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 503 consumers of life and non-life personal insurance products in the United Arab Emirates between August and October 2011, as part of a global survey covering 23 countries in seven regions around the world.¹

¹ For a full description of the global methodology used to create this report, please see page 32.
The Middle East region, and in particular, the Gulf Cooperation Council (GCC), has experienced a period of unprecedented economic growth, driven by record oil prices and an influx of petrodollars. Some governments have implemented aggressive investment programs to develop infrastructure, acquire strategic assets and finance major construction projects, transforming the economic and socio-demographic profile of the region. Expatriates now account for 40% of the population across the GCC, and more than 70% in the UAE, Qatar and Kuwait. Sovereign wealth has also helped to offset the impact of the global economic slowdown and ensured that governments within the GCC were able to respond quickly to the effects of the "Arab Spring."

Insurance across the region remains underdeveloped, with penetration rates below 2% in almost all GCC countries. Regulatory regimes continue to improve, but retention remains low, particularly for local insurance companies, and unsustainable levels of competition are detrimentally impacting financial performance in a number of markets. Life insurance, in particular, is nascent, accounting for less than 20% of premiums. This is especially prevalent in the indigenous and Muslim populations, where an established culture of financial support from family members and the welfare state provides limited demand for long-term protection and savings products.

However, demand dynamics are evolving. Governments, concerned by the rising cost of supporting their populations, are implementing compulsory health insurance schemes, alongside existing compulsory motor insurance. The growth of Islamic insurance (Takaful) has also helped to ease established religious objections to life insurance.

In the context of these profound changes, companies must re-evaluate their perceptions of consumers and their purchasing behavior. Our research uncovered strong evidence that customer behaviors in the UAE are changing and that some common myths about insurance have become outdated. As a result, insurers will need to think differently if they are to continue to be successful in attracting customers, deepening their understanding and building lifetime customer value.

UAE life and pensions key findings

- A significant majority of customers are looking to take more control over researching and purchasing life products. Some 83% of respondents expect to do their own research before buying life and pensions policies, far more than in the Americas or parts of the Asia-Pacific region.
- However, the role of agents remains central because of the preponderance of wealthy and mobile expatriate consumers, for whom these products are key to long-term income generation and financial security. Buyers have high expectations of agent performance.
- There is demand from customers for simplification and better information that would help them to build product understanding and take greater control of the purchasing process.
- Consumers have become accustomed to rewards for loyalty from non-financial consumer services industries and increasingly expect the same from insurers. To increase their share of the customers’ wallets, insurers must reward loyalty.
- Insurers need to respond flexibly to customers’ changing needs to boost retention and maximize customer lifetime value. But this is not just about marketing. It requires a deep understanding of customer segments so insurers can design their brand and sustainable, profitable products around them.
UAE non-life insurance key findings

- In the non-life insurance market, consumer motives are surprisingly global: regardless of territory, customers are driven by convenience and value.

- Convenience, however, is complex: it includes customers being able, easily, to research and buy when they want to, which has driven the growth of company and third-party websites. But convenience also includes avoiding problems later on — with cover, service or technology — and this means that some customers still rely on tried and tested channels such as agents, family advice or trusted brands.

- In a part-online, part-offline world, delivering convenience has become more complicated. Integrating technology across several different customer channels is a significant challenge for insurers.

- Value is also complex to assess, reflecting a balance of price, product features and service, which varies by market and customer type. Price, for example, is most important in motor insurance, but quality is a larger issue with health insurance, and the complexity of home insurance leads many customers to look for brand recognition.

- Given the complexity of customer segmentation, insurers need to understand the cost-to-serve of each segment and channel, as well as the behaviors that characterize them.

We hope you will find this research useful in 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.

Justin Balcombe
Senior Director, MENA Insurance Sector Leader
Ernst & Young Dubai
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 myths around how life and pensions 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, deepen and retain consumers 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 a perception that all financial services companies are untrustworthy. Our research indicates that this is not the case in the UAE life and pensions sector.
In the UAE, our findings show that most customers have a positive view of the insurance industry, suggesting that it may have been less affected by the financial crisis than the banking sector in terms of undermining customer trust.

Consumers are confident that they have the right products
A large majority (80%) of customers across all channels, ages and income groups are confident that they have the right product to meet their needs. This is broadly on a par with levels in the Americas, Europe and Asia-Pacific.

Looking at the findings more closely, 78% of customers in the 55+ age range say that they are very or fairly confident that they have the right product, compared to 87% of those in the 35–54 age range and 73% in the 18–34 category.

Across products, confidence in retirement (84%) and investment products (83%) is higher than in life products (74%) and pension plans (73%). The reason that pension plans lag behind retirement and investment products is that the latter tend to be lump sum investments providing either certainty or a good degree of investor control, whereas pension plans are reliant on long-term trends in investment returns and the financial stability of the employer or pension provider.

However, for the minority of customers who aren’t confident they have the right product, 45% cite lack of product understanding; 48% insufficient product performance information; and 26% poor advice as the reasons for their dissatisfaction with the employer scheme, particularly given low levels of state pension provision.

80% of customers say that they are very or fairly confident that they have the right product.
Why are you not confident the product is the right one for your needs?

- I did not fully understand the terms when I first bought the product: 45%
- I think I received poor advice: 26%
- I do not have enough information about how well my product is performing: 48%
- It hasn’t performed as well as other insurance products: 21%
- My needs have changed: 17%
- None of the above: 5%
- Don’t know: 5%
Quality of service is impacting overall satisfaction

Although consumers are generally confident that they have the right products, they ascribe a lower mean satisfaction score of just 6.5/10 – well below that of China (7.3); the UK (7.3); the US (7.7); South Africa (7.9); and India (7.9).

It’s likely that this is partly due to a widespread perception in the UAE that service levels are generally poor, both with personal contact and through call centers. Although the data suggests that in this regard, the UAE is behind the markets listed above, it is on a par with other countries, such as France, Spain, Italy, Turkey, Hong Kong and Singapore.

In terms of service, a net 30% think the insurance industry is behind other sectors. This increases to a net 65% in the 55+ age group. There is no discernible difference by age in overall levels of satisfaction. However, those who bought through an agent (6.7/10) and those in the lower income group (7.0/10) express higher levels of satisfaction than those in the high-income bracket (6.4/10), a significant finding given the market demographics.

While these findings are generally encouraging, particularly in regard to the positive views held by younger consumers, insurers should not be complacent. Customers will increasingly demand more transparency and improved information from their providers, while the prominence of expatriates in the UAE creates a relatively transient community – today’s satisfied customers may not be around to influence their peers in a few years’ time.

In the UAE, dissatisfied customers most frequently cite provision of better online services (39%), providing a named contact (34%) and being more transparent (30%) as areas where insurers could improve.

Implications for insurers

These findings are positive for the industry but are not grounds for complacency.

Insurance propositions must evolve to meet changing needs

Across all segments, insurers need to evolve their propositions continually to meet customers’ changing needs and expectations, particularly for improved information and transparency on product performance. This is particularly the case for online access, which has become a given in many other consumer industries. Customers who are used to genuinely customer-centric business models, such as those of pure internet businesses, will increasingly demand similar engagement with insurers – access when and where customers demand it; intelligent use of their data to recognize and respond to customers; access to objective customer-driven information to support purchase decisions; and rewards for loyalty.
Life insurance is sold, not bought

Received wisdom is 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.

UAE customers are typically wealthy and strongly independent

Customers are much more independent in the UAE than in other regions with almost half (49%) doing their own research. This is much higher than in the Americas (27%) and Europe (27%) but lower than in South Africa (67%) and India (74%). Of the greatest significance, however, is the finding that for future purchases, 83% of UAE consumers across all channels expect to do their own research in the future – more than in any other country in our survey.

We believe these high levels of self-directed activity reflect the prominence of wealthy expatriate consumers in the UAE market, many of whom will be familiar with features of life and pension products. However, demand from the indigenous population, where knowledge is lacking, remains limited.

Customers use a range of research channels

Customers will continue to use friends and family as trusted reference points: 54% of respondents cite them as a favored source for research. However, consumers expect these personal contacts to increasingly become part of an extended online group, and 59% of consumers in this region report that they intend to use online sources, such as comparison sites and social media, to research product information even though few comparison sites are currently available. As with many other sectors and products, consumers are increasingly asking: “What can the internet tell me about this insurer and this product, based on sources I can trust?”

Despite the high level of independence, our research shows that the agent still has a role to play in helping 49% of consumers to research products.

Which sources of information would you use when researching a new policy?

- Online comparison website: 59%
- Family or friends – word of mouth: 54%
- Advice from intermediary or agent: 49%
- Direct contact with bank or insurance company people (call center, branch): 44%
- Bank or insurance company websites: 41%
- Financial press/media: 35%
- Other online sources: 30%
- Information from an employer: 20%
- Advertising/direct mail from product provider (bank or insurance company): 19%
- Other: 5%
- Don’t know: 0%
Customers know what they want

Customers know what they want and have a clear understanding of the factors they are looking for before purchasing a policy, with 63% of respondents citing product features as the most important reason to choose a life or pension policy, ahead of the financial stability of the insurer (52%) and product performance (44%). Brand is considered important by only 20% of customers, in contrast to a number of other markets, such as Hong Kong, where almost one-third (30%) cited brand as a significant factor driving product choice.

The survey demonstrates that customers also understand that their needs change over time. For example, 46% of customers in the 35–54 age range cite providing for dependents as important, compared to 39% in the 18–34 bracket, while the importance of retirement savings increases steadily as consumers move through the three age groups (18–34: 38%; 35-54: 46%; 55+: 50%).

Implications for insurers

Providing transparent product information is vital

Insurers need to respond to customers’ strong desire to take control of the buying process by demystifying products and simplifying processes. With such a high proportion of customers in the UAE intending to carry out research, providers need to make sure that high-quality, transparent information is available about their products. They also need to focus on communicating their propositions in a way that allows customers to educate themselves about the company, and to make a well-informed choice of product.

Customer-centricity is a key area of focus

It’s vital to ensure that point-of-sale advice is available, whether a customer is using a direct purchase channel or an intermediary. The sales force should take a customer-centric approach that focuses on meeting buyers’ specific needs rather than simply making a sale, especially at the higher end of the market, where customers are much more discriminating. Due to the prevalence of agents, insurers need to make sure they are providing sufficient support, through regular and appropriate communication and training.

Providers must influence objective information sources

Insurers also need to consider how to influence objective and independent sources, particularly online sources, to ensure the company is represented fairly and accurately. Many insurers do not yet fully understand how to achieve this objective, which goes far beyond simple advertising. Managing the corporate reputation in cyberspace is a new challenge facing many consumer industries.
Personal interaction is essential

Received wisdom is that personal interaction is essential to educate customers about their financial needs and explain which products to buy. Our research indicates that this largely remains the case, but some customers are becoming more self-directed.
A large number of respondents in the UAE—89%—rate personal interaction as essential, very or fairly important. This is identical to the number in Hong Kong and very similar to that in India (94%) and China (92%) but much higher than in the US (81%) and the UK (76%). This relative over-reliance on personal interaction may be a result of the opaque nature of life and pensions in emerging markets, driving consumers to depend on meetings with agents to discuss product features.

**Agent role is key**

The typical UAE customer may be characterized as a “delegator.” In a business environment where long working hours are the norm, many customers (71%) use agents to support and validate the high level of independent work they do themselves, expecting agents to do a great deal or fair amount of research on their behalf.

In other markets, customers need personal interaction to educate them about their needs and have the suitability of products explained to them. In the UAE, the primary buyers of life and pensions products are at the high end of the income scale. Rather than simply buying life insurance, they are making significant investment decisions about sophisticated products. In line with the trend for independent decision-making, they appear to be using advisors to support decision-making, boost product understanding and select the right products.

However, at odds with these findings, only 34% of consumers use an agent to conclude their purchase, and only 24% of these consumers regard the agent’s advice as a key factor in product selection.

This suggests that consumers delegate research, whereas for the execution of the purchase, they will often deal directly. A further nuance in the UAE picture of personal interaction is the role of the workplace and bank channels. Fifty-eight percent of pension plan holders say they acquire their plans through the workplace, and many of them have done this before arriving in the UAE, suggesting it may not be such a key channel for providers as in other territories. For non-pension products, however, agents predominate. Our survey results show that some 34% of customers prefer to buy these products through an intermediary, ahead of the workplace (25%), bank (20%) or directly from an insurer (18%).

**Personal interaction will remain important**

Customers at the very top end of the market, i.e., high net worth, are likely to continue to demand personal interaction because of the significance of life and pension products in wealth protection and long-term financial security. However, the complexity of the products acts as a significant barrier that prevents consumers from transacting for themselves without first taking advice. This suggests that there may be a pent-up need for simplification and better information, which would help customers to build product understanding and take greater control of the purchase process.

The need for expert assistance was the top-ranking reason in the UAE for customers requiring face-to-face interaction, but this was no different from any other country apart from Japan. However, the percentage of people who cited this as a reason in the UAE (67%) was the second highest among all the countries surveyed.

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<table>
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<tr>
<th>Implications for insurers</th>
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<tbody>
<tr>
<td><strong>Improved product information will help drive sales</strong></td>
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<tr>
<td>Insurers can build direct-purchase clients by leveraging the confidence purchasers have in buying directly and the importance of provider trust and product performance in repeat purchases.</td>
</tr>
<tr>
<td>Whichever channel they prefer to use, customers want access to information that will help inform their decision-making around which products are suitable, the level of investment needed and the returns that can be expected.</td>
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| Providers should differentiate through product innovation |
| The market in the UAE is very competitive, yet the products available are homogenous. An opportunity exists for insurers to differentiate themselves from their competitors and stand out from the crowd—not simply through price, which is unsustainable, but through product innovation and enhanced communication with customers. |

| Needs of self-directed customers should be met |
| Providers also need to be ready to meet the expectations of self-directed customers as familiarity increases, and look to simplify products and selling processes to make it easier for customers to buy with confidence. |
It’s hard to cross-sell to existing customers

Received wisdom is that customers are reluctant to buy more products from the same provider. Our research shows that while current cross-selling levels are low, customers are willing to buy more products.

Our research shows that levels of repeat purchases in the UAE are moderate to high – 34% of those surveyed had bought more than one product from a single provider. This compares with around 11% in the UK and the US and 24% in South Africa, but 45% in India, 49% in Hong Kong and 48% in Singapore. It may be that in the UAE, with limited media exposure for life and pensions companies, people tend to stick with providers they know. This is borne out by the findings – the top two factors driving repeat purchases cited by respondents are trust in the provider (51%) and ease of buying from a known provider (46%).

Customers want convenience and value

However, although customers are willing to buy more, they expect insurers to make it easy for them. The process has to be convenient, providing an opportunity for multiple buying at the time of original purchase and via the channel of their choosing. 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, 18% say that receiving additional services at no extra cost is a factor in repeat purchasing. Of the 18% of those surveyed who changed providers, 51% say that improved offers on existing products would encourage a repeat sale and 47% that improved service may make them reconsider switching. If insurers respond to this, they can increase repeat sales and drive improved retention.

34% have bought additional products from the same provider.

### Quality and frequency of contact are important

It is also clear that improved quality and frequency of contact, as well as satisfaction with the provider, drive repeat purchases, and incentives or rewards for loyalty can also have an influence. Where customers feel the contact they receive meets their needs, 55% go on to make repeat purchases, while only 13% do so when they are dissatisfied with the contact from their provider.

### Which factors are important to you when deciding whether to purchase additional products from your existing provider?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>I trust the provider</td>
<td>51%</td>
</tr>
<tr>
<td>It was easier to buy from a provider I already know</td>
<td>46%</td>
</tr>
<tr>
<td>The product I already had was outperforming the market</td>
<td>24%</td>
</tr>
<tr>
<td>My agent advised me to buy from this provider</td>
<td>23%</td>
</tr>
</tbody>
</table>
Implications for insurers

Increasing customer lifetime value will drive profitability
As in other markets, the high costs of new customer acquisition compared to lower product charges mean that profitability is increasingly driven by retaining customers for longer, beyond their stay in the UAE, and increasing revenue per existing customer — in other words, increasing customer lifetime value. This makes it essential for insurers to increase their cross-selling efforts and to invest in CRM technology that enables them to track customers and transfer products as they move around. Insurers need to target existing customers with tailored, appropriate products and consider investing in a new generation of CRM technology to enable them to do this more effectively.

This is feasible for products issued by life companies from offshore centers, such as the Isle of Man or the Channel Islands. These are not jurisdiction-specific and can usually be retained and — in the case of regular savings plans — contributions continued after the customer has left the region. However, for local insurers in the UAE that sell more pure life insurance and fewer investment and savings products, it will be more difficult to retain clients who move away.

Hard selling is counter-productive
The data shows, however, that hard sales tactics do not work and are often counter-productive. Providers who build relationships with customers and can give them what they want, when and how they want it, will drive value.

Partnering with intermediaries will maximize revenue
Insurers should work in partnership with intermediaries, who play a key role in the sales process, to maximize the revenue opportunity from existing customers. This will require robust sales force management, agreeing on protocols for customer access and aligning economic incentives to obtain the best outcome for all parties, so that they cooperate to act in the best interests of the customer.
Myth 5

Providers can’t influence persistency

Received wisdom is that providers feel they have little ability to make a material difference to persistency. Our research shows that insurers can improve customer retention by better meeting customers’ changing needs.
Switching in the UAE higher than in any other region

The research shows that 18% of respondents – the highest figure of all countries surveyed – changed providers in the last five years. This is likely to be driven by changes to employment status together with the transient nature of the population, and compares with 10% of customers who switched in the UK and 8% in the US.

The survey indicates that switching behavior may increase further in time as customers become more demanding that products and service meet their needs and expectations. Thirty-seven percent say that they are very or fairly likely to change provider in the next five years. This compares to only 15% in the Americas, 16% in Europe and 24% across Asia-Pacific, so it should serve as a warning to UAE operators.

For products with a 25-year life, this is a significant degree of churn that can’t be ignored. It is troubling that only 31% of customers said insurers had made fair or great efforts to retain them.

Majority of customers have no reason to change provider

The majority (53%) of non-switchers state they have no reason to change providers, which suggests that by avoiding mistakes, insurers can keep retention high. It also reflects the prominence of single insurer agents, together with the financial and administrative burdens of attempting to switch: the charging structure in the UAE insurance market makes it very difficult for customers to switch within five years of purchasing a product.

Irrespective of these impediments, however, a number of consumers are effectively forced to leave. Some 38% of switchers say that they moved due to the provider’s inability to adapt to their needs. This issue reflects recent economic turmoil, which will have impacted the needs of customers, and suggests a lack of flexibility on the part of insurers. Poor service is the next most significant reason for changing, cited by 33% of respondents.

Industry failing to reward loyalty

The research also shows that customers are increasingly accustomed to rewards for loyalty in other industries, either through price discounts or extra value, but that insurers are not keeping up in this regard. Some 58% of respondents believe that the industry does not reward loyalty.

At the point when customers leave, they clearly state that if the provider had given them an incentive to stay, they would have considered doing so. Fifty-one percent of switchers would have reconsidered if their provider had proposed an improved financial offer, with a further 47% influenced by assurances that service quality would improve.

Why did you change provider?

<table>
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<tr>
<th>Reason</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>My needs changed and my provider could not meet my new needs</td>
<td>38%</td>
</tr>
<tr>
<td>Agent recommended a new provider</td>
<td>18%</td>
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<tr>
<td>Poor service by previous provider</td>
<td>33%</td>
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<tr>
<td>Poor product performance</td>
<td>16%</td>
</tr>
<tr>
<td>My agent changed providers and recommended a new provider</td>
<td>18%</td>
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</tbody>
</table>
51% of switchers would have reconsidered staying if their provider had proposed an improved financial offer.

**Implications for insurers**

**Focus should be on service quality, product flexibility and loyalty rewards**
UAE insurers need to be aware of, and address, the relatively high level of customers who are likely to switch insurer. Maintaining service quality and providing product flexibility are key to ensuring retention. Insurers should also look at ways to reward loyalty better, such as giving higher investment allocation rates on additional investment products or maybe providing free wellness checks on particular policy anniversaries.

**Better contact is essential to boost retention**
It is clear that providers also need to improve the quality of contact with customers, both during their life cycle and particularly when at risk of lapse. The survey shows that if providers contact customers and are responsive to their needs, retention will improve.

**Early investment in CRM systems will bring benefits**
Having an effective customer retention function is becoming essential for insurers, and this should be integrated with overall improvements to how they engage with existing customers. It is easier to build CRM systems at the outset of the cycle, rather than try to bolt them on at the end, when customers have become accustomed to a low-touch level of service.

**What would have made you reconsider switching providers?**

<table>
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<th>Reason for Reconsideration</th>
<th>Percentage</th>
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<tr>
<td>Better offer on existing product(s)</td>
<td>51%</td>
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<tr>
<td>Confidence that the service I receive would improve</td>
<td>47%</td>
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<tr>
<td>More transparency about my product(s) and their performance</td>
<td>38%</td>
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<tr>
<td>More frequent communication with me</td>
<td>29%</td>
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<tr>
<td>More personal contact with my provider</td>
<td>27%</td>
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<tr>
<td>Advice from my agent</td>
<td>22%</td>
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<tr>
<td>Other</td>
<td>7%</td>
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<tr>
<td>Nothing</td>
<td>4%</td>
</tr>
</tbody>
</table>
Non-life insurance

While there is some truth in the myths around 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 – not only for research, but also for transactions. Our research indicates that while their use is growing, online channels need to be part of an integrated channel strategy.
Online research is growing quickly

Our survey results reflect the increasing importance of online channels for research and transactions, driven by high levels – even when compared to developed markets – of internet and smartphone penetration. Some 34% of customers in the UAE are currently using a range of online channels, including providers’ own websites, to research purchases. Although the proportion of people currently researching online is similar to that of Europe as a whole (32%), it is far behind the UK and China, where 57% and 56% of people, respectively, research online prior to purchase. More people in the UAE carry out online research than consumers in India (31%), and far more than those in South Africa (7%).

Comparison websites becoming more popular

This trend is expected to continue, but with marked variations by channel. While 29% of respondents say that for information or advice purposes, they will make more use of company/bank websites in the future, 19% say they will use them less, a net increase of just 10%.

This may well be a reflection of the relatively underdeveloped nature of some company websites in the UAE in terms of what they offer and their capabilities. In contrast, 41% of customers say that they will make more use of comparison websites and only 16% that they will use them less, a net increase of 25%.

Word of mouth remains the preferred source of research, cited by 39% of respondents, ahead of direct contact with a bank or insurer (31%). Surprisingly, among the 18–34 age group, the gap is wider with 46% citing word of mouth compared to 29% using online comparison sites. This may reflect the relatively low prevalence of such sites in the UAE. In addition, there are significant sections of the population from cultures where a reliance on family-sourced advice is prevalent, such as the Indian subcontinent and Arab countries.

Sales activity lags research activity

Online sales lag behind internet use for research purposes, with only 16% of consumers reporting that they bought through a comparison site, although 40% said that they considered doing so. The reality is that the limited (although improving) availability of online transactions in the UAE may inhibit consumer choice and influence behavior. Very few insurance companies, with the exception of some offering motor and travel products, currently have a reliable platform for online purchasing. As there is improvement in creating online sales processes, accessible through both PC or smartphone, that give customers confidence they can purchase a reliable product quickly, more customers will migrate to this channel.

Although the use of technology is expected to rise, this does not necessarily mean that the importance of personal contact will decrease. In terms of renewing, there is no overriding preference, with 32% preferring online, 28% personal contact and 39% a combination of the two, although this varies by product class.

Given that the driving motivation is convenience, customers want to be able to choose the communication method that suits them at the time and for the purpose, and to switch between channels. This suggests that the insurer should make sure that it operates in a way that accommodates different client needs in terms of communication.

Looking ahead, the high penetration of smartphones is likely to drive demand for mobile distribution. Insurers than can innovate in this space may be able to grab market share.

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**Preferred form of contact**

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<tr>
<td>Renewable policy</td>
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<td>Making claim</td>
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<td>Extending cover</td>
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*All online, Some online and some personal, All personal*
Non-life insurance

Percentage of customers that will use company and comparison websites in the future

**Company website**

- 29% more
- 19% less

**Comparison website**

- 41% more
- 16% less
Implications for insurers

**Insurers must meet customer expectations across channels**

Customers are demonstrating an underlying desire to utilize online services. Providers need to ensure that their internet proposition matches customer expectations by combining clear product information 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, understandably, is slower for more complex products. Creating an easy and reliable process is therefore the most important tactic for companies. Insurers should also develop a strategy to respond to customers’ increasing preference for using comparison websites.

Some insurers have made progress in ensuring their sales process is adapted to the online environment. Much of the complexity in integrating technology, however, is in the back office – customer servicing and claims – and in these areas there has been less progress as 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, seamlessly, to integrate online and offline channels to meet changing customer needs over the product life cycle. Ensuring accurate and easy-to-use record keeping across three or four different communication methods is a technological challenge for many organizations. Certainly, when consumers decide that they want personal interaction, whether face-to-face, by telephone or web chat, 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 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. As the adoption of smartphones over recent 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.

### Sources of information used before buying

- **Family or friends – word of mouth**: 41%
- **Direct contact with bank or insurance company**: 35%
- **Advice from intermediary or agent**: 30%
- **Online comparison website**: 25%
- **Bank or insurance company websites**: 20%
- **Information from an employer**: 15%
- **Advertising/direct mail from product provider**: 10%
- **Other online sources**: 5%
- **Financial press/media**: 2.5%
- **None of the above**: 2.5%
- **Other**: 2.5%

**Total**

- **18–34 age group**
Price is an important factor, but not the only one
Price is an important component of value, but it is not the only one. Although it is particularly sensitive for new business, renewal customers will also consider the service they have received and the confidence they have in the provider. Overall, 58% of respondents say that they take price into consideration when making a purchase, ahead of a well-known or trustworthy brand (53%) and customer service (36%). In comparison, price is the most important factor in the Americas and Europe but followed closely by brand. In Asia-Pacific, however, the price and brand were considered equally important by customers.

Purchase drivers are specific to product and channel
The picture at the product and channel levels is more complex. For those buying directly from an insurer, price is selected as the most important factor by 55% of respondents, ahead of a well-known or trustworthy brand (40%). For bank customers, financial stability is the most important factor and, while price is second, it is selected by considerably fewer respondents than those purchasing from an insurer, just 33%.

Across all channels for motor and home insurance, price is overwhelmingly the key driver. Some 66% of motor and 58% of home building customers say that they take price into consideration when making a purchase. In contrast, buyers of health insurance are clearly concerned about factors other than price – only 46% of respondents say that they take price into consideration, with 49% saying brand and 41% saying customer service were key factors.

For renewals, non-price factors, such as service and trust, are most important to loyal customers, with price being identified as a key factor by only 25% of respondents.

Insurers in the UAE will need to take note of a common trend in many other markets where price comparison websites and “whole of market” agents have driven price convergence among non-life insurance products. However, while price is important, customers do not simply choose the cheapest product, many seek to differentiate providers on other components of value, such as a trustworthy brand, previous experience and good product features.

With this leveling of prices in a number of markets, some insurers have responded by unbundling their products to offer a low headline price, but this provides customers with the opportunity to challenge the value proposition. Through unbundling, customers have the ability to purchase only the components they value, rather than all the ancillary covers on offer. For those ancillary products perceived as overpriced, sales will drop quickly. Up-selling is therefore critical, to ensure that there is no loss of value through the unbundling process.

It's only about price
Received wisdom is that general insurance products are commoditized and price, therefore, is the only criteria on which they are purchased. Our research indicates that this is not the case.
Which factors are most important when purchasing your policy?

- **UAE**: 58% say they take price into consideration when making a purchase, ahead of a well-known or trustworthy brand and customer service.

### Implications for insurers

**It’s not just about price: insurers need to focus on brand and service too**

Insurers must be able to identify the most important buying factors by channel and product to attract and retain customers. Insurers should focus on price and product to attract clients, but on service and building trust to retain them.

While being competitive on price remains important – particularly to attract new customers – there are additional factors that providers can address to win new buyers and ensure customer retention, such as the flexibility of their products, ease and simplicity of sales process and developing a more sophisticated customer segmentation strategy.

**Segment the audience to price effectively**

Somewhat ironically, the fact that other non-price factors are nearly as important as price means that companies need to increase their pricing sophistication to compete effectively. Insurers should consider micro-segmentation to understand the true cost-to-serve for each group of customers and build this into their pricing models. Customers’ vulnerability to other insurers’ brands or products must be included in pricing models, to determine what price can be charged and still win the business. For example, if you have a strong brand, how much can you add to the price and still beat a weaker brand?

**Online brand management is becoming increasingly important**

Experience from other markets suggests that insurers will also increasingly have to invest in managing their brand online to ensure that social network comments reflect their brand values. Managing their reputation in cyberspace is not something insurers have had to do in the past.

Providers need to decide how to position their brand: whether to have a multi-brand strategy, targeted at different consumer segments, or invest in a ubiquitous brand with general appeal. Whichever option providers and intermediaries choose, they will not only need to invest in customer insight techniques and technology, but also in building this insight into their customer operational processes and product design, to ensure they are agile enough to appeal to a wide set of customer behaviors.
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 he or she has 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. Conversely, a poor claims service is likely to drive customers to switch provider.

Our findings show that of those consumers in the UAE who have had a good claims experience, 64% are unlikely to change insurer. This figure drops to 39% for those that have had a bad claims experience. While this trend is similar across all regions, the potential impact on customer retention in the UAE is more significant and emphasizes how much importance insurers should place on this aspect of service.

Understand the needs of different customer segments

To meet customer expectations, 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, younger consumers are more concerned with speed of settlement. Consumers across all age groupings may rely on a variety of communications channels – phone calls, email or texts – to stay informed as a claim progresses. 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.

Implications for insurers

Claims service needs continuing investment

Inefficient claims processes are a source of financial leakage for insurers, and our research shows that UAE consumers are far more sensitive to poor claims service than those in other countries. Improving claims efficiency and effectiveness can therefore have a big impact on an insurer’s financial performance. Performing well in this area may lead to a little more retention, but dropping behind can have a significantly detrimental effect.

Investment in claims processes and technology should not be driven by the belief that it will help to improve retention, but predominantly to improve efficiency for customer and insurer.

Integrated communication and distribution are key

In difficult economic times, there may be an increased frequency of claims, 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 expectations to be disappointed.

Claims service has a predominantly downside risk. It is critical that insurers invest in this area, both to keep up with changing customer expectations and to ensure that communication methods and distribution channels integrate seamlessly. Otherwise, a level of service that is perceived as satisfactory today may be insufficient in three years’ time.

<table>
<thead>
<tr>
<th>Percentage of respondents who said they were unlikely to change insurer</th>
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<tbody>
<tr>
<td>UAE</td>
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<tr>
<td>Americas</td>
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<tr>
<td>Asia-Pacific</td>
</tr>
<tr>
<td>Europe</td>
</tr>
<tr>
<td>India</td>
</tr>
<tr>
<td>Japan</td>
</tr>
<tr>
<td>South Africa</td>
</tr>
</tbody>
</table>

0% 10% 20% 30% 40% 50% 60% 70%

No claim Bad claim Good claim
Customers don’t respond to cross-selling

Received wisdom is that customers don’t enjoy the sales process and resent insurers trying to sell them additional products. Our research found that customers are willing to buy more products.
Many customers prefer a single provider
New regulations requiring composite insurance businesses to split the operations of their life and non-life, due to be implemented in 2012, may have a significant impact on cross-selling. However, our research shows that customers are currently willing to buy multiple products from existing providers, and in fact, many prefer to do so if it can be done in a way that is convenient and delivers greater value. In the survey, 49% of customers say that they prefer to buy from one provider, with a further 26% expressing no strong preference either way.

Trust and convenience drive repeat purchasing
Convenience and service are the main factors driving repeat purchases. Customers cite simplicity (72%) and the expectation of better service (47%) as the major reasons for preferring a single provider.

Comparing UAE results to other regions, it is clear 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 this.

Convenience is a key driver
Although customers are willing to buy more, they expect insurers to make it easy for them and to share in the benefit. The process has to be convenient – for example, by providing an opportunity for additional purchases at the time of original purchase, and via the channel of the customer’s choosing. Customers expect the provider to leverage its 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; this may be perceived as no more convenient than buying from a new insurer.

Implications for insurers

Providers need to demonstrate why customers should buy from them
Insurers need to ask how they can demonstrate that a repeat purchase is either easier or better value than going to another insurer. Regardless of channel, insurers should be able to leverage their improved customer data to better align the product proposition to the customer’s needs.

Insurers must leverage customer data to make every interaction count
To make purchasing easy and convenient, processes for repeat sales need to leverage the insurers’ existing data, to shorten the sale 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 in many countries will expect a discount for holding more than one product, so insurers need to develop a pricing model that allows this – for example, sharing some of the benefits from an improvement in the assumptions on retention for those customers with multiple products.

Cross-selling through intermediaries
Draft regulations aim to formalize the rules for banks to sell the products of insurers. Insurers should therefore consider how they can apply our research findings in the context of their partnerships with banks to maximize cross-selling opportunities.

Why do you prefer to buy different types of insurance from one provider?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>It just makes it simpler to have it all in one place</td>
<td>72%</td>
</tr>
<tr>
<td>I think I will get a better service from one provider</td>
<td>47%</td>
</tr>
<tr>
<td>It was cheaper to have multiple products with one insurer</td>
<td>34%</td>
</tr>
<tr>
<td>My agent/advisor suggest I do it</td>
<td>4%</td>
</tr>
<tr>
<td>Don't know</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
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</table>
The retention rates for non-life insurance vary widely across different countries. Part of this variation is explained by different behavioral norms, and part by the level of insurer focus on pre-renewal efforts.

In the UAE market, customer attrition is relatively high, with 37% of respondents switching in the last five years, compared to 24% in the Americas, 32% in Europe and 22% in Asia-Pacific. Looking forward, 38% of respondents say that they are “very or fairly likely” to switch in the next five years. This level of attrition is very similar to the UK, where 40% of consumers are very or fairly likely to switch, and is higher than South Africa (35%), India (31%) and Europe (22%).

The two main reasons for switching are finding a better product elsewhere — cited by 34% of respondents — and being offered a better product or cheaper price by another provider (33%). Conversely, the key reasons for not switching are: being happy with the service (35%); trust in the current provider (30%); and the burden of having to change (29%).

Retention efforts are patchy
Compounding consumers’ high propensity to switch, non-life insurance providers have a patchy record on customer retention. Our research shows that across nearly all countries, most switchers heard very little or nothing from their insurers. This is certainly the case in the UAE – 46% of those who changed providers feel that their former insurer did not make any effort to prevent them from switching.

Sadly, if customers have reached the point where they are about to leave, our research shows it may be too late to repair the relationship. Perhaps drawing on their experience from other industries, consumers are accustomed to rewards for loyalty, either through price discounts or extra value, and are disappointed when insurers fail to meet this expectation. The data shows that 56% of respondents in the UAE believe that insurance companies do not adequately reward loyalty. Being offered a discount is cited by 40% of respondents as something that would prevent them from switching. Other persuasive factors are a more competitive price (48%) and better product features (39%).

Myth 5

How likely are you to change providers in the next five years?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Very likely</td>
<td>8%</td>
</tr>
<tr>
<td>Fairly likely</td>
<td>30%</td>
</tr>
<tr>
<td>Not very likely</td>
<td>42%</td>
</tr>
<tr>
<td>Not at all likely</td>
<td>9%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>12%</td>
</tr>
</tbody>
</table>

55% of respondents in the UAE believe that insurance companies do not adequately reward loyalty.
Transient customer base is a factor
The transient nature of the population creates an interesting market dynamic in the UAE, which has an impact on retention. As expatriates arrive, they tend to be influenced by word of mouth as to which non-life insurance provider to buy from. Alternatively, they may be offered a bundled package from a retailer — usually the case with motor vehicles — who is often a domestic provider. At renewal time, however, customers are more likely to shop around and look to global brands, so those global insurers that better manage their corporate relationships and adapt their products appropriately will have an advantage over their local competitors in the UAE.

Implications for insurers
A focus on price and service will help build loyalty
In the UAE, good service alone does not prevent clients from switching providers. Insurers should look to combine a focus on service with competitive pricing to help build loyalty. Retention, although low on the basis of geographic market comparisons, appears respectable given the highly competitive nature of insurance in the UAE, but this could fall if aggregators become more prominent.

To boost retention further, insurers need to improve the quality of contact with customers, particularly when at risk of lapse. Providers who are able to use their customer data to identify valuable customers stand a better chance of improving retention and potentially up-selling or cross-selling other products.

Understanding of cost-to-serve should underpin retention strategy
While retaining their best customers is the goal, unless insurers understand the cost-to-serve of different customer micro-segments and channels, they cannot establish whether a customer is worth retaining — and how much they should invest in retaining them. Companies also need to understand the switching behavior of their clients and how it differs by territory and customer segment. Combining an understanding of cost-to-serve with switching propensity will strengthen an insurer’s retention strategy.

Improved sales force training will boost retention
For some insurers a sophisticated approach using a highly-trained specialist retention salesforce — which is able to make appropriate recommendations around cover and pricing combinations — will be the correct strategy to retain more customers. This requires not only a dedicated staff, but also agile products with flexible pricing models, so that the retention team is able to negotiate effectively on price and product coverage. Without this level of product flexibility, the retention team can only 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.

46% of those who changed providers feel that their former insurer did not make any effort to prevent them from switching.
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

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<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
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<tr>
<td>18-24</td>
<td>13%</td>
<td>18%</td>
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<tr>
<td>25-34</td>
<td>12%</td>
<td>17%</td>
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<tr>
<td>35-44</td>
<td>13%</td>
<td>22%</td>
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<tr>
<td>45-54</td>
<td>17%</td>
<td>23%</td>
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<tr>
<td>55-64</td>
<td>21%</td>
<td>24%</td>
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<tr>
<td>65+</td>
<td>11%</td>
<td>23%</td>
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### Non-life insurance

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<tr>
<th>Age</th>
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<td>18-24</td>
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<td>65+</td>
<td>11%</td>
<td>18%</td>
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* 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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