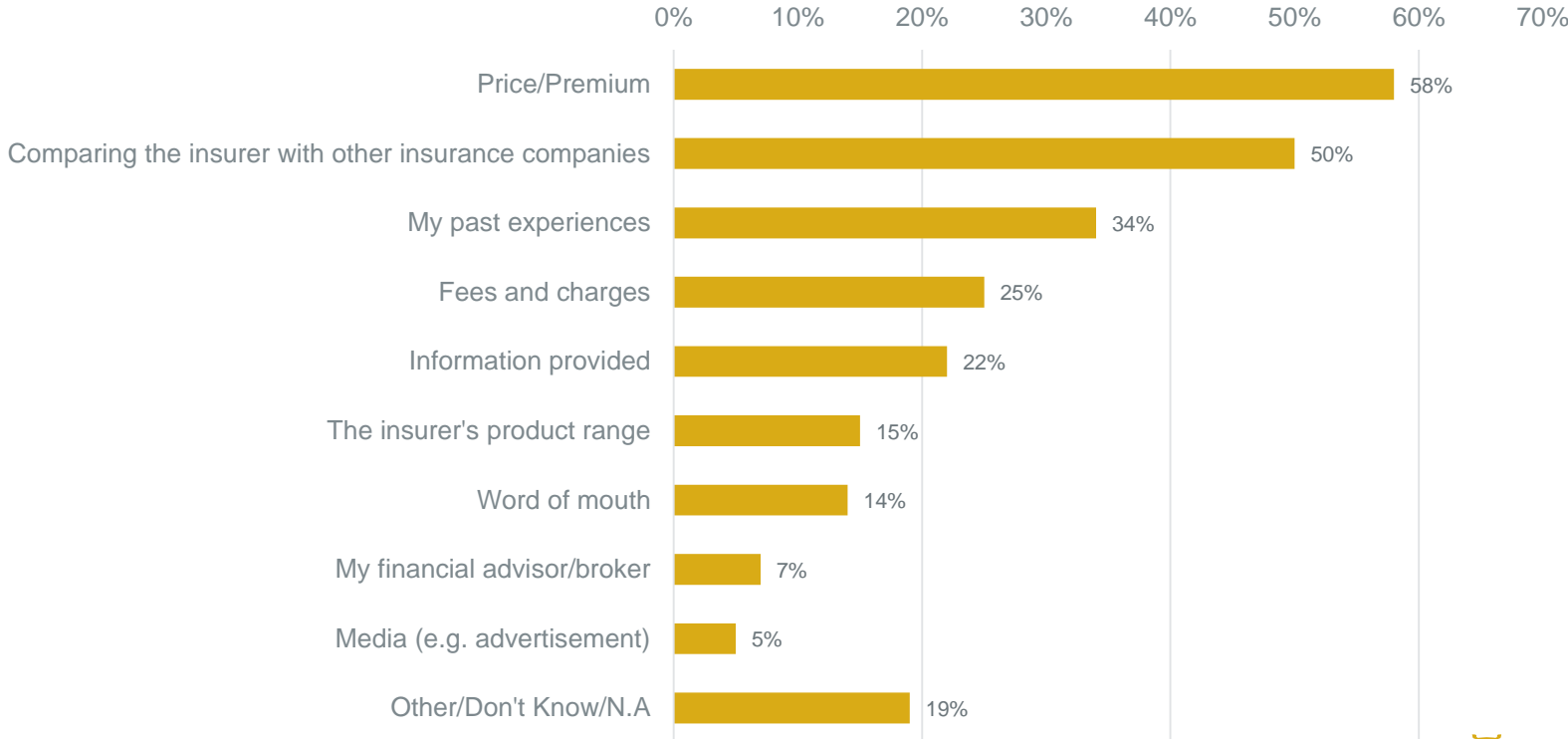
“ Price is the main determinant for my decision to go with that insurance policy” - Both for Life and GI



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Survey – What influences a Policyholder’s decision making?

VAC_Q4. Still thinking about all the insurers that you deal with... Which, if any, of the following have led you to select any insurance product you own from any insurer? (If nothing in particular led you to select any insurance product you own from any insurer, please select the 'Not applicable' option)



Base: All GB adults who have an insurance policy (3393)



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Validation

- **H4: KEEP IT SIMPLE**
- **Policyholders want simplicity in communication – keep it simple!**



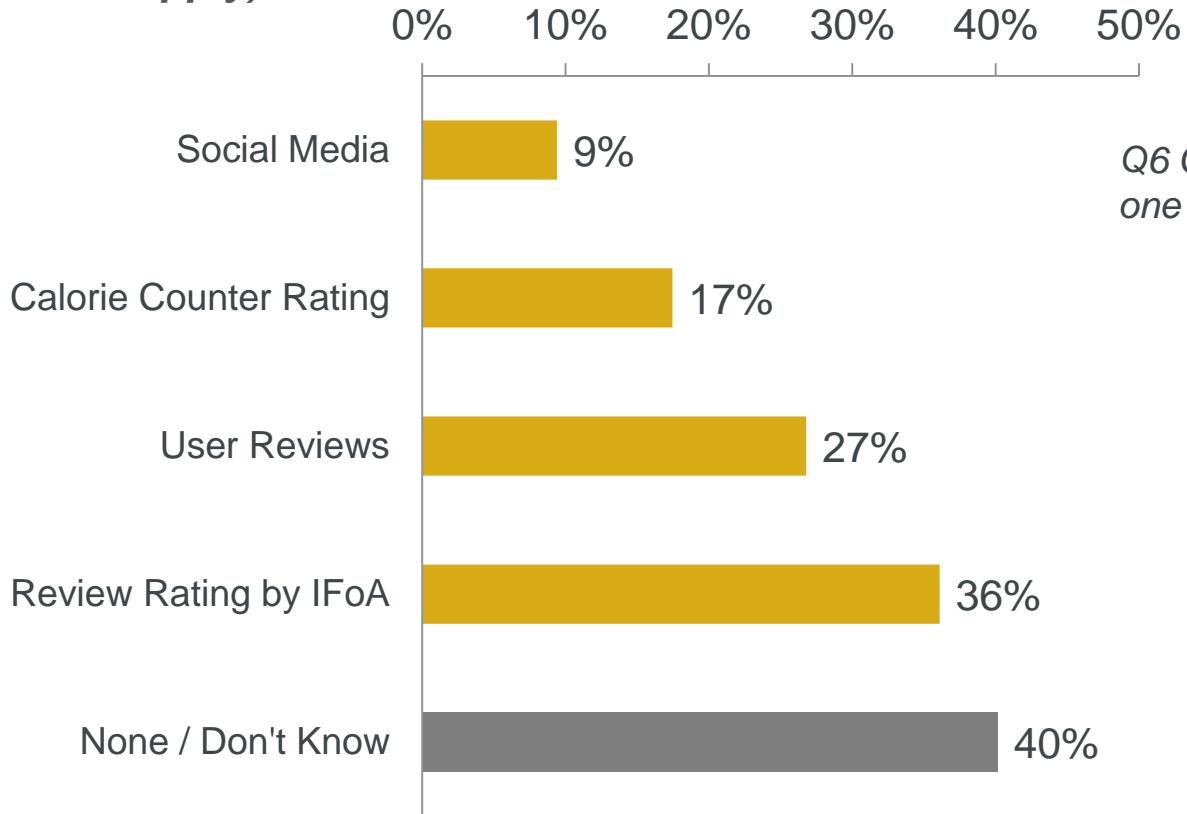
“ I want to read what an independent body/expert such as the Actuaries or other users say about the insurance product I am about to buy ... I can decide for myself. I do not want an advisor to tell me what to do”



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Survey – What is the best illustration for a consumer?

VAC_Q6. For the following question, please think about your insurance policies/ insurers with regards to "risk management" (i.e. avoiding any potential loss)... In which, if any, of the following styles would you like insurers to express risk in a way that is easy for you to understand? (Please select all that apply)



Q6 CRM Survey 2017: Note that more than one option could be selected.

Base: All GB adults who have an insurance policy (3393)



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Survey results

- Policyholders want insurers to be **MORE RESPONSIVE** and **ACCESSIBLE**
- Still providing them with **ASSURANCE**

- Policyholders expect products to offer them **VALUE**
- Products need to be **SIMPLE** for customers to **UNDERSTAND** and **COMPARE**

- Policyholders are looking for **UNBIASED** information from insurers, not media influenced
- **INDEPENDENT BODIES** are acknowledged by policyholders as a source of information



Customer risk survey – Limitations

- The survey population sample follows YouGov online survey methodology
- Using an on-line questionnaire can cause data quality issues. Results can be distorted if respondent answers questions inaccurately or inconsistently
- The sample is biased towards retirees and the working population
- The sample is biased towards General Insurance
- For the British insurance population only.



Conclusions from the Working Party

The Working Party has concluded:

1. It is difficult to have one measure to express the complexity faced in ‘real life’ and personalised for each consumer. Any metric considered will need to be sufficiently robust to address the key concerns reflected by UK Insurance consumers.
2. There is a need for a follow up study and to share with the industry concrete insights on effective policy disclosure for the customers – i.e. a focus on unbiased, easy to understand and comparative insurance disclosure.
3. Research should continue within the UK insurance industry to focus on metrics that can improve consumer responsiveness, accessibility and also provide assurance for the industry.
4. Products may need to change to meet a consumer’s future needs.



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Questions

Comments

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