European motor claims

Is customer satisfaction enough?
Introduction: Why claims matter

European motor insurance is characterized by tough competition, increasing commoditization and volatile profitability. In these circumstances, insurers are naturally keen to minimize indemnity and administration costs. However, the claims process is also a unique opportunity for insurers to deliver an experience that will allow a positive customer relationship to develop. This can lead to increased retention, shorter claims life cycles and higher fraud prevention rates.

In recent years, European motor insurance markets have seen a steady increase in combined ratios and a corresponding decline in profitability. At the same time, specialist claims management companies and firms of personal injury lawyers have taken a more active role in claims processes in some countries, and the economic slowdown has seen bodily injury claims increase in number and value in others. In many countries, the internet has also served to intensify price-based competition, and insurers have found it increasingly difficult to pass on their growing costs to customers. Many insurers are struggling to balance their market share and profitability goals, and some have chosen to exit the market altogether.

In markets that are often highly commoditized, making a claim may be the only direct contact that customers have with their insurers – particularly when they have organized their cover through an agent or broker. As such, claims represent a crucial opportunity for insurers to deliver a positive experience, and their best chance of developing a stronger customer relationship. We expect customers satisfied with their claims experience to be more likely to remain loyal to their insurer or to recommend them to friends and colleagues. Conversely, dissatisfaction has the potential to push both new and existing customers away.

From the perspective of the insurer, the claims process has another important facet – cost. Claims represent a motor insurer’s largest spend both in terms of indemnity losses and operating expenses. It is therefore vital for companies to keep claims costs under tight control. Unfortunately, for some firms an indirect consequence of this approach has been to erode the quality of customer service and reinforce commoditization.

We believe that effective, efficient claims management is central to the success – or failure – of European motor insurance models. Recognizing this, a number of European insurers have started to give claims management greater priority, and are increasing their investment in technology and training.

To explore this important area, Ernst & Young commissioned Ipsos MORI to conduct a pan-European survey. Motor insurance customers in Belgium, France, Germany, Italy, the Netherlands, Spain and Great Britain were polled online. In each country, 700 customers were surveyed, 500 who had made a claim during the previous two years and – to provide a control group – 200 who had not. Polling was conducted between late August and early September 2010. The survey results will reflect the Ipsos MORI panel composition in each country but are considered to be a good proxy for overall country trends.

This report explores the survey’s key findings, arranged into sections on customer satisfaction, its effect on brand loyalty, and the implications for claims processes. It ends with our view of the most important messages for motor insurers. We hope you enjoy reading its findings.

1 Strategy Matters: Driving claims to the next level of performance, UK Chartered Insurance Institute/Ernst & Young, March 2010.
Customer behavior in any market is a complex animal, and motor insurance has the added features of being a compulsory, regulated product sold to millions of customers. Furthermore, European motor insurance is characterized by tough competition, increasing commoditization and volatile profitability. In these circumstances, insurers are naturally keen to minimize indemnity and administration costs.

This report focuses on customer satisfaction with motor claims, and the consequent impact on retention rates and brand advocacy. We fully recognize that while claims service is an important part of an insurer’s proposition, price, claims cost, operations and brand are also highly significant.

Nonetheless, we believe that claims management is vital to any successful customer retention strategy. In today’s highly commoditized markets, making a claim is often a customer’s only direct interaction with their insurer. As such, it represents a crucial opportunity for insurers to deliver a positive customer experience. This can lead to increased retention, shorter claims life cycles and higher fraud prevention rates.

Any insurer considering an investment in customer service improvements will want to fully assess the potential benefits and costs for each aspect of its business. As part of this process, each business needs to decide what value it attributes to customer service, as well as whether money would be better spent elsewhere, such as on marketing or premium discounts which could achieve similar improvements in customer retention.

Based on a pan-European survey of nearly five thousand motor insurance customers, this paper aims to assist in the decision-making process by helping to identify:

► Current levels of customer service
► How customer service can impact satisfaction, loyalty, retention and advocacy
► Which elements of the value chain are most culpable for customer service failure
► Some potential customer service improvement initiatives
Overall, the survey shows that insurance customers are much happier with their claims experience than we had expected, although there are wide national variations. The sense that insurers are placing customers at the heart of the claims process is a key driver of satisfaction, and the human touch is vitally important. The results show that most European customers have come to expect – and receive – a good level of service. This is a positive finding, but it raises the bar even further for insurers aiming to meet future customer service expectations.

High levels of customer satisfaction emerge from the survey as a powerful driver of stronger loyalty and brand advocacy. In contrast, moderate satisfaction has a far lesser impact on brand loyalty. There is therefore an opportunity to boost customer renewal rates by increasing the numbers of customers with high levels of satisfaction. Responses confirm that making a claim is a “make or break” moment when it comes to customer loyalty. Knowledgeable staff and good customer communication is a key element of success, and can have a significant impact on retention costs.

As already mentioned, there is more to motor insurance than good claims management. Even so, we believe that further investment in this area could be very worthwhile for European insurers. In particular, the way that insurers choose to communicate with their customers is vital to generating a high-quality service. Tighter supply chain control also has the potential to deliver real savings, without having a negative effect on customer satisfaction.

Nonetheless, insurers need to remain flexible in their approach to different European markets. A “one size fits all” approach does not work across borders, and insurers need to be able to flex their operational practices to suit each market in which they operate, while retaining their ability to deal with claims data from multiple channels consistently.

Just as every insurer needs to develop its own response to the challenges of its markets, each business needs to strike its own balance between the need to control costs, meet hygiene levels of service and realize the potential upside of higher customer satisfaction. There are no simple fixes, but we see real potential for insurers making the right improvements to their claims processes to achieve stronger performance in a highly challenging market.
Overall, insurance customers are much happier with their claims experience than we had expected, although there are wide national variations. The feeling that an insurer is putting customers at the heart of the claims process is a key driver of satisfaction, and the importance of the human touch should not be underestimated. It is evident that most customers have come to expect — and receive — a good level of service, thus raising the bar even further in terms of meeting future customer service expectations.

Customers are much happier with their claims experience than we had expected

European customers’ experience of making a motor insurance claim is, on average, extremely positive. The survey reveals a high level of overall satisfaction, with 20% of those surveyed rating their experience at a full 10 out of 10. A further 39% rate their satisfaction at 8 or 9 out of 10 with only 16% of respondents citing satisfaction levels between 0 and 5 (see figure 1).

Figure 1: Customer satisfaction with overall experience of dealing with the claim

This is a much more upbeat response than we had expected, and contradicts the popular impression that making an insurance claim is usually an unpleasant experience. It underlines the way in which fraud and other negative factors can dominate the public debate on claims, despite the positive experience of the large majority of customers. It also suggests that insurers’ investments in claims handling are, in many cases, having a beneficial effect.

However, customer satisfaction varies widely from country to country

Despite this positive response, there are wide variations in customer satisfaction between the largest European motor insurance markets. At the top end of the range, the percentage of customers rating their claims experience at 8 out of 10 or higher is 70% in Germany, 68% in the Netherlands and 65% in Belgium (see figure 2). Great Britain and France occupy the middle ground, scoring 57% and 56% respectively, while customers are least satisfied in Spain (49%)
and Italy (46%). Within these national variations, our survey shows that customer satisfaction is generally consistent across most subelements of claims handling, from first notification of loss to settlement.

**Figure 2: How satisfied were you overall with your experience of dealing with the claim?**

We had expected the way that customers transact with their insurer to have an effect on levels of satisfaction. The methods by which European customers arrange their motor cover vary widely, but these differences do not appear to correlate with national fluctuations in customer satisfaction. For example, Italian and German customers are among the most likely to arrange their motor cover through an agent or broker, but the two countries are at opposite ends of the customer satisfaction spectrum.

**Figure 3: Average claims satisfaction levels by purchase channel**
In fact, comparison reveals a number of apparent contradictions. In Germany, Belgium, Italy and Spain, customers using brokers and agents are the most likely to be extremely satisfied, while those using the internet channel are least likely to be extremely satisfied in Belgium, Italy and Spain. In contrast, UK customers using call centers are the most likely to be extremely satisfied, and in the Netherlands, internet customers are among the happiest with the service they receive.

Evidently, the personal approach of a broker or agent makes many customers feel more valued or better served. For insurers with significant numbers of customers using call centers or the internet, providing personalized communication is more difficult and additional capability may be needed to meet this challenge. This could be in the form of more frequent communication or seeking feedback post claims.

It therefore appears that the reasons for national differences in levels of satisfaction have more to do with local practices, customer preferences and the performance of individual insurers than with the way that customers transact with their insurers. Focus boxes on individual country findings throughout this publication explore some of these elements in greater detail.

**Belgium**

- Speedy processes and sensitivity of staff are top priorities for Belgian customers.
- Half say that their claims experience hasn't influenced their decision to stay with their insurer; while 4 in 10 were more likely to stay as a result.
- Over half (52%) arrange their insurance through an agent or broker, while a significant 10% do so through their bank (second only to the Netherlands).
- They are marginal net promoters of their insurer but the claims experience is more likely to turn them from detractor to promoter.
- They are the second most loyal customers across the seven countries polled: 29% have been a customer with their insurer for 10 years or more.
- Most evenly split country in terms of channels used to register claim: 40% by phone. 34% advised face to face; 26% by post, the highest among all seven countries.
- Jointly leads the way for registering (13%) and progressing claims online (16%).
- Three-quarters of customers are not contacted by their insurer post-claim compared with the average of 67% who aren't across all countries.
Good communication is a key driver of customer satisfaction

Our survey results suggest that customers' age, gender and level of income have a minimal effect on customer satisfaction. So what are the key drivers?

We have analyzed and evaluated the impact of six key drivers of customer satisfaction, verifying which are most likely to impact the rating customers give insurers, and how successfully companies are currently delivering them.

Our analysis shows that customers consider the most critical factor is to feel that their claim is being handled by someone knowledgeable and competent (see figure 4). This is one of three key drivers relating to an insurer's communication capability, and the other two — regular updates and showing sensitivity — are areas of relative underperformance. Improving communications skills and the processes that support communication is therefore likely to have a significant impact on customer satisfaction. Improving the quality of communication capability may also accrue other benefits such as shorter claims life cycles and fraud prevention.

Figure 4: The importance and performance of six key drivers of customer satisfaction

These findings reinforce our view that claims handling offers a unique opportunity to develop a customer relationship and that the quality of communication is critical. Even so, communication needs to be appropriate, and balanced with other drivers so that it is not seen as insincere or delaying settlement.

Equipping staff with the skills to demonstrate knowledge and sensitivity is challenging, as is ensuring that communication is embedded into the claims process and that staff are empowered to deal empathetically with the issues that will inevitably arise.
Insurers seeking post-claim feedback also enjoy much higher satisfaction ratings

Another significant factor that correlates with higher levels of customer satisfaction (as well as brand promotion and propensity to renew) is being contacted by the insurer after the conclusion of a claim. On average, only 33% of respondents receive follow-up contact from their insurer to gauge their satisfaction, although this figure varies from just 21% in France to 45% in Spain.

However, those contacted report consistently higher levels of satisfaction, with 68% rating their claims experience at 8 out of 10 or higher, compared with 54% among those who were not contacted (see figure 5). The uplift in satisfaction is particularly notable in Belgium, the Netherlands and Great Britain.

Among Belgian customers, 82% of those contacted post-claim rate their experience at 8 out of 10 or higher, compared with 59% for those not contacted. In the Netherlands, the difference in satisfaction is 83% compared with 62%, and in Great Britain, 72% of those contacted are highly satisfied compared with 47% of those not contacted.

Figure 5: Post claims contact and % of respondents rating experience 8, 9 or 10

At face value, this strong response implies that contact, either through a call, a follow-up email or letter can have a dramatic effect on customer satisfaction. The real significance of this finding is that it underlines the value that customers attach to a more human, less transactional claims handling experience and the potential a simple call, email or letter has to demonstrate you are competent and care about them. Insurers that put customer experience at the center of claims handling generate much higher levels of customer satisfaction.

“Everything happened very quickly and smoothly, I was asked if I wanted any other services e.g., car hire, injury claim at the initial call, and then a follow-up call in case I had changed my mind.”

(Extremely satisfied customer, Great Britain)
Our findings support the view that customers value the human touch

The findings outlined above underscore the impression that insurers able to offer their customers proactive support throughout their claim are at an advantage to those that treat claims handling as a purely responsive and functional process.

With this in mind, it is striking that our claims performance research with the Chartered Insurance Institute published in March 2010\(^2\) highlights a lack of structured customer data collection processes in many claims functions. Only 51% of respondents gather customer insight monthly or more frequently, with a surprising 24% never using customer data, or only on an ad hoc basis, to aid the development of their claims strategy.

The same research reveals that nearly 80% of interview respondents use complaints as a prime source of information. While complaints can offer insight, clearly they present a skewed picture. The survey also shows that less than a quarter of the insurers polled use online questionnaires to capture information. With the growth of the online channel and customers’ growing preference to interact with companies in this way, one might expect this to grow in importance and use. Our current research again shows that insurers’ feedback gathering is failing in some areas, but furthermore, a process to gather feedback could be a very real differentiator in retaining customers.

"Available, reliable and customer-focused employees. Very good relationship with the agent who knows his clients well.”  (**Extremely satisfied customer, France**).

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2. *Strategy Matters: Driving claims to the next level of performance, UK Chartered Insurance Institute/Ernst & Young, March 2010*
How does claims satisfaction affect brand loyalty in a price sensitive market?

High levels of customer satisfaction are a powerful driver of stronger loyalty and brand advocacy. In contrast, moderate satisfaction does not instill brand loyalty. Increasing the numbers of customers with high levels of satisfaction could therefore make a significant contribution to meeting retention goals. Our survey confirms that making a claim is a “make or break” moment influencing customer loyalty – and that good customer communication is a key element of success, with a significant impact on retention costs.

High levels of customer satisfaction have a strong effect on brand loyalty

Insurers do not just want to feel a warm glow from knowing that customers are satisfied with their claims service. They want to see an increase in brand loyalty and a higher likelihood that customers will renew with them – and potentially buy other products – rather than switching to an alternative provider.

The good news for the industry is that high overall satisfaction (8 out of 10 or higher) does have a bearing on customer loyalty, and that the majority of claimants in our survey report these high levels of satisfaction. Customers rating their satisfaction at 8, 9 or 10 out of 10 say they are much more likely to remain with their provider as a result of their claims experience. Among respondents rating their claims experience at 8 or 9, 49% say they are more likely to remain loyal and this figure rises to 68% among those rating their experience at a 10. At the other end of the scale, the large majority of customers who score their claims experience between 0 and 5 unsurprisingly say that they have either switched insurer or are thinking of doing so.

Germany

► Correct record-keeping and getting it right first time is the top priority for German customers.
► 38% of all German claimants are likely to stay with their insurer as a result of claims experience, while 49% says it has no influence.
► Strongest net promoters of their insurer but this is weakened following a claim, although they continue to promote the insurer.
► Most (27%) have been with their insurer between one to two years although a quarter have between three to five years.
► Over half (55%) of customers arrange their insurance through an insurance agent or broker (second highest in Europe behind Italy) with 26% direct on the Internet (Second highest behind Great Britain).
► Only a third are contacted by their insurer post-claim, which is in line with the average across the seven countries.
► 62% advise of claim on the phone; almost a quarter face to face, with 13% online and 14% by post.
The not so good news is that a small decline in satisfaction has a significant impact on customer behavior (see Figure 6). Of those respondents rating their overall experience at 6 or 7 out of 10, the majority (63%) say that any decision to stay with their insurance provider has not been influenced as a result of their claim experience. Among the same group, those feeling more inclined to remain loyal (17%) are actually outnumbered by those thinking of switching insurer or who have already done so (20%).

Figure 6: Has your experience with your claim made you more or less likely to stay with the insurer? (by level of satisfaction)

There are other factors that have an effect on customer loyalty:

- **Age:** loyalty increases with age (see figure 7), with customers aged 55 and above the most likely to stay with an insurer after making a claim (45% versus an all-age average of 38%).
- **Length of relationship:** this needs to exceed ten years to have a significant effect (see figure 8). Customers who have been with their insurer for between six and ten years say they are only marginally more likely than average to remain with their provider as a result of their claims experience.

However, neither factor has anything like the impact on loyalty of high customer satisfaction levels.

Figure 7: Claims experience on likelihood to stay with insurer (by age)
There is an opportunity to boost retention through improved customer service

The messages from respondents could not be clearer. One is that in the commoditized and price sensitive motor insurance market, there are minimum hygiene levels of service that, if not met, will lead to rapid erosion of the customer base.

"Took six months to get repairs authorized; total lack of cohesion and cooperation with me, no sense of urgency – all blamed on other party’s insurer ... Changing insurer upon renewal.”

(Extremely dissatisfied customer, Great Britain)

In contrast, the second message is that strong levels of customer satisfaction can have a very positive effect on loyalty. Crucially, this gives rise to a significant opportunity. Investing in initiatives that increase customer satisfaction could have a strong cost benefit case when retention improvements are considered. Even a marginal improvement in customer service could make a material impact on retention rates and, in turn, reduce customer acquisition costs.

However, for this to happen, insurers need to have a sophisticated level of understanding of customer service and customer expectations, along with the ability to measure the cause and effect of customer satisfaction initiatives. These are likely to vary by customer segments across the claims process; some may value speed, others post claims contact. Understanding these differences is critical to making the right investments.

Of course, the impact of change will also be influenced by current levels of satisfaction. Insurers with a large proportion of highly satisfied customers will derive limited benefit from further customer service retention initiatives. For insurers whose customer analysis can identify the characteristics of those scoring less well, a focused initiative may be possible. However, for many this data will just not be available.
High satisfaction also leads to much stronger brand promotion. Communication is particularly important

A similar picture emerges when respondents are asked whether they would recommend their insurer to a friend or colleague. High levels of customer satisfaction emerge as a crucial driver of net promoter scores\(^3\). Only 5% of promoters rated their experience of making a claim at 6 or 7 out of 10, but 94% of those willing to promote the brand rate the service they received at 8 out of 10 or higher (see figure 9). This finding reinforces our view that there is a significant opportunity for insurers who are able to convert their moderately satisfied customers into very satisfied ones and thus achieving a strong uplift in net promoter scores.

**Figure 9: Net promoter score vs. overall satisfaction**

Other survey findings relating to net promoter scores support the impression that good communication can have a significant impact on customer satisfaction. Among respondents contacted by their insurer for post-claim feedback, promoters outnumber detractors by a net promoter score of +14%. This compares with a net detractor score of -11% among respondents who were not contacted post-claim (see Figure 10). Again, the implication is that insurers which place the customer experience at the center of their claims approach are far more likely to enjoy higher levels of brand advocacy among their customers.

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\(^3\) Ernst & Young has performed a net promoter score calculation to analyze results for one of the questions asked to respondents. Net Promoter, NPS, and Net Promoter Score are trademarks of Satmetrix Systems, Inc., Bain & Company, and Fred Reichheld. Ernst & Young are not associated with any of the aforementioned companies. “Net promoter scores” are defined as the percentage of respondents rating the likelihood of recommending their insurer at 9 or 10 out of 10, less the percentage rating the likelihood of a recommendation at 0 to 6 out of 10.
Making a claim polarizes customers to become advocates – or critics – of their insurer

Making a claim has a strong impact on net promoter scores. In general, the effect is to reduce the number of customers who are ambivalent towards their insurer, polarizing opinion and encouraging them to become either active promoters or detractors of the brand. Among respondents who have made a claim, just 34% are “brand passive” compared with 47% in the control group of non-claimants (see figure 11). This underlines the way that customer interactions during the claims process play a crucial role in forming brand opinions.

Figure 10: Net promoter score vs. contact following claim

Figure 11: Net promoter score – claimants vs. control group
It is interesting to see that the effect of making a claim on net promoter scores varies significantly from country to country. For example, German insurers enjoy the highest levels of overall customer satisfaction and the highest net promoter scores in Europe, yet customers are actually less likely to recommend their insurer once they have made a claim, with net promoter scores falling to +14% from +26% for non-claimants (see Figure 12).

**Figure 12: Net promoter score – claimants vs. control group (by country)**

Spanish and Italian respondents who have made a claim report net promotion scores of -18% and -21% respectively, much more negative than those who have not claimed at all (+3% in Spain and -8% in Italy). In contrast, Belgian customers who have made a claim report a net promoter score of +6%, compared with -6% for those who have not claimed.

The key point is that making a claim leads to a marked change in customer advocacy, reinforcing the message that claims are a unique – and rarely repeated – opportunity to form a positive brand impression.

There is wide variation between countries in terms of scores (see Figure 13). This may be indicative of cultural differences around how insurers are perceived and mirrors experience of other financial services industries. Within countries as well there is significant diversity of performance across the five most cited insurers. Average promoter scores are highest for Germany, France and Netherlands.

Italian and Spanish customers came out least likely to act as promoters of their insurers: the most positive score for Italy’s most cited insurer was +8%, dropping to -50% for their fifth most cited insurer. Spain was slightly more positive but insurer net promoter scores were still in the detractor range: -9% at the most ‘positive’ and -25% at the least.
Great Britain

- British customers are more likely to move as a result of their claims experience. 21% had already or were likely to move as a result. They are also least likely to stay.
- They are marginal net detractors of their insurer but more likely to move from promoter to detractor following a claim.
- Most promiscuous of customers: 31% have been with insurer between 1-2 years but 35% have been with insurer for a year or less (15% less than 6 months).
- Speed and knowledge are key issues for British customers.
- They are most likely to arrange insurance direct with insurer through the internet (35%) or call center (31%).
- Most likely to use telephone to make claim (96% with 90% continuing the process this way). Surprisingly, 14% kept in contact with insurer by post during the claim – higher than Italy and Spain.
- Nearly 4 in 10 (39%) of customers were contacted by their insurer post-claim, which is better than the one-third average across the seven countries.
- Most likely to go with insurer-recommended repairer of all seven countries (64%).
What are the implications for insurers?

There is more to motor insurance than good claims management, but further investment in this area could be very worthwhile for European insurers. The way that insurers choose to communicate with their customers is vital to generating a high-quality service, and tighter supply chain control has the potential to yield real savings without affecting customer satisfaction. Nonetheless, insurers need to remain flexible in their approach to different European markets.

Improvements in customer service could deliver significant returns, including a 1-2% point uplift on customer renewal rates

In this section, we outline some initiatives which, by increasing the proportion of highly satisfied customers, could significantly improve retention. We believe that targeted investment in this area could yield significant returns, but we also recognize that such initiatives require a strong benefits case and that many insurers are already investing heavily in their claims functions.

We therefore aim to make some practical observations that could improve customer satisfaction without necessarily requiring heavy additional investment. After all, in five of the seven countries surveyed, a majority of respondents already rate their experience of making a claim at 8 out of 10 or more.

We undertook a simple calculation based on survey responses in order to provide an estimate of benefit to customer renewal rates. This assumed transitioning the quarter of claimants (Figure 1) reporting moderate satisfaction (6 or 7) into the more highly satisfied (8 or 9) range. The calculation suggests that this could result in an uplift of 1-2 percentage points on customer renewal rates across an entire motor book.

Coupled with increased advocacy from these claimants, there could therefore be a lowering of acquisition cost per policy and a positive impact on top line growth.
Developing and embedding a customer communication culture should be a priority

One area where we see particular scope for improvement is customer communication. The survey findings make it clear that customers value knowledgeable staff, sensitivity and regular progress updates. This suggests that good communication is critical to claimants’ perception of customer service. Considering this, it seems surprising that so few insurers initiate proactive or follow-up contact with their customers. This may be because a desire to minimize costs has led to reactive claims handling, or it may be the result of fragmented claims models with a lack of responsibility for client ownership. In some markets, broker intermediation could also play a role, but the fact that there is little correlation between the way motor insurance is sold and levels of satisfaction implies that this is not a decisive factor.

We do not believe that the frequency of contact is as important as the quality. The results suggest that satisfaction is higher when insurers keep customers informed, ask about their concerns and – crucially – respond to them.

“The insurer and repairer offered an extremely good service with only a very minor problem, which was rectified straight away when I pointed this out.” (Extremely satisfied customer, Great Britain)

This is not simply a question of making extra phone calls or sending online questionnaires; it is about an organizational culture. Instilling a customer-centric culture is not necessarily quick or easy. Instead, it requires that customer focus is given real emphasis within existing processes such as target setting, staff training and performance reviews. This could be woven into the ongoing or upcoming investments in technology and training that many insurers are already undertaking.
More effective supply chain control could yield savings, without harming customer satisfaction

Many European motor insurers are already taking a more focused approach to their supply chains, but there may be scope to do more in this area. It is notable that there are large variations in the use of insurer-recommended and own choice repairers from country to country (see figure 14). Clearly, the data in our survey reflects the panel in each country, but while this will differ from actual data it should still be representative. The use of insurer-recommended repairers is by far the highest in Great Britain, while in France and the Netherlands respondents are more or less evenly split in their use of repairers. The take-up of insurer recommended repairers is much lower in Belgium, Germany and Italy.

**Figure 14: Own repairer versus insurer recommended repairer**

Despite these differences, it is notable that the choice of repairer appears to have hardly any impact on customer satisfaction. In fact, overall satisfaction levels for customers using insurer-recommended repairers are marginally higher, with 62% rating their experience at 8 out of 10 or higher compared with 60% for those who used their own repairers. Furthermore, questions intended to explore customers’ satisfaction with their repairer reveal almost identical responses to questions about the speed, quality and value of repair, regardless of whether respondents had used insurer recommended repairers or their own choice (see Figure 15).
Given the significant savings and brand service that insurers can achieve from tightly managed supply chains, there could be a major opportunity for insurers in some countries to move towards a more prescriptive model, such as in Great Britain where 64% of customers used insurer-recommended repairers. More widespread use of recommended repairers could reduce indemnity costs without having a negative impact on customer satisfaction, and might have the additional benefit of speeding up claims processes. Anticipated customer resistance due to poor satisfaction is one of the key reasons often cited by insurers reluctant to encourage or enforce use of an approved repairer network. However, barriers to adoption can be successfully lowered through consistent marketing and through the claims service benefits that mature supply chain arrangements deliver to customers.

Insurers should be wary of a “one size fits all” approach

Although both of the initiatives we have set out could offer significant benefits to motor insurers, it is vital to consider the particular dynamics of each country and avoid a “one size fits all” mentality. Our survey shows a wide variation in customer preferences across Europe, and indeed within individual territories. This is illustrated by the different ways in which motor cover is sold, and the routes by which customers notify a claim and stay in contact with their insurer (see figure 16).
Italy

- Italians are marginally more likely than the British to stay with their insurer as a result of their claim but they are second from the bottom of the pack. 24% were less likely to stay and either had (6%) or were considering (24%) changing.

- They are the most significant and consistent net detractors of their insurer both before and after a claim.

- Most customers (27%) have stayed with their insurer between 3-5 years.

- Regular updates are key to keeping Italian customers happy.

- 39% were contacted post-claim – marginally better than the average third of all seven countries polled.

- Almost three-quarters (74%) arrange insurance through an agent or broker.

- Most likely to register a claim in person (61%); 36% on the phone – the lowest in the seven countries – 10% by post and 8% online. They are most likely of all seven countries to keep in contact with their provider face to face (51%).

![Figure 16: Customer methods of registering claim](chart.png)

Insurers need to be able to flex their operational practices to suit each market in which they operate – or hope to operate. At the same time, insurers must be able to deal with claims data from multiple channels in an equivalent way if they are to meet their efficiency and customer satisfaction goals. Consequently, systems and processes need to be able to handle different types of relationship and customer communication, while maintaining consistent standards and management reporting.
Claims may only be part of the picture, but great claims management can create real value

This report focuses on customer satisfaction with motor claims, but it is important to recognize the limitations that improvements in customer satisfaction can achieve. Claims are an important component of the insurer’s proposition, but price, claims cost, operations and brand also play key roles.

**Price:** in a highly commoditized motor market, price is clearly critical to attracting new business and retaining existing business. For some customers, these factors will always trump the quality of claims service, no matter how high. This is underlined by the fact that half the respondents who say their experience of making a claim has had no impact on their loyalty rate their own satisfaction at 8 out of 10 or higher. One respondent illustrates this attitude perfectly:

> “Everything was dealt with in a very professional manner without having to phone them to find out how things were getting on. The only reason I changed insurers was because I found a cheaper insurer.” (Extremely satisfied customer, Great Britain)

**Claims cost:** claims managers have to balance the costs associated with supporting customer service initiatives against the benefits of each initiative. Increased retention is one example. This report focuses on the benefits of greater retention, but other benefits flowing from customer service initiatives may include reduced claims life cycles, better third-party information capture or improved fraud prevention.

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**Spain**

- 26% are less likely to stay with their insurer as result of the claims experience (19% are considering changing insurer while the remainder have), while they are average in terms of customers more likely to stay because of it (38%).
- Second most likely detractor of their insurer and most likely to move from promoter to detractor post-claim.
- Spanish customers are most likely to be contacted by their insurer post-claim (45%).
- They want their insurers to improve staff knowledge in the claims management process.
- Over half of insured arrange cover direct with agent or broker and 27% direct with call center.
- Most customers (32%) have remained with their insurer between three to five years.
- Second most likely to advise of claim by telephone with 67% doing so; third most likely to advise face to face (32%) with 5% online and the remainder by post.
- They are the most likely to use own choice repairer.
Operations: we emphasize that communication is a key element of good customer service, but this can be widely interpreted – and misinterpreted – when theory is put into practice. If excellent customer service is to move from being an aspiration to being embedded in claims processes, managers must understand whether improvements require upskilling staff, adapting technology or changing processes.

Some of the questions claims managers may need to ask could include:

► What will trigger outbound contact to update a claimant on the process of their vehicle repair?
► Who should make the contact?
► How will responses be recorded and acted upon?
► How do we empower staff to deal with problems or complaints encountered on such contact?
► How do we demonstrate knowledge and understanding in our communications?

Brand: our survey reveals the impact that good customer service can have on retention and brand promotion, as well as the erosion that results from less than excellent standards. Marketing and brand managers should therefore be keen to understand what elements of the claims operation are reinforcing the brand position, and to provide support for change where there is most likely to be a positive brand impact.

All in all, we see real potential for insurers making the right improvements to their claims processes to deliver stronger performance in this highly challenging market.

The Netherlands

► The Dutch the most likely to stay with their insurer after a claims experience (43%). But 46% say the experience will not have any influence on their decision to stay.
► They are marginal net promoters of their insurer but claims experience is more likely to turn them from detractor to promoter.
► That said, they are the most loyal customers with 32% having been with the same insurer for more than ten years, compared with an 18% average across the seven countries.
► They want their insurers to be sensitive and work quickly to resolve their claim.
► Most (36%) arrange policies through insurance agent or broker, with a quarter direct with insurer website. However, 11% arrange through their bank – the highest percentage for this channel among the seven countries.
► 70% of Dutch customers were not contacted by their insurer post-claim – marginally worse than the 67% across the seven countries.
► 62% register their claim on the phone but just under a third by post – the highest in the seven countries; 13% by internet and 12% in person.
► Most satisfied with fast (80%), high standard (81%) and good price (81%) claims service.
Buyer behavior in any industry is complex. Motor insurance has the added complexity of being a compulsory, regulated product sold to millions of customers. This survey looks at just one component of buyer behavior – the claims process – and focuses in particular on the impact of customer satisfaction levels.

The decision to invest in customer service improvements will impact many aspects of an insurance business, and so needs careful analysis. As part of this process, each insurer needs to decide what value it attributes to customer service. Insurers should also consider whether money would be better spent elsewhere, such as on marketing or premium discounts which could achieve similar improvements in retention.

This research aims to assist by helping to identify:

► Current levels of customer service
► How customer service can impact satisfaction, loyalty, retention and advocacy
► Which elements of the value chain are most culpable for customer service failure
► Some potential high-impact customer service improvement initiatives

In our view, the most important messages for European motor insurers to take away from this paper are:

► Don't believe the hype. Negative stereotyping of customers' claims experiences is way off the mark. European customers are generally satisfied with the claims service they receive, but this picture varies widely between countries – and companies.

► Claims create strong opinions. Making a claim is an experience that polarizes customers' opinions of their insurer. In a highly commoditized and increasingly electronically transacted market, it represents a rare opportunity for a motor insurer to build a positive relationship with its customers.

► It's good to talk. Good customer communication and support is clearly linked with high levels of customer satisfaction and brand advocacy. Quality is more important than quantity – customers need to feel that they are dealing with competent staff able to address their concerns in a sensitive way.
Don't be afraid to take control. Tighter control of supply chains – especially over the choice of repairers – has the potential to reduce indemnity and administration costs without harming customer satisfaction.

Customers do value good service. Customers’ experience of making a claim can boost brand loyalty, but the relationship is uneven. Extremely high satisfaction levels do boost retention, but moderate satisfaction has no real effect and below-average service pushes customers away. We estimate that initiatives that push just 25% of claimants from moderate scores to excellent scores could improve customer renewal rates by 1-2 percentage points.

One size does not fit all. Customer preferences vary widely from country to country but communication is seen as a critical component for all.

Of course, these key messages are necessarily simple and it is impossible to generalize without losing valuable detail. We believe that investment in claims service should form a key part of any customer retention strategy, but each insurer must strike its own balance between the need to control costs, meet hygiene levels of service and realize the potential upside of higher customer satisfaction.

Even so, there are some features that we believe should be common to any customer service initiatives. They should enable staff to deliver the customer experience in a repeatable, efficient and rigorous way with supporting processes that allow issues with claims fulfillment to be resolved quickly. Our research suggests that communication is particularly important, so staff should be equipped with the skills, processes and technology they need to keep customers updated, resolve problems and apply their expertise appropriately.

There are no simple fixes, but the survey provides plenty of reasons to think that claims is worthy of major focus. How will your business respond?
How Ernst & Young can help

A clearly articulated claims strategy should be at the heart of every insurance company intent on attracting and retaining customers and growing and maintaining a profitable business. Successful claims transformation is led from the top of an organization and reflected in the operational architecture, the underpinning capabilities and how these deliver the customer experience.

Ernst & Young can help you realize this by:

► Working with you to identify areas where your business has the opportunity to lead, setting a claims strategy and philosophy aligned to your business goals.

► “Health-checking” your claims operation, evaluating its current state against future required capabilities.

► Designing the claims target operating model by defining how required capabilities will be delivered through people, processes, governance and technology.

► Helping you to execute a claims transformation agenda to meet your goals.

Our claims advisory programs to date have included helping clients to:

► Define and develop claims operating models, design principles and underpin capabilities.

► Improve the effectiveness of their operations through leakage analysis and supply chain.

► Improve efficiency, effectiveness and customer service through claims technology.
Methodology

Market research firm Ipsos MORI was commissioned by Ernst & Young to conduct a survey across seven major motor claims markets in Europe: Belgium, France, Germany, Great Britain, Italy, Spain and the Netherlands.

4,918 online interviews took place across the seven countries between late August and early September 2010. In each country, at least 700 customers were surveyed; at least 500 of whom had made a claim within the previous two years; and – to provide a control group – at least 200 who had not.

The countries were selected based upon the relative size of their motor insurance markets: Germany, the largest in Europe ($28bn of gross written premium in 2009), Italy ($26bn), France ($25bn), UK ($20bn) and Spain ($17bn) make up the next largest markets1.

The survey results to some extent reflect the groups of customers surveyed in each country and the composition of the consumers responding to our survey was as follows:

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</table>

Net Promoter Scores

Net promoter scores (NPS)2 are a loyalty metric that represent a simple way of calculating, and communicating, a customer’s propensity to recommend – or not – a product or service to others. We chose to use this approach as it is an established and well known method.

We use NPS ratings for the main insurance providers and additional non-insurance multinational brands offering a comparatively homogenous product or service and refer to the results throughout this report.

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1 The value of the personal motor segment is $111.5 billion, equivalent to 73.6% of the market’s overall value and this accounts for 73.6% of the total motor market (26.4% being commercial) Datamonitor – Motor Insurance in Europe July 2010.

2 Ernst & Young has performed a net promoter score calculation to analyze results for one of the questions asked to respondents. Net Promoter, NPS, and Net Promoter Score are trademarks of Satmetrix Systems, Inc., Bain & Company, and Fred Reichheld. Ernst & Young are not associated with any of the aforementioned companies. “Net promoter scores” are defined as the percentage of respondents rating the likelihood of recommending their insurer at nine or ten out of ten, less the percentage rating the likelihood of a recommendation at zero to six out of ten.