If you tried to create a system to bring out the worst in humans, it would look a lot like Insurance today!
- Dan Ariely - Lemonade
Thinking fast, thinking slow OR not thinking at all!

• System 1 vs. System 2 thinking
  – Automatic: fast, unconscious, associative and very low energy consumption
  – Reflective: slow, conscious, analytic and consumes a lot of energy (from Thinking, Fast & Slow)

• We are mostly automatic beings (and evidence that this is mostly good)

  ➔ Therefore, we are hugely affected by context as well as simply content

“Life is all about choices”
**Salience:** We respond to things that are new and relatable.

**Priming:** Our behavior can be influenced by unconscious cues.

**Affect:** Emotional associations can shape the way we behave.

**Commitment:** We look to be consistent with ourselves and our public promises.

**Ego:** We act in ways to make us feel better about ourselves.

**Messenger:** We are heavily influenced by who relays the information to us.

**Incentive:** We often respond to incentive using mental shortcuts.

**Norms:** We tend to do what those around us do.

**Defaults:** We like to "go with the flow".

Dolan et al., 2012
Behaviour Example: Organ donation

Sources: Dolan, Hallsworth, Halpern, & King (2013).
Behaviour Example: Product packages

**Bronze**
- Lower monthly cost
- Higher costs when you receive medical services

Who chooses Bronze plans?
A good option if you want a lower monthly premium and don’t expect to receive a lot of medical services.

**Silver**
- Monthly cost can run higher than Bronze
- Lower costs when you receive medical services compared to Bronze

Who chooses Silver plans?
A good option if you want to balance your monthly premium and out-of-pocket costs.

**Gold**
- Highest monthly cost
- Lowest costs when you receive medical services

Who chooses Gold plans?
A good option if you expect to receive a lot of medical expenses.

Messenger

- We are heavily influenced by who communicates information to us

Sources: Adams & Hunt, 2013
What Swiss Re are doing with Behavioural Economics

**Live testing with our clients.**
- Together search for opportunities for controlled testing
- Devise the test (from literature) & outcome measures
- Run the test & gather data to prove/disprove behavioural theories

**Collaboration with Academic Experts**
- Analysing the effects of savings plans
- Modelling lapse behaviour in the laboratory
- Research into people’s discounting rates

**Swiss Re’s own Internal research**
- Improving employee health behaviour
- Improving SR conference attendance & participation
- Enhancing diversity and inclusion
What can we change?

Sales
- email open rates
- SMS responses
- link click through rates
- website traffic & quotes
- sales
- reducing appointment no-show rates
- call drop off rates
- letter response rates
- incoming call rates
- rated offer acceptance
- uptake of product features
- switching payment method

Underwriting
- honest and accurate disclosure of health questions
- drop off rates for online/tele-underwriting
- speed of doctor requests
- level of useful responses/data

Retention
- retention/lapse rates
- renewal letter response rates
- acceptance of reduced cover offer rates
- email open, click through rates

Claims
- speed of turn around for medical requests
- complaint call rates following rejected claim
- honest and accurate disclosure of health/ability to work
- hospital choice, use of particular features
- improving claim outcomes

Agents
- encouraging the agent to sell your product
- encouraging the agent to sell a particular product of yours
- encouraging the agent to read underwriting questions properly/allow the customer to answer the questions
- encouraging the agent to encourage retention
The Proof is in the pudding!
Improving the customer journey - reducing lapse rates

Client Overview
A large insurance in Europe predominately in the health insurance line of business.

Business Challenge (pain point)
Health insurance policies were up for renewal and there were significant increases in premiums due to several factors including regulatory changes. Client was concerned that when consumers were advised of the premium increase they would lapse policies, they were therefore expecting large lapses.

How SR Helped
Client provided us with a copy of the letter they planned to send as part of a direct mail campaign advising consumers of increased premiums and offering renewal. Swiss Re reviewed the letter and designed a new letter using evidence based concepts from behavioural economic theory.

Using our letter with behavioural economic concepts, we reduced the lapse rate by 3% compared with the client had originally suggested.

Equates to 8,000 policies saved in a year!!

7% to 4% lapse rate!!
Underwriting – seeking to increase honesty

- Evidence from Dan Ariely that "honor codes" increased honesty
- Moved honesty declaration from the end of the form to the start

**Percentage of Drug Users**

<table>
<thead>
<tr>
<th>Use of Drugs</th>
<th>Percent</th>
<th>Baseline</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>91.45</td>
<td>88.7</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>8.55</td>
<td>11.3</td>
<td></td>
</tr>
</tbody>
</table>

**Percentage of Alcohol drinkers**

<table>
<thead>
<tr>
<th>Alcohol consumption during the last 12 months</th>
<th>Percent</th>
<th>Baseline</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>14.74</td>
<td>11.85</td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>86.26</td>
<td>88.15</td>
<td></td>
</tr>
</tbody>
</table>

- **Results**: Life insurer, saw significant increase in drugs & alcohol disclosure
More options, more disclosure

- Please select your smoking status. By smoking status, we mean the use of tobacco or e-cigarettes or nicotine replacement products (including nicotine patches)
- Daily
- Weekly
- Monthly
- Yearly
- I quit less than a year ago
- I quit over a year ago
- I have never smoked

OLD

NEW

Have you smoked tobacco, e-cigarettes, or any other substance or used nicotine replacement products (including nicotine patches) within the last 12 months?

4.3 Regarding your smoking habit, which one of the following applies?

- more than 10 per day
- occasionally or less than 10 per day
- pipe, vape e-cigarettes, hubbly-bubbly, chew tobacco
- do not smoke

Smoking Disclosure Rate

<table>
<thead>
<tr>
<th></th>
<th>Baseline</th>
<th>Phase 1</th>
<th>Phase 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate</td>
<td>15%</td>
<td>16%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Swiss Re
**Upsell letter**

**before**

Date

Dear

**IMPORTANT POLICY DETAILS**

Congratulations on successfully completing medical school and all the very best for the start of your medical career. As a student you took out the Wesleyan Medical Career Protector with us. This is the basis of your Medical Career Protector cover changes at this point to reflect your new occupational status. This pack provides you with information to make a decision on how you next tailor your cover to meet your personal needs.

It may have been some time since we last saw you, so let us take this opportunity to remind you why you have chosen to become a member of Wesleyan:

- We have over 120 years experience helping doctors with their finances and over 85,000 doctors and dental members.
- Our income protection is a market leader for doctors, tailored to your requirements.
- In 2013 we paid $1.4m to clients (Wesleyan Claims department April 2014).
- Access to Wesleyan Rewards.
- Wesleyan Financial Consultants work with doctors like you – on hand to help you whenever.

Please ensure you read this pack carefully and if you have any questions do not hesitate to call 0845 357 2352.

Good luck from all of us in the Student Team.

**after**

Date

Dear

Congratulations on successfully completing medical school and all the very best for the start of your medical career.

As a student you took out the Wesleyan Medical Career Protector with us. So far, we have paid your premium for you, but now you have qualified you will begin paying premium for the Income Protection you get.

At this stage you have 3 options

<table>
<thead>
<tr>
<th>Option 1: Take out Full Income Protection</th>
<th>Option 2: Stay on Medical Career Protector</th>
<th>Option 3: Cancel your cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>This will cover my full wage up to £2,000 per month</td>
<td>This will provide a benefit up to £400 per week</td>
<td>This means that you will no longer have a guaranteed income in case of illness or accident – you have to rely on the limited NHS sick pay.</td>
</tr>
<tr>
<td>Typical cost: £65/month</td>
<td>Cost £20/month</td>
<td>If you would like this option, please give us a call on 02025021212</td>
</tr>
<tr>
<td>If you would like this option, please give us a call on 020250212121</td>
<td></td>
<td>If you would like this option, please give us a call on 020250212122 to cancel your cover</td>
</tr>
</tbody>
</table>

The attached information pack provides you with information to make a decision on how you next tailor your cover to meet your personal needs.
Increasing sales
- call centre cross-selling

Client Overview
A large insurance in Europe predominately in the health insurance line of business.

Business Challenge (pain point)
Client was launching a cross sell campaign to sell life insurance to existing policy holders. They wanted to optimise the number of people purchasing life insurance.

How SR Helped
Point of sale was telemarketing. Swiss Re reviewed the telemarketing script. We proposed changes based on behavioural economic theory and our knowledge from researching this area for the past two years.

When compared with the proposed script, our script resulted in an 89% increase in the number of people purchasing life insurance.
Online & Gamification

Client Overview
A life insurance venture in Asia. They are the first of a new generation of Insurance companies, creating its Insurance solutions around a deep understanding of the diverse financial needs of the Indian consumer.

Business Challenge
The challenge was how to ensure that the ticket size of this product is much higher than the average size of the market so that economics of the channel works out better.

How We Helped
Swiss Re supported them by providing our inputs like Anchoring, attachment of riders based on the behavioral economics study & testing done by Swiss Re with other clients.

Supported the client to build an optimal customer experience for their online product

Started the project in Q1 2014
Launch of the product in Dec 2014
Great launch, product performing better than expected. Ticket size 3 times the market average

Supported the client to build an optimal customer experience for their online product

Great launch, product performing better than expected. Ticket size 3 times the market average

Supported the client to build an optimal customer experience for their online product

Great launch, product performing better than expected. Ticket size 3 times the market average
The role of the reinsurer........

- Set up a Behavioural Research Hub
- Collaborate with globally acclaimed University in London
- A very hands-on and practical approach whereby we experiment and learn
  - 100+ pilots all around the world
    - Develop and emerging markets
    - Life & Non-life lines of business
    - Start with consumer pain points
    - Provide an end to end support system

Pioneering new approaches whilst preserving appropriate risk management balance is our sweet spot
Are you interested?

How can we support you better?

Thank you & Questions?

Suzy_Nicholas@swissre.com
Appendix
Behavioural Economics
- According to Wiki......

Behavioral finance, study the effects of psychological, social, cognitive, and emotional factors on the economic decisions of individuals and institutions and the consequences for market prices, returns, and the resource allocation. Behavioral economics is primarily concerned with the bounds of rationality of economic agents. Behavioral models typically integrate insights from psychology, neuroscience and microeconomic theory; in so doing, these behavioral models cover a range of concepts, methods, and fields.

Behavioral economics is sometimes discussed as an alternative to neoclassical economics. The study of behavioral economics includes how market decisions are made and the mechanisms that drive public choice. The use of "Behavioral economics" in U.S. scholarly papers has increased in the past few years as a recent study shows.

There are three prevalent themes in behavioral finances:

- **Heuristics**: People often make decisions based on approximate rules of thumb and not strict logic.
- **Framing**: The collection of anecdotes and stereotypes that make up the mental emotional filters individuals rely on to understand and respond to events.
- **Market inefficiencies**: These include mis-pricings and non-rational decision making.
Hungry for more?

- Want more info?
  - Books:
  - TED talks (www.ted.com) search Behavioural Economics
  - Blogs: http://blogs.cabinetoffice.gov.uk/behavioural-insights-team/
  - MINDSPACE report accessible online

- Alison_McLean@swissre.com and Suzy_Nicholas@Swissre.com


