India

Voice of the customer
Time for insurers to rethink their relationships

Global Consumer Insurance Survey 2012
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Faced with the unprecedented challenges of troubled financial markets, changing regulatory oversight and economic uncertainty, there is a risk that some insurers may not be listening and responding to the most important voice of all – that of their customers. For any insurer hoping to navigate through this difficult time, understanding how customer behaviors and attitudes are changing is critical. Previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now are most likely to succeed.

In light of this, Ernst & Young conducted a groundbreaking survey of insurance customers. Working with the research firm Ipsos, we set out to test the received wisdom by interviewing 1,000 consumers of life and non-life personal insurance products in India between August and October 2011, as part of a global survey covering 23 countries in seven regions around the world.¹

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¹ For a full description of the global methodology used to create this report, please see page 35.
With the rise in affluence and increased product awareness, the middle class is fast emerging as the most lucrative segment of the Indian market for financial services companies. India has a large working population, with higher disposable income than in the past and therefore a greater propensity to buy products to meet their growing aspirations. However, due to rapidly evolving markets, customer loyalty to brands is fickle and very much dependent on price points, customer service and innovative product offerings. Only one in five Indian consumers say they are “extremely loyal” to their favorite brands.

In light of this evolution, companies need to reevaluate their long-held beliefs about the consumer in the Indian markets. Our research uncovered strong evidence that customer behaviors in India are changing and that some of these beliefs have become outdated. As a result, we believe that insurers in this market will need to think differently if they are to continue to be successful in attracting customers.

Indian life and pensions key findings

Consumers surveyed in India are surprisingly well aware of their needs. Seventy-four percent of respondents indicate that they conduct detailed research before buying life and pensions policies, far more than in the US (31%), the UK (37%) or China (44%). As buyers take more control of the buying process, providers will need to ensure they understand their customers better, tailor products to customers' needs and provide details about the products in a simple, transparent manner.

- Customers still have a strong need for personal interaction when buying life or pension products, with 94% of respondents considering it an essential part of the buying process. The trend is slightly more marked here than in China, and is much stronger than in the UK and US. Insurers will need to ensure their sales channels are equipped with the right expertise to help customers make appropriate choices to meet their needs and to close the purchase process.

- Customers surveyed in India are willing to buy more. To maximize opportunities, insurers need to build trust and make it convenient for them to do so. In addition, customers have become accustomed to rewards for loyalty from other industries and increasingly expect the same from insurers. To increase their share of customers' wallets, insurers must reward loyalty.

- Persistency levels are lower in India compared to other countries. Seventeen percent of Indian consumers say they have switched providers in the last five years — considerably more than the global average from our survey of 10%. However, the survey provides evidence that if insurers can connect better with customers and respond flexibly to their needs, they will be able to increase retention and maximize customer lifetime value.
Indian non-life insurance key findings

Our research focused primarily on consumer behavior in buying personal product lines. The response to our survey shows that in the Indian non-life insurance market, consumers’ motives are surprisingly similar to those of their peers in other markets around the world.

- Purchases of non-life insurance products in India are mainly driven by convenience and value — in other words, the right product at the right price. Convenience, however, is a complex proposition. Customers must be able to research and buy easily, a trend that has primarily been driven by the growth of online websites. But convenience also implies avoiding problems later on — with cover, service or technology. For this reason, some customers still rely on tried and tested channels such as agents, family advice or trusted brands to guide their purchasing decisions.

- Consumers are increasingly moving online. Currently, 31% of respondents use a range of online channels for research, although only 11% indicate that they purchase online. This research/sales lag indicates that for the moment, concerns about reliability and unfamiliarity with the online setup still outweigh its benefits in terms of speed and flexibility for Indian customers. Insurers will need to develop their online offering, but as a component of an integrated channel management strategy.

- Pricing is not the most important criterion for consumers when purchasing an insurance product. Only 33% of survey respondents indicated that price was a factor in provider selection, which is behind other factors such as brand (69%), customer service (43%), and very close to convenience (32%) and financial stability (31%). As a result, insurance providers will need to focus on creating differentiated product offerings and service propositions to build a sustainable brand.

- Customers are willing to purchase additional products from the same insurer. Sixty-nine percent of respondents said they would purchase additional products from their current provider, with convenience and better service being the primary drivers. Providers will need to focus on leveraging existing customer information to understand customer needs and offering targeted propositions in the right way.

- Indian customers generally prefer to stay with one insurer as it is more convenient. However, the number of customers switching providers is likely to rise in the future. Insurers will need to clearly identify target customer segments and understand their switching propensity as well as the cost-to-serve. This will allow them to communicate better with their more valuable customers and boost retention and profitability.

We hope you will find this research useful in shaping your customer strategies and considering how you shape your business going forward.

If you would like more information, and to review the detailed findings, please contact your usual client service partner, or go to www.ey.com/insurance.

Samir Bali
Partner, Advisory Services
Ernst & Young Pvt. Ltd.
We set out to explore customers’ attitudes and behaviors today, to separate myth from reality and provide some hard evidence of what customers want now.
Life and pensions (including investments)

While there is some truth in the received wisdom around how life and pensions products are bought and sold, the reality is more complex. Understanding customers’ current attitudes and behaviors will help insurers determine what they can do better or differently to attract consumers, deepen and retain relationships and unlock greater customer lifetime value.

Our survey explores the following myths:
1. Customers have low confidence in the life and pensions industry
2. Life insurance is sold, not bought
3. Personal interaction is essential
4. It’s hard to cross-sell to existing customers
5. Providers can’t influence persistency
Myth 1

Customers have low confidence in the life and pensions industry

Received wisdom is that the financial crisis has created mistrust of financial services and that all financial services companies are untrustworthy. Our research indicates that this is not the case in the Indian life and pensions sector.
Customers are generally satisfied and confident
Most customers around the world have a positive view of the insurance industry, suggesting that it may have been less affected by the financial crisis than banks in terms of undermining customer trust. The data shows that in virtually every country, most customers are confident that they have the right products for their needs and, with some variation, they are satisfied with the service from insurers.

Indian consumers are confident they have the right products
Although market sentiment in India suggests that there is a level of discontent among policyholders, this view is not supported by our research. We found that a considerable majority (93%) of customers surveyed across all channels, age and income groups are very or fairly confident that they have the right products to meet their needs. The overall mean customer satisfaction rating for the industry is 7.9/10 is higher than China and the UK, where consumers rate providers 7.3/10.

Most customers are confident they’ve made the right purchase. However, there is a small minority who feel they have received poor advice and these are mainly low-income customers. Of the minority of customers in India (6%) who are not confident that they have the right product, the majority of those respondents site a lack of understanding of the product or its purpose as the primary reasons why.

Customers rate insurers’ service quality behind other sectors
However, in terms of service quality, it is a somewhat different story. Our data shows the insurance industry in general is not meeting people’s expectations: 50% of respondents in India agree that the insurance industry as a whole is behind other sectors in the quality of service that it delivers to customers, while only 33% disagree with this statement. Low-income customers have an even lower trust level with 55% stating their belief that the insurance industry lags behind others on service quality. In addition, when it comes to rewarding loyalty, 50% of customers agree that the industry is behind others, while only 21% disagree, implying an overall dissatisfaction with the loyalty rewards that it offers.

Insurers have room for improvement
Consumers were very clear about where carriers could improve service. The claims process was cited by more than half of the consumers, general administration by a third and response times and communication followed very close behind. These issues reflect the parts of the value chain that are most critical to the customer. In particular, there is a high level of consumer dissatisfaction with delays in claim settlement and under-payment.

50% of Indian respondents agree that the insurance industry as a whole is behind other sectors in the quality of service that it delivers to customers.

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### Percentage of respondents who believe the insurance industry as a whole is behind other sectors in rewarding loyal customers

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Tend to agree</th>
<th>Neither agree nor disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>13%</td>
<td>37%</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tend to disagree</th>
<th>Strongly disagree</th>
<th>Don't know</th>
</tr>
</thead>
<tbody>
<tr>
<td>17%</td>
<td>14%</td>
<td>1%</td>
</tr>
</tbody>
</table>
Mis-selling is a concern
Mis-selling is also a concern in India, where a belief persists that distributors are sometimes more focused on selling products to trigger commission payments than on meeting customers’ needs. There is a further idea that agents do not always share the correct information on returns or the timeframe in which payments will be made.

This implies that many consumers feel confident at the time of purchase, but at a later date realize that some features of the policy are not in line with what was promised by the agent. The Insurance Regulatory and Development Authority (IRDA) has intervened and reviewed the commissions on unit-linked products in an attempt to increase transparency and has indicated that it might do the same for traditional products.
Implications for insurers

These findings suggest that while customers view the industry favorably, they still see it trailing behind other industries, particularly in service quality and rewarding loyalty. Although overall satisfaction rankings are currently high, younger consumers in particular are less inclined to view the industry favorably, and issues around claims and mis-selling could indicate trouble ahead.

Providers must respond better to customers’ changing needs

Insurers need to continually evolve their propositions to meet customers’ changing needs and expectations, particularly for improved information and transparency, and to protect against any potential claims of agent mis-selling, which would reflect poorly on the providers.

Insurers should also consider more frequent and improved communication with customers, particularly at the time of purchase, making more concerted efforts to ensure that the customer is aware of the terms and conditions of the policy through a welcome kit or call. Such an approach would reassure customers that they have bought the right product and provide an early opportunity to identify potential mis-selling.

The approach to low-income customers needs review

Another area of focus for Indian insurers is to improve the quality of the offering for low-income customers to help ensure that they get the right advice. This is likely to require a close review of information provided by direct channels, which is this demographic group’s preferred means of interaction with insurers. Again, this is especially important at the time of purchase to help ensure that the customer fully understands the product features.

Which service elements would you like to see improved?

<table>
<thead>
<tr>
<th>Claim process</th>
<th>General administration</th>
<th>Response times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication is easier to understand and more transparent</td>
<td>Helpfulness of the call center (i.e., ability to answer your questions)</td>
<td>Call center availability (i.e., quickness in responding to your calls)</td>
</tr>
<tr>
<td>Access to online services/information</td>
<td>Having a named contact you can communicate with</td>
<td>Billing</td>
</tr>
<tr>
<td>None of the above</td>
<td>Don’t know</td>
<td></td>
</tr>
</tbody>
</table>

1. Communication is easier to understand and more transparent: 53%
2. Helpfulness of the call center (i.e., ability to answer your questions): 33%
3. Call center availability (i.e., quickness in responding to your calls): 31%
4. Access to online services/information: 21%
5. Having a named contact you can communicate with: 16%
6. Billing: 14%
7. None of the above: 2%
8. Don’t know: 2%
Life insurance is sold, not bought

There is a widely held belief that because of a lack of customer knowledge and confidence, life insurance products are “sold” to consumers – the purchasing decision is not customer-driven. Our research indicates that for a growing minority of consumers, this is not the case.
Indians do more research than consumers in any other country

Our survey indicates that customers around the world are increasing their use of research before buying a policy. This is particularly true in India, where 74% of consumers surveyed say they perform a fair or great deal of research before buying a product – a higher proportion than any other location that we surveyed. While some of this can potentially be attributed to differing understanding of what constitutes research, the difference is still quite marked. In China, another fast-growth market with a rapidly growing middle class, the equivalent percentage is 44% and in more mature economies like the UK and US the percentages are even lower – 37% and 31% respectively. The trend is set to increase; 80% of Indian respondents indicate they will conduct this level of research in the future.

Rising industry awareness is fueling research appetite

We believe the main drivers for this particularly high level of research may be an increasing awareness of insurance, fueled by the arrival of global players in the local market, and also by consumers’ growing appetite for life companies’ investment products, such as unit-linked funds. Interestingly, many customers focus more on price competitiveness rather than product features and performance in their research. As buyers take more control of the process, it will become increasingly important to marry the need for recommendation by trusted sources – which is very high across the region with over 71% customers using this option – with online research. Online penetration is at 10% of the total population, but trends in other markets suggest that life insurance customers will start to ask: “What can the internet tell me about this insurer and this product, based on sources I can trust?” Companies in other industries are finding ways to influence and manage objective sources of information, so insurers need to do the same by delivering the service that drives strong recommendation. When considering which factors were most important in the buying decision, 36% cite recommendation by family and friends, and 27% cite recommendation by the insurance agent or intermediary. So although the trend for independent research is strong, a significant amount of consumers still like to consult with others and are still relying on intermediaries to validate and complete the transaction.

Consumers are clear about their needs

The research suggests that customers know what they are looking for from insurance providers, with the three most important factors being product features (58%), product performance (38%) and the provider’s brand (37%). Price alone is not a critical factor in life insurance sales in India, and neither is provider stability, which is the most important factor for consumers in the UK and the US. The research also indicates that consumers are buying products that are appropriate to their needs; 54% of customers purchase life insurance in order to provide for their family and 39% for retirement.

### Research levels in India for life products

<table>
<thead>
<tr>
<th>Product</th>
<th>A great deal</th>
<th>Fair amount</th>
<th>Just a little</th>
<th>None at all</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement income</td>
<td>21%</td>
<td>36%</td>
<td>16%</td>
<td>40%</td>
<td>2%</td>
</tr>
<tr>
<td>Pension</td>
<td>16%</td>
<td>43%</td>
<td>38%</td>
<td>18%</td>
<td>7%</td>
</tr>
<tr>
<td>Life insurance</td>
<td>18%</td>
<td>45%</td>
<td>30%</td>
<td>19%</td>
<td>4%</td>
</tr>
<tr>
<td>Investment product</td>
<td>20%</td>
<td>56%</td>
<td>19%</td>
<td>19%</td>
<td>4%</td>
</tr>
</tbody>
</table>
Which two or three of the following do you consider to be most important when choosing a life/pension/investment policy?

- **Product features (such as premium, coverage, investment, fund range and options)**: 58%
- **Financial stability of the insurance provider**: 27%
- **Performance of the product (its track record)**: 38%
- **The brand of insurance provider**: 37%
- **Their reputation for customer service**: 22%
- **Recommendation from family/friends**: 36%
- **I have discussed the decision with an insurance specialist**: 10%
- **It is recommended by my insurance agent/intermediary**: 27%
- **I am already a customer of the insurance provider/the insurance agent**: 8%
- **It is recommended by my bank**: 8%
Implications for insurers

Customer-centricity is a key area of focus
Customers are increasingly doing their own research, so providers need to focus on giving them more information and detail about the company, the products it offers and how they perform in a simple, easy-to-comprehend form. Many customers still feel they need expert advice in buying insurance as they find the products too complicated and are unsure of which product best suits their needs. They are looking for transparency and simplicity and a customer-centric, rather than product-centric, offering.

It’s vital to manage damaging reputational issues now
Providers will need to ensure that intermediaries do not simply focus on products that deliver them higher commissions. Agents must understand the needs of the customer based on their current life stage, earnings and liabilities, and determine the right product to meet their needs.

Providers must influence objective information sources
The growing importance of trusted sources of information means that insurers will need to ensure clear communication across all the channels they use, particularly as online access becomes more widespread. This includes websites and other online sources, and social media that will allow them to gather data about life events that trigger insurance purchases, and facilitate their participation in debates around insurance requirements and services. Managing a corporate reputation in cyberspace is a challenge for many consumer industries. Insurers in India will need to understand how this affects their whole value proposition, particularly given the importance that consumers in India attach to brand.

Customer relationships need to be stronger
As customers become used to genuinely customer-centric business models such as those of pure internet businesses, they will increasingly demand similar engagement with insurers – access when and where they demand it, intelligent use of their data to recognize and respond to their needs, and rewards for loyalty. Insurers need to respond to customers’ desire to take more control over the buying process by better understanding customers, tailoring products to customers’ needs and making online information easy to access and understand.

74% of Indian respondents say they perform a fair or great deal of research before buying a product.
Personal interaction is essential

Historically, personal interaction with an agent or advisor was deemed essential to educate customers about their long-term financial needs and the suitability of life products. Our research shows that this remains true in the Indian market.

In India, we found strong agreement that personal interaction was important when buying life or pension products, with 94% of respondents saying that it was essential, very important or fairly important. Only South Africa (97%) and Singapore (95%) ranked the importance of personal interaction higher. The trend is slightly more marked here than in China, and is much stronger than in the UK and the US. This reflects the fact that agents or intermediaries are the most common form of distribution in India.

Intermediaries continue to play an important role

Direct agents or independent intermediaries are currently the dominant channel for distribution of life products, and our research shows that their importance is likely to continue since 70% of the respondents indicated they are likely to use them for research in the future. However, the role of these individuals is changing as consumers start to do their own research, using agents or intermediaries more for validation and convenience rather than to drive the purchasing decision. The trend toward self-directed behavior seems likely to persist as 22% of the respondents indicated they won’t use an agent to research a new policy in the future.

In terms of servicing the policy, 37% of consumers prefer the agent or intermediary to deal with all transactions and 31% prefer to do it themselves. Agents also have a strong influence on renewals, with 58% of customers citing agent advice as the reason for renewing.

Customers are willing to pay for advice

Another interesting finding from the research is customers’ willingness to pay for advice. Only 26% of customers in India say they will not pay for advice, compared to 45% in the UK. This underlines the importance that consumers in India attach to advice when buying life products. The fact that customers are willing to pay emphasizes the true value they attach to high-quality advice, both to support the purchasing process and with the ongoing management of the policy.

Products need to be easier to understand

The main barriers that prevent customers from transacting for themselves are product complexity and a lack of transparent information about how products will meet their needs. The most common reasons cited for the continuing use of agents in India are that the products on offer are “too technical and complicated” (53%) and that consumers feel they need expert assistance to make more important financial decisions (42%). Forty-two percent also state that they are unclear which products best suit their needs and just over a quarter (26%) use an agent because they are unsure how to measure product performance.

The survey results demonstrate a need for simplification and better information, which would help customers to build product understanding and take greater control of the purchase process.

### Information sources for consumer life and pensions research

<table>
<thead>
<tr>
<th>Information Source</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advice from intermediary agent</td>
<td>72%</td>
</tr>
<tr>
<td>Family, friends or word of mouth</td>
<td>71%</td>
</tr>
<tr>
<td>Direct contact with bank or insurance company people</td>
<td>29%</td>
</tr>
<tr>
<td>(call center, branch)</td>
<td></td>
</tr>
<tr>
<td>Online comparison website</td>
<td>28%</td>
</tr>
<tr>
<td>Advertising/direct mail from product provider</td>
<td>27%</td>
</tr>
<tr>
<td>(bank or insurance company)</td>
<td></td>
</tr>
<tr>
<td>Bank or insurance company websites</td>
<td>24%</td>
</tr>
<tr>
<td>Financial press/media</td>
<td>17%</td>
</tr>
<tr>
<td>Other online sources</td>
<td>13%</td>
</tr>
<tr>
<td>Online blogs/communities</td>
<td>12%</td>
</tr>
<tr>
<td>Information from your employer</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Life and pensions

Implications for insurers

Sales channels must be effective
Given the continued need for personal interaction by the majority of customers, particularly around servicing, it is vital to ensure that sales channels effectively deliver what customers need. In particular, agents need to be able to provide the right expertise to help customers make well-informed financial decisions. Providers will need to manage their agency channel effectively to ensure that agents are appropriately trained and of high quality so they can offer better advice to the customer.

Quality and transparency of information must improve
To respond to customers’ desire to research products independently and to help customers make appropriate choices, companies need to provide simpler and more transparent information via their own agents, online or social media channels.

Providers need to reconsider all the options for “face-to-face” contact
Of course, personal interaction doesn’t necessarily mean physical face-to-face contact. Telephone contact can be appropriate for some transactions, particularly for servicing the policy, as long as customers are confident with this approach. This suggests that insurers may be able to develop new, lower-cost ways of interacting with customers that meet the need for personal contact without the requirement for expensive, traditional, face-to-face channels.

Brand strength will deliver competitive advantage
In what is still a relatively undeveloped market, brand awareness is critical. The influx of new global players is currently benefitting the sector overall, but as competition increases, consumers will have to make choices. Those with stronger brands are likely to perform better than their peers at attracting and retaining business. Consumers in India associate brand with trust and tend to favor local players who have managed to build this trust with the consumers over the years. New entrants into the market could consider leveraging such an Indian partner to increase brand acceptance and gain a competitive advantage.

Reasons why customers see personal interaction as important

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products are too complicated and technical</td>
<td>53%</td>
</tr>
<tr>
<td>I don’t know what products are best for my needs</td>
<td>42%</td>
</tr>
<tr>
<td>I feel I need expert assistance to make important financial decisions</td>
<td>42%</td>
</tr>
<tr>
<td>I need assistance with the paperwork and general administration</td>
<td>34%</td>
</tr>
<tr>
<td>I don’t know how to measure the products’ performance</td>
<td>26%</td>
</tr>
<tr>
<td>I don’t know the insurance companies</td>
<td>15%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Our research shows that levels of cross-selling in India are significant and much higher than in many other countries. Some 45% of consumers surveyed in the country bought more than one product from a provider. This is much more than in the UK and the US, where only 11% of consumers bought multiple products. However, China exceeds India on this measure, with 52% of consumers buying more than one product from a provider: this exceptionally high percentage may reflect the limited number of providers in the country.

We believe the level of repeat purchase is high partly because of the large number of policies where customers make a low monthly payment, leading to a tendency to invest in more than one product. Furthermore, LIC – the only public-sector insurer in India – has a low rate of agent attrition leading to higher levels of repeat business. In addition, its distribution franchises target lower socio-economic segments where customers’ economic status is rapidly evolving and can therefore buy multiple products. This is also evident from our research findings that show that 66% of low-income customers have bought additional products.

Customers want to buy more products, but agent role is fundamental

Our research shows that consumers are willing to buy multiple products from existing providers and in fact may prefer to do so. Trust in the provider and convenience are two important factors driving repeat purchases. On average, 38% of customers in India that had purchased more than one product from the same provider did so because they trusted the company, and 34% said it was easier, or more convenient, to buy from a known provider. However, the most significant factor driving repeat purchasing in India is agent advice – cited by 56% of customers; this figure is much higher than in other markets we surveyed.

Hard selling is counter-productive

It is also clear from our research that improved quality and frequency of contact, as well as satisfaction with the provider, drive repeat purchases; incentives or rewards for loyalty can also influence repeat sales. However, our findings show that hard sales tactics do not work and are often counterproductive. For the 20% of customers who feel that contact with insurers is not meeting their needs, 52% say the main reason is because the provider’s focus is on selling more products rather than on understanding their requirements. But although customers are willing to buy more, they expect insurers to make it easy for them. Products need to be simple so that it is easy for customers to understand what they are buying, and customers increasingly expect to be rewarded for loyalty. Of those surveyed, 24% give price discounts as a reason for buying additional products and 22% want additional services at no extra cost. If insurers offer rewards of this kind they can increase repeat sales and drive improved retention.

It’s hard to cross-sell to existing customers

Insurers have traditionally relied on intermediaries and have not focused on building the direct relationships with existing customers that drive repeat sales. If insurers understand customers’ needs and offer the right propositions in the right way, our research shows that they can cross-sell, up-sell and repeat sell effectively.

66% of low-income customers have bought additional products.
Factors driving repeat purchasing

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>My agent advised me to buy from this provider</td>
<td>56%</td>
</tr>
<tr>
<td>I trust my provider</td>
<td>38%</td>
</tr>
<tr>
<td>It was easier to buy from a provider I already know</td>
<td>34%</td>
</tr>
<tr>
<td>I received a discount for buying additional products</td>
<td>24%</td>
</tr>
<tr>
<td>I received additional services without additional cost</td>
<td>22%</td>
</tr>
<tr>
<td>The product I already had was outperforming the market</td>
<td>17%</td>
</tr>
<tr>
<td>I received other rewards for buying additional products from this provider</td>
<td>14%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>

38% of customers who purchased more than one product from the same provider did so because they trusted the company.
Providers **can’t influence persistency**

Received wisdom is that providers feel they have little ability to retain customers — it’s just not something they can control. Our research demonstrates that insurers can influence persistency: they just have to try harder to build stronger and more responsive relationships with existing customers.
Historically, life insurers in India have realized profits from up-front product charges and surrender charges, so persistency hasn’t been a big value driver. Also, with largely intermediated sales, insurers have had limited contact with end customers. However, companies work harder in India to retain customers than in any other country: 77% of consumers report that effort is made to retain them – more than in any other developing market that we surveyed. In China, for example, the comparative figure is 72%, in Brazil 64% and in Turkey 60%.

**Many factors influence persistency, but agent role is key**
Across the globe, switching levels in life and pensions policies are not generally high, with an average of 10% of customers saying they have switched providers in the last five years across all countries in our survey. In India, however, the figure is higher (17%). For products with a 25-year life, this is a significant degree of churn and to their credit, insurance providers make fair or great efforts to retain customers in the majority of cases. In our view, insurer efforts are ineffective because they are often reactive rather than proactive. Once a consumer has taken a decision to switch providers it is difficult to retain them.

The swing factor in India, as in so many areas, appears to be the role of the agent. Unlike other markets, Indian consumers cite their agent recommending a new provider (36% of respondents) or their agent changing to a different provider (35% of respondents) as the two most frequent reasons why they change provider. Other important factors influencing persistency are a change in needs (33%), particularly for bank and direct customers, and poor service (28%) or product performance (28%) which are more common reasons driving consumers to change in other markets that we surveyed.

The research also shows that customers are increasingly accustomed to having their loyalty rewarded in other industries, either through price discounts or extra value: 50% of Indian customers feel the insurance industry lags behind other industries in rewarding loyalty. At the point where customers leave, they clearly state that if the provider had given them an incentive to stay they would have considered doing so. On average, 34% say that they would reconsider the decision to switch if insurers made a better offer on their existing product, while 38% say that providing more personal contact and greater transparency would help to convince them to stay.

### Reasons consumers change provider

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>My agent recommend a new provider</td>
<td>36%</td>
</tr>
<tr>
<td>My agent changed providers and recommended the new provider</td>
<td>35%</td>
</tr>
<tr>
<td>My needs changed and my previous provider couldn’t meet my new needs</td>
<td>33%</td>
</tr>
<tr>
<td>Poor product performance by my previous provider</td>
<td>28%</td>
</tr>
<tr>
<td>Poor service by my previous provider</td>
<td>28%</td>
</tr>
<tr>
<td>None of the reasons above</td>
<td>2%</td>
</tr>
</tbody>
</table>
The survey indicates that switching behavior may increase as customers become more demanding that products and service meet their evolving needs and expectations. Over the next five years, 33% of customers say that they are likely to switch providers.

However, Indian consumers say that greater transparency about products and performance, more personal contact with the provider, better offers and better service would persuade them to reconsider – all of which give considerable grounds for optimism to insurers as these are all factors that are strongly in their power to influence.

### Implications for insurers

**Direct contact is essential to boost retention**

It is clear that insurers need to improve the quality of contact with customers, both during their life cycle and particularly when at risk of lapse. The survey provides evidence that if providers contact customers and are responsive to their needs, they will retain more customers. Since agents are a key factor influencing persistency, providers need to establish direct contact because “orphaned” customers are more likely to switch if left without an advisor if the agent leaves the firm or the sector. To reduce levels of agent attrition, insurers could consider offering higher incentives on renewals. Many agents operate on a multi-tiered basis and are well positioned to encourage customers to shift providers. Renewal rewards need to be structured to protect clients’ interests and encourage agents to make appropriate choices.

**Insurers need to collaborate more effectively with intermediaries**

For insurers in India, establishing a more equitable relationship between providers, intermediaries and consumers is not that straightforward since there is often a tug-of-war between the intermediaries and the insurance company as to who “owns” customers and their information. Given Indian consumers’ appetite for independent research and decision-making, it seems highly likely that providers and intermediaries would do better to collaborate their efforts.

### Reasons consumers might reconsider switching providers

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>More transparency about my product(s) and their performance</td>
<td>38%</td>
</tr>
<tr>
<td>More personal contact with my provider</td>
<td>38%</td>
</tr>
<tr>
<td>Better offer on existing product(s)</td>
<td>34%</td>
</tr>
<tr>
<td>Confidence that the service I receive would improve</td>
<td>32%</td>
</tr>
<tr>
<td>More frequent communication with me</td>
<td>28%</td>
</tr>
<tr>
<td>Advice from my agent</td>
<td>26%</td>
</tr>
<tr>
<td>Nothing</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
</tr>
</tbody>
</table>
Non-life insurance

While there is some truth in the myths concerning how non-life insurance products are bought and sold, the reality is more complex. Understanding the nuances helps insurers understand what they can do better or differently to attract consumers, deepen and retain relationships and unlock greater customer lifetime value.

Our survey explores the following myths:

1. The future is online
2. It’s only about price
3. Good claims experience builds loyalty
4. Customers don’t respond to cross-selling
5. Insurers can’t influence customer retention
The future is online

Received wisdom is that the use of internet resources is growing rapidly and in the future, online will be the dominant channel for research and transactions. Our study indicates that while their use is growing, online channels need to be part of an integrated channel strategy and personal interaction will remain critical.

Online research is growing quickly
The importance of online channels for research and their expected continued growth is clear across our survey. The increasing reliance on the internet for research is not confined to third-party websites. Thirty-one percent of customers are currently using a range of online channels, including providers’ own websites and blogs, to research purchases. Use is particularly prevalent with younger customers (27% used a comparison website) and is growing in other age segments. These levels of use are average by international standards – lower than China and the UK, but higher than in the US.

Currently, advice from family and friends (65%) or agents (61%) remains the primary research channels.

Our research shows that although 27% of customers say they will use comparison websites more in the future, the data also shows that 24% will use comparison websites less, suggesting levels of comparison site use will grow only slowly.

Sales activity lags research activity
Online sales lag behind internet use for research purposes, with only 11% of consumers reporting they bought through a comparison site, against 20% that considered doing so. These levels of activity lag behind China by some margin and are also far lower than in the UK. This suggests that, for the moment at least, not all customers believe that speed and flexibility outweigh concerns over reliability or unfamiliarity. As insurers become better at creating online sales processes that give customers confidence that they can purchase a reliable product quickly, more customers will migrate to this channel. Convenience will drive growth in online sales and Indian insurers should be mindful of the example of the UK, where 45% of survey respondents considered purchasing via comparison websites and 27% actually did so, showing how fast and far online use can penetrate.

Direct contact remains important during many phases of the product life cycle, particularly when extending cover, making a claim or dealing with other customer service issues. Even with respect to renewals, 50% of the respondents still prefer personal channels, against 26% who expect to use a combination of personal and online in the future.

Preferred method of contact for renewals

<table>
<thead>
<tr>
<th>Method</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>All personal (e.g., by telephone or face-to-face)</td>
<td>50%</td>
</tr>
<tr>
<td>Some online and some personal (e.g., by telephone or face-to-face)</td>
<td>26%</td>
</tr>
<tr>
<td>All online/electronic (e.g., by website/email)</td>
<td>22%</td>
</tr>
<tr>
<td>Other/none of the above</td>
<td>2%</td>
</tr>
</tbody>
</table>

31% of customers are currently using a range of online channels to research purchases.
Implications for insurers

Insurers must meet customer expectations across channels

Providers need a multi-channel strategy, and their internet policy must match customer expectations by combining clear product information and simple sales processes for new buyers and a simplified renewal process for returning customers. This needs to take into account the mix of customer types and their differing information needs. Online take-up is understandably slower for more complex products. Making this an easy and reliable process is therefore the most important tactic for companies.

Many insurers have made progress in ensuring their sales process is adapted to online. However, much of the complexity in integrating technology is in the back office – customer servicing and claims – and in these areas there has been less progress because the task is huge. Customers expect insurers to integrate different methods of communication: they want to be able to choose the communication method that suits them at the time and for the purpose, and to switch between channels without repeating part of a transaction. Insurers have to be able to seamlessly integrate online and offline channels to meet changing customer needs over the product life cycle. Ensuring accurate and easy-to-use recordkeeping across three or four different communication methods is a technological challenge for many organizations. Certainly, when consumers decide they want personal interaction, whether face-to-face by telephone or chat room, they want their time to be treated as valuable and not to be squandered on an insurer’s own process inefficiencies or internal requirements.

Online is no panacea: flexibility is key

Online sales should not be seen as a way to reduce costs, as conversion rates are low, marketing costs are high and websites need constant updating. Customer expectations of the sales process are high and a contact center (phone and internet) will still be needed to support queries. Also, as the adoption of smart phones over the past two years illustrates, technology evolves very fast and only agile companies with short product life cycles and flexible operating models will be able to adapt quickly to the next technological advance.
Myth 2

It’s only about price

Received wisdom is that retail non-life insurance products are perceived as commoditized and price, therefore, is the only criterion on which they are purchased. Our research indicates that this is not the case and insurers need to differentiate themselves on products and service to build a sustainable brand.

Price is important, but so is brand value
In general, across all the markets we surveyed, the research shows that price is an important component of value, but it is not the only one. In many markets, price is particularly sensitive for new business. At renewal, in making their value decision, customers will also consider the service they have received and the confidence they have in the provider. The degree of switching is also influenced by country culture and market structure, for example, with respect to the number of providers available or whether there is a price tariff in operation.

Brand and service more important than price
In India, 33% of customers indicate that price is a factor in provider selection, behind brand (69%), customer service (43%) and convenience (38%).

The importance of non-price-buying factors may be due in part to the fact that motor insurance has only recently been de-tariffed in India and, since it is usually bundled with car sales, customers may not be aware of (or inclined to check) the range of prices available. In fact, since de-tariffing, providers have aggressively cut prices, particularly in motor insurance. However, our research shows that insurers can differentiate on brand, customer service and reputation.

Sensitivity to price varies by segment
Across all lines, older respondents are even less price sensitive and more dependent on brand, suggesting that they are more risk averse and therefore are more comfortable with a provider they trust.

Respondents were more price sensitive for householders business than any other line with 41% citing price as a key factor, 59% say that customer service is a key factor and 73% say brand was a key factor.

Which factors are most important when purchasing your policy?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand</td>
<td>69%</td>
</tr>
<tr>
<td>Reputation</td>
<td>44%</td>
</tr>
<tr>
<td>Customer service</td>
<td>43%</td>
</tr>
</tbody>
</table>
Implications for insurers

**Differentiating products and service is increasingly important**
Currently, the wording for motor insurance coverage is standard for all companies; however, law-makers may move to deregulate policy wording in the future. Additional coverage has already been introduced and any further deregulation is likely to be phased in carefully to ensure that a minimum level of coverage is guaranteed to all buyers of insurance. This will give insurers the opportunity to flex policy coverage to suit particular customer groups and brand position, and give insurers another source of competitive advantage. This cover flexibility will also give insurers scope to offer greater product unbundling and potentially lower pricing.

While being competitive on price remains important, companies need to increase their pricing sophistication in order to compete effectively. Insurers should understand the true cost-to-serve for each group of customers and build this into their pricing models. The first step is to ensure robust customer data management, even where insurance is sold through an agent, by improving processes to collect and analyze buyer information. There are additional factors that providers can address to win new customers such as their brand positioning and the ease or simplicity of the sales process.

**Insurers need to tightly manage relationships with asset providers**
To date, the strategy for some insurers has been to do very little and rely on good relationships with asset providers. Insurers need to continue to ensure that the economics of arrangements with intermediaries such as car manufacturers and banks are structured appropriately since this is such a key feature of this market.

However providers and intermediaries choose to collaborate going forward, they will need to invest in both customer insight techniques and technology, and in building this insight into their customer operational processes and product design. This will help to be sure that they are agile enough to appeal to a wide set of customers. Insurers should also ensure they have access to customer data as this will be key for future success.

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**Non-life insurance**

<table>
<thead>
<tr>
<th>Conventional</th>
<th>Price</th>
<th>Financial strength</th>
<th>Previous experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>38%</td>
<td>33%</td>
<td>29%</td>
<td>25%</td>
</tr>
</tbody>
</table>
Good claims experience builds **loyalty**

Received wisdom is that if providers offer a good claims experience, customers will be delighted and this will drive loyalty and help build brand value. Our research shows that a good claims experience is expected, but that a bad experience diminishes brand value.
A good claims experience is necessary, but doesn’t build loyalty
An efficient and effective claims function is a key profit driver for any insurer. From a customer perspective, however, our research shows a very clear and consistent picture regarding claims. An efficient and quick response will validate a policyholder’s view that they have chosen the right insurer. But customers expect great service and a good claims experience as a matter of course, so this will not drive greater loyalty or significantly improve customer retention. Of the Indian respondents who have not changed their provider in the last five years, only 9% say that good claims servicing was the main driver for their loyalty. The key factors are service (58%) and trust (41%).

For Indian respondents, it seems that regardless of claims performance, it is likely to decrease the likelihood of renewal, although a good claims experience leads to a smaller drop than a poor claims experience. This pattern is unique to the Indian market across the global territories we surveyed. Conversely, a poor claims service is likely to drive customers to switch providers, irrespective of price.

An illustrative case is the health insurance market, where until a couple of years ago claims servicing was almost universally outsourced to an administrator. Many insurers found a high degree of customer dissatisfaction with the standard of claims service because there was no direct involvement from the insurer in the process. Some companies have responded by starting to manage claims servicing themselves, and this has improved customer satisfaction levels, retention as well as helping companies to reduce their claims costs.

Understand the needs of different customer segments
Across all lines, insurers need a deep understanding of the varying needs of individual customer groupings. While older customers tend to value personal contact during the claims process, speed is cited by 44% of all respondents as one of the most important factors in dealing with a claim, something that is particularly true for bank channel customers (52%) and health insurance customers (63%). Other factors are better communication (33%) and more personalized service (30%).

However consumers prefer to interact with their insurance providers, companies need to be sufficiently agile to respond promptly and appropriately – and maintain transparency and consistency – across multiple channels and touch points if they are to meet customers’ expectations.

Percentage of respondents who said they were unlikely to change insurer due to claims experience

<table>
<thead>
<tr>
<th>Region</th>
<th>No claim</th>
<th>Bad claim</th>
<th>Good claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UAE</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9% of Indian customers say that good claims servicing was the main driver for their loyalty.
Ways the provider could have improved claims handling

- Dealt with my claim more quickly: 44%
- Provided a better level of communication during the claims process: 33%
- Provided a more personal service: 30%
- Provided better practical support following the incident: 29%
- Provided more or better quality options for repair or replacement: 29%
- Used better quality companies/people for the repair or replacement: 27%
- Offered flexibility because it was a minor or first claim on this policy: 18%
- Nothing: 5%
- Other: 1%

Non-life insurance
### Implications for insurers

**Claims service needs continuing investment**
Investment in claims processes and technology should not be driven by the belief that it will help to improve retention, but only to improve efficiency for the customer and insurer. It is difficult for insurers to differentiate themselves in the eyes of their customers by claims service, which means it carries a predominantly downside risk. This suggests that failing to invest and falling behind will result in greater customer dissatisfaction. As customer expectations change, it is critical that insurers invest to keep up with ever-increasing customer expectations and to ensure that communication methods and distribution channels integrate seamlessly. Otherwise, a level of service that would have scored 8/10 today will only score 6/10 in three years’ time.

Consumers across all age groups rely on a variety of communications channels — phone calls, email or texts — to stay informed as a claim progresses. To meet customers’ expectations, providers need to be sufficiently agile to respond promptly and appropriately — and maintain transparency and consistency across multiple channels and touch points — to meet customers’ expectations.

**Improvements must target the bottom line**
Improving claims efficiency and effectiveness can have a big impact on an insurer’s financial performance. In difficult economic times, there may be a greater tendency for customers to file claims against insurers and for insurers to tighten the parameters around claims assessment. It is absolutely critical that insurers communicate clearly and consistently the scope of the cover and the mechanics of the claims response so that there can be no room for doubt and no opportunity for missed expectations.

Insurers also need to focus on convenience, ease of transaction and reviewing the needs of customers on a periodic basis since these factors are key influencers in driving loyalty.

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**Likelihood of changing provider following a poor claims experience**

<table>
<thead>
<tr>
<th></th>
<th>Little more likely to change</th>
<th>Much more likely to change</th>
<th>Certain to change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31%</td>
<td>24%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Customers don’t respond to cross-selling

The common perception is that customers don’t enjoy the sales process and resent insurers trying to sell them additional products. The reality is that if insurers understand customers’ needs and offer the right propositions in the right way, they can cross-sell, up-sell and repeat sell effectively.

Most customers prefer a single provider

Our research shows that customers are willing to buy multiple products from existing providers. In fact, many prefer to do so if it can be done in a way that is convenient for them and that delivers greater value. In India, 69% of consumers agree that they would like to buy more products from the same provider and the trend is particularly marked among the older age group.

Convenience is a key driver

Although customers are willing to buy more, they expect insurers to make it easy for them. In line with findings around the world, consumers in India cite convenience (67%) and better service (38%) as the primary reasons for buying multiple products from a single provider. Our research also shows that customers who purchase from an asset provider, bank or third-party online site have a higher inclination to purchase from their existing provider than those that buy through an agency or directly from an insurer.

Customers expect the provider to leverage their knowledge and insight to offer relevant, related products in one quick and easy sale, rather than in multiple contacts over a protracted period. Trying to cross-sell after the primary purchase is less successful because this is perceived as no more convenient than buying from a new insurer. In India, while many players have taken steps to increase the level of cross-selling, most are struggling because of a lack of customer information. In many cases even basic information, such as customers’ contact details, is not available to the insurer and they find it difficult to establish a direct relationship with the insured.
**Implications for insurers**

**Insurers need direct relationships with customers**

Insurers need to ask how they can demonstrate that a repeat purchase is either easier or a better value than going to another insurer. The challenge that insurers face, in a market where sales are often made by asset providers (particularly motor insurance), is establishing any kind of meaningful direct relationship with customers. The reality is that many insurers do not have access to customer data because a third party is conducting sales on their behalf.

If insurers are to get serious about growing their market share through more cross-selling, then they have to start from scratch and build the CRM capability that will enable them to manage customer relationships more successfully.

If it is properly managed, insurers should be able to leverage customer data to align the product proposition to the customer’s needs regardless of channel.

**Processes must change to support repeat sales**

To make purchasing easy and convenient, processes for repeat sales need to leverage the insurer’s existing data to shorten the sales time and help tailor the product. Insurers who ask questions to which they already know the answers will lose their goodwill advantage very quickly. In addition, customers will expect a discount for purchasing more than one product, so insurers need to develop a pricing model that delivers rewards and encourages loyalty.

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**Reasons for preferring a single provider**

- It just makes it simpler to have it all in one place
- I think I will get better service from one provider
- It was cheaper to have multiple products with one insurer
- My agent/advisor suggest I do it

67% 38% 24% 20%
Insurers can’t influence customer retention

Received wisdom is that providers feel they have little ability to retain customers – it’s just not something they can control. Our research found that this was not the case. Insurers can profitably influence retention if they leverage their data and empower their staff to demonstrate to policyholders that they value their custom.
The retention rates for non-life insurance vary widely across different countries. This variation is explained by different behavioral norms and by the level of effort insurers put into renewal efforts.

**Customers want to stay**

In India, our research shows that customers are reluctant to switch because it is inconvenient. Only 19% of respondents changed providers in the past five years. However, 9% of respondents say that they are very likely to switch providers in the future, with 22% fairly likely. Insurers need to increase their focus on retention. Thirty-three percent of the respondents cited poor service is the primary reason for changing providers. This figure rises to 50% for motor customers. Other factors are a change in needs (32%), which is particularly true for accident and home insurance customers, and better price (29%), which is particularly true for older and online customers.

**Retention efforts are patchy**

Fifty-six percent of respondents who switched said that insurers made a great or fair effort to retain them. The number rises to 71% of online comparison site customers – possibly due to the fact that they are easier to contact – and 66% of customers of asset providers, which suggests greater renewal efforts by insurers than banks and other intermediaries. Overall, 42% of respondents feel there is little or no effort to retain their business.

**Factors that would persuade customers to stay**

- Better features on the product
- Confidence that the service I received would improve
- A discount in appreciation for my continued business
- More competitive price
- More personal contact with my provider
- If they had dealt better with my claim(s)
- More frequent communication with me
- If they offered me non-insurance services that complemented my policy, e.g., car
- If I trusted them
- If my agent had contacted me prior to renewal and recommended me not to change

81% of consumers indicate that they are more likely to renew if they are contacted by their insurer or agent.
Non-life insurance

Reasons for changing provider

<table>
<thead>
<tr>
<th>Reason</th>
<th>Accident insurance</th>
<th>Health insurance</th>
<th>Home building insurance</th>
<th>Private motor insurance</th>
<th>Any other</th>
</tr>
</thead>
<tbody>
<tr>
<td>My needs changed and my previous provider couldn’t meet my new needs</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>50%</td>
</tr>
<tr>
<td>I found a better product elsewhere</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>45%</td>
</tr>
<tr>
<td>Poor service by my previous provider</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>40%</td>
</tr>
<tr>
<td>Another provider offered me a better product or cheaper price</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>35%</td>
</tr>
<tr>
<td>I found a cheaper price elsewhere</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>30%</td>
</tr>
<tr>
<td>My agent recommended a new provider</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>I had a poor experience on a claim I made</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Implications for insurers

Cost-to-serve and propensity to switch underpin retention strategy
While retaining their best customers is the goal, unless insurers understand the cost-to-serve of different customer segments and channels they cannot develop the predictive models that will enable them to establish which customers are worth retaining and how much they should invest toward retaining them. Companies also need to understand the switching behavior of their clients and how this differs by territory and customer segment. Combining an understanding of cost-to-serve with the propensity to switch will strengthen an insurer’s retention strategy.

Dedicated retention capability will boost retention
The correct strategy to retain more customers is a sophisticated approach that utilizes a highly trained specialist retention sales force that is able to make appropriate recommendations around coverage and pricing combinations. Many companies that have their own retention call center have seen higher renewals compared to their competitors.

This strategy requires a dedicated staff and agile products with flexible pricing models so the retention team can negotiate effectively on price and product coverage to meet customers’ needs. Without this level of product flexibility, the retention team will only be able to offer blanket discounts, which rarely create long-term profitability.

Having an effective customer retention function that segments the customer base, targets those who are most valuable and communicates with them proactively is becoming increasingly important for insurers to boost retention and profitability.
During August and October 2011, Ernst & Young commissioned a global customer insurance survey. Working with Ipsos, this research focused on better understanding the behaviors and expectations of customers across the globe.

The survey covered 24,000 customers across 7 regions and 23 countries.

The survey was designed to be broadly representative of the insurance-buying population in each country, accessible through online panels. Only people holding at least one insurance policy were eligible to participate. This methodology has been widely used by Ipsos for insurance, consumer products and services clients around the world.

It is important to remember that in developing markets, online panels tend to be more representative of an urban and relatively affluent population than of the population as a whole. However, as this is the group that is more likely to buy insurance (and indeed, consumer goods and services in general), it was felt that an online approach still produced a sample that is broadly representative of the target market for insurance companies. It is also a reasonable assumption that younger people are less likely to own an insurance policy and therefore formed a smaller proportion of responses to the survey than they do of the population as a whole.

The following steps were taken to reach a cross-section of insurance customers via the online panels:

- Interviews were conducted in each market using online access panels* among members of the adult population.**
- The outgoing sample, i.e., the group of people initially invited to respond to the survey, was balanced to be representative of the national population by age, gender and region.†
- A screening question was placed at the beginning of the survey to exclude respondents who did not hold at least one product from a set list of insurance products.
- Quotas were set on life and pensions and non-life insurance to ensure equal numbers of responses across the two main insurance categories (in order to facilitate analysis within each category.)
- No further quotas were set. The interviews were left to fall out naturally across the online demographic groups on the assumption that the responses should broadly reflect the profile of the insurance market in each country.
- For the European, American, Asia-Pacific and India regions, the data has been weighted according to the size of each individual country’s Gross National Income adjusted for the Purchase Parity Power (GNI PPP). Source: World Bank website, 2010 data.
- Analysis of the survey findings has been conducted jointly by Ipsos and Ernst & Young.

Life and pensions

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>25-34</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>35-44</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>45-54</td>
<td>22%</td>
<td>22%</td>
</tr>
<tr>
<td>55-64</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>65+</td>
<td>13%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Non-life insurance

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>12%</td>
<td>12%</td>
</tr>
<tr>
<td>25-34</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>35-44</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>45-54</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>55-64</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>65+</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

* South Africa conducted offline and India mixed online/offline.
** In some markets this is 18-65 years old, extended to 65+ where feasible.
† Excludes regions in some developing markets where this is not appropriate.
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