Reimagining Customer Relationships

Key findings from the EY Global Consumer Insurance Survey 2014
Executive summary

Insurers must rethink and take control of all customer relationships by developing new offerings and delivering the content, experiences and value consumers want, in the channels they prefer.

Customer engagement has never been more important across the global industry – and insurers have considerable work to do in developing stronger, mutually beneficial relationships. Indeed, the time has come for insurers to engage fully in all of their customer relationships and find new ways to deliver value to their customers.

The findings of the EY Global Consumer Insurance Survey 2014 make clear the actionable opportunities for insurers who view stronger customer relationships as a strategic imperative. The way forward will require more than just trying to solve problems or ticking the boxes in those areas where customer satisfaction levels are dangerously low. Rather, a broad-based and strategic rethink regarding the core value proposition insurers offer customers must take place.

The results excerpted on the following pages provide guidance for executives seeking to prioritize investments in customer-facing capabilities and transformation initiatives, based on their unique customer segments, product portfolios and geographic footprints.
Key findings
from the EY Global Consumer Insurance Survey 2014

Strengthening current customer relationships and achieving customer centricity in core operations have become strategic imperatives.

1. High turnover and low trust signal serious relationship issues.

2. Just because they leave you doesn’t mean they don’t love you.

3. Insurers have so few interactions with their customers that each one becomes a critical moment of truth.

4. Consumers want more frequent, meaningful and personalized communications.

5. As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.
About the Survey

To provide more insight into current consumer preferences and attitudes, EY’s 2014 Global Consumer Insurance Survey asked consumers around the globe about their relationships with insurance providers.

The survey incorporated:

► Product types – primarily life and non-life
► Purchase source or distribution channels – independent brokers, dedicated agents, direct from insurers, employers, banks
► Four geographic regions - EMEIA (Europe, the Middle East, South Africa and India), Americas (US, Latin America and Canada), Asia-Pacific, Japan
► Market maturity levels – mature vs. developing
► **Mature:** US, Canada, UK, France, Germany, Belgium, Italy, Spain, Netherlands, Ireland, Norway, Sweden, Denmark, Finland, Japan, Hong Kong, Singapore, South Africa, South Korea, Australia
► **Developing:** Turkey, Poland, China, India, Indonesia, Malaysia, Saudi Arabia, UAE, Brazil, Mexico
Do insurers face a relationship crisis? High turnover rates across the industry and comparatively low trust suggest so.

That banks are trusted more must be a wake-up call for insurers – especially given banking’s reputation after the financial crisis and because insurers claim to be there when consumers are in need. 2012 survey results showed higher levels of trust toward insurers.

The good news is that insurers can save customers by addressing many of the top reason for closing policies.

**Implications**

- High turnover rates are simply unsustainable especially given competitive and regulatory pressures on profit margins
- Improving communications and closing the value gap should be priorities
- There is a clear need for more flexible products that meet changing customer needs over time
- For all the data they possess, insurers need more intelligence into consumer needs and motives

**Level of complete or moderate trust**

- Supermarkets: 84%
- Banks: 82%
- Car manufacturers: 80%
- Online shopping sites: 78%
- Insurance companies: 70%
- Pharmaceutical companies: 68%

**Why consumers close policies**

- Cost/terms: 50%
- Policy benefits/coverage: 47%
- Recommended by broker, friends: 38%
- Frequency/relevance of communication: 28%
- Level of service received: 28%
- Policy did not align to life circumstances: 26%
- Research I conducted: 25%
Implications

- “Alumni” customers who leave may have future value
- The power of social media means insurers must defend against negative sentiments turning into outright detraction
- Current loyalty bonuses may not be rewarding advocacy
- Insurers may not be measuring the right things

Good news: insurers have many advocates

Customers likely or very likely to recommend their insurance provider to friends or relatives.

66%

Bad news: advocates often leave

Customers willing to recommend their insurance provider who have closed policies in last 18 months.

38%
Insurers have so few interactions with their customers that each one becomes a critical moment of truth.

Simple address changes. Checking on claim status. Inquiring about higher premiums or new policies.

What do all these interactions have in common? They are all moments of truth for insurers – competitively critical touchpoints during which prepared and well equipped front-line staff can generate more business and strengthen customer relationships. And, yes, seemingly minor interactions – like an address change – can be just as important as claims.

It’s clear that every contact is an opportunity to positively change customer perceptions (as well as boost sales), but too many of them are being missed.

Insurers are too often out of touch, even though engagement equals opportunity

44% Customers who have had no interactions with their insurers during the last 18 months

Customers experiencing moments of truth who report a positive outcome

⚠ Implications

- Empowered consumers have high expectations for every interaction
- Insurers must be prepared to win every contact and create more opportunities to engage by broadening their value proposition
- Inbound inquiries about new policies or increased coverage must be flagged and prioritized
- How insurers perform during moments of truth is the most important indicator of success
- Timeliness and personalization drive successful outcomes but must be cost-effective
Consumers want more frequent, meaningful and personalized communications.

In the age of information overload, it is exceedingly rare for consumers to ask for more communications – but that’s exactly what insurance consumers want.

The communications gap even covers promotional offers; customers are open to receiving more, meaning insurers are being invited to share more valuable content.

This is not just about delivering information, but the essential and strategic act of strengthening relationships. Thus, improving communications is a great first step on the journey to customer centricity.

**Time for an upgrade**

- 14% Customers very satisfied with current communications

**Ready to hear from you**

- 57% Customers who want to hear from their insurers at least semi-annually
- 47% Customers who currently hear from their insurers at least semi-annually

**It’s all about personalization**

- 16% Customers who never want to hear from their insurers

**Implications**

- Effective communications are highly rationalized and mostly digitized
- All communications should have clear messaging and simple formatting
- Customers must be able to set their own preferences for when and how they receive information
- Regulatory mandates will force insurers to up their communications capabilities which provides an opportunity for insurers to get on their front foot
As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.

Digital and remote channels are fast reaching parity with traditional face-to-face channels. About 80% are willing to use digital and remote channel options for many different tasks and transactions.

Because attrition rates are higher among customers buying from independent brokers, insurers must overcome their traditional reluctance to “step on toes.” Further, they must partner only with brokers and agents who share their commitment to customer centricity.

**Implications**

- Insurers must develop and promote stronger digital and self-service channels — regardless of their distribution strategy
- The challenge of managing both customer and partner relationships in intermediated channels must be addressed
- Ownership of customer relationships must be clearly defined – and distribution partners held accountable
- Brokers and agents must be equipped with tools and information if they are to meet rising customer expectations
Simplifying communications to transform the customer experience

Client:
A large, multinational insurer

Objectives:
Improve the customer experience, reduce operating expenses and minimize risk exposure by:

► Streamlining data collection via online channels
► Simplifying language in policyholder correspondence
► Standardizing the process of managing correspondence
► Strengthening the content and document management platform

Solution:
Multiphase plan to rationalize and simplify the format and messaging of all correspondence across the customer life cycle – focusing on the most frequent and critical customer touchpoints.

Value:
The benefits include:

► Higher-quality correspondence and clearer language
► Increased efficiency via workflow automation and self-service
► Fewer inbound calls based on increased customer understanding of messaging
► Significant decrease in data errors on forms submitted by customers
The right response: immediate-term questions

Better customer relationships will not happen overnight. Instilling customer centricity across the organization is not a quick or simple undertaking. But the journey must begin now.

The first step in moving forward is to understand current capabilities, as well as where the organization is on its journey to strong customer relationships. Among the key questions to ask include:

► How effectively do we serve and satisfy customers today?
► Why do we lose customers?
► Who do we want as customers tomorrow?
► What else do customers want from us or what they might buy?
► Which channels work best – for sales, service and sharing information?
► What tools and technology do we need to understand and deliver what customers really want?
To meet rising expectations in the era of the empowered consumers, transformation is required on multiple dimensions. Strategic evolution and future competitiveness will require:

► **Re-taking responsibility for the health of all customer relationships, regardless of distribution channel.** That means understanding precisely what different customers want at different phases of the relationship and choosing distribution partners similarly focused on delivering value to customers.

► **Expanding the relationship by helping consumers meet their goals.** Services that reduce risk and promote healthier living, safer driving or financial outcomes better aligned to the original customer need, can strengthen relationships and transform consumer perceptions about the industry.

► **Increasing opportunities for engagement.** Consumers are open to more communications and meaningful content from their insurers.

► **Mastering both product and customer experience design.** Operationalizing customer engagement means designing flexible products to meet changing consumer needs and promoting experiences and toolsets that satisfy — even delight — customers across channels.

► **Developing advanced analytics capabilities for deeper customer intelligence and more actionable insights.** More detailed understanding of customer characteristics and behaviors is an imperative for all types of insurers. Top-performers will know how and when consumer needs change, and be able to act predictively, precisely and nimbly in advance of key decision points and during critical interactions.

► **Seizing the opportunity to become true risk mitigation partners.** Next-generation products that leverage new technologies and look outside traditional risk-based insurance products are the key to playing a bigger and more valuable role in consumers’ lives.
Further reading

EY Global Insurance Digital Survey 2013
ey.com/insurance/digital-survey

2013 Customer Centricity Thought Leadership

Consumer Insurance Survey 2012

Banking

Global Consumer Banking Survey 2014
# EY Insurance Customer Contacts

Find out more about how we can help at ey.com/insurance or contact a member of our team:

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