

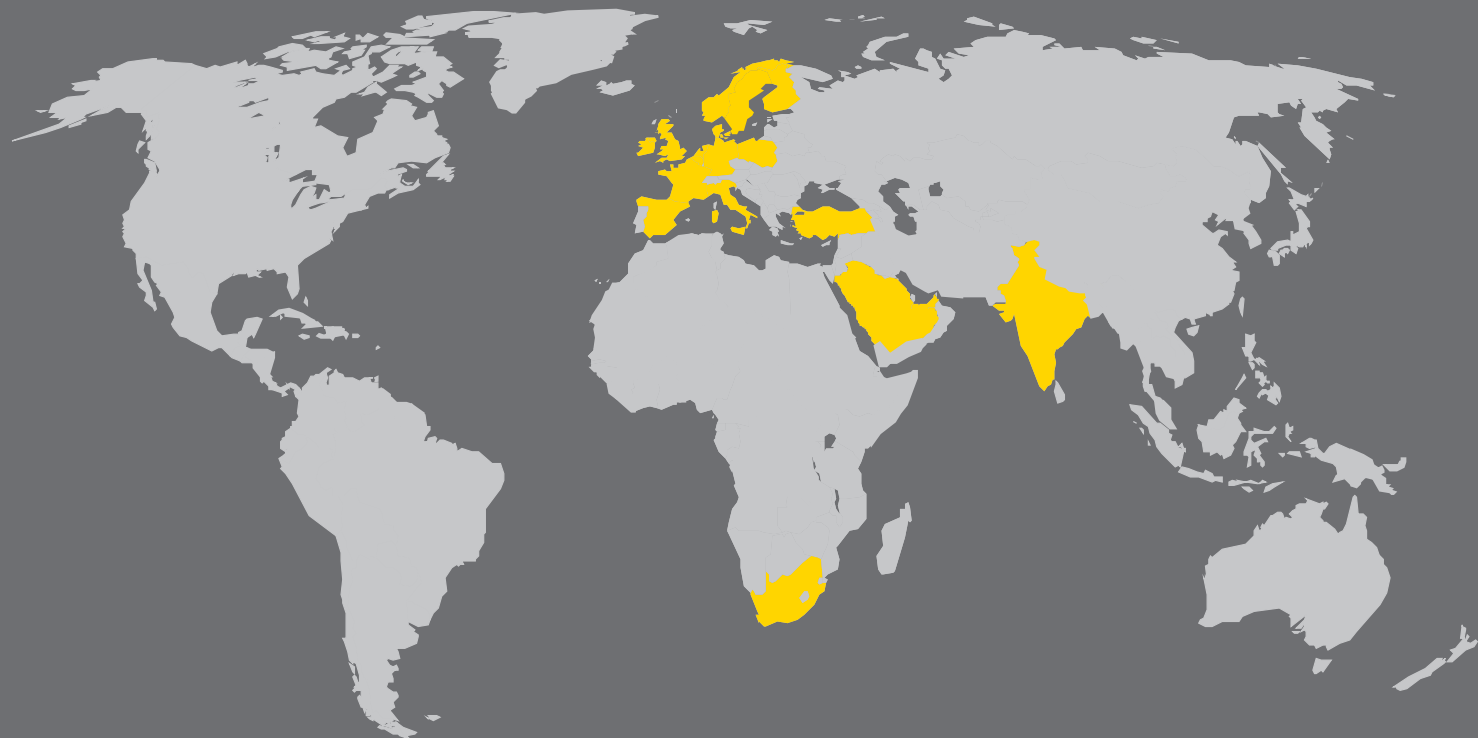
Reimagining customer relationships

Key findings from the EY Global Consumer Insurance Survey 2014

EMEIA



Building a better
working world



Executive summary

This regional overview is to be read in conjunction with the Global Consumer Insurance Survey 2014 report – with responses from 24,000 people in 30 countries. It provides a snapshot of more detailed findings for the Europe, Middle East, India and Africa (EMEIA) region and compares some of our global findings with the survey data. Look for the reports at ey.com/insurance/gcis2014.

There are significant variations across the countries selected: economic, cultural, demographic and insurance history. Given these variations, the degree to which the global findings resonate in EMEIA countries is striking.

The selected countries range widely in terms of GDP per capita, insurance penetration and maturity within the insurance industry. But there are similarities too – in most countries across the region, there is a degree of obligation about non-life insurance and incentives for pensions and long-term savings.

The UK is an example of a deeply mature insurance market: penetration rates of around 10, aggregator sites and comparison sites driving high competition, multiple strong brands, and substantial transparency and limited constraints on switching. While there are examples of some extreme responses from the UK, there are, nevertheless, many areas where the themes concur with the global findings. The UK, South Africa and India are shown as reference points, with the UK hinting at the base to which other markets may mature. At the other extreme, India is an example of a young but sophisticated market – and it is interesting to see how other markets contrast today.

Graham Handy

EMEIA and Global Insurance Customer Leader

24,000
consumers

30
countries

50
questions

Key finding 1:

High turnover and low trust signal serious relationship issues.

As survey results reveal, trust increases by age band among EMEA countries.

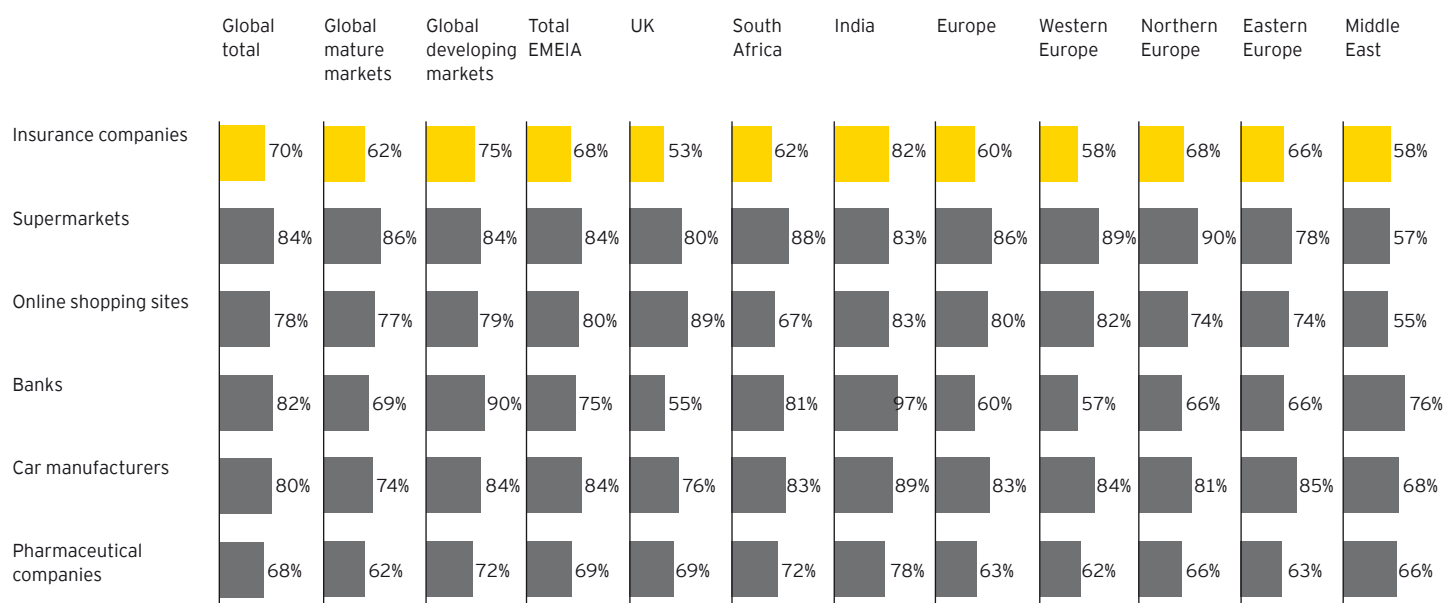


The level of trust voiced by customers from EMEIA is consistent with those expressed globally: while a recognizable percentage (68%) has complete or moderate trust in insurance companies, they report higher levels of trust in retail industries. And, while the percentage of customers that trust insurance companies varies within the region – from a high of 82% (India) to a low of 53% (UK) – all subregions rank insurance companies in the bottom half. As survey results reveal, trust increases by age band among EMEIA countries. However, there are some notable exceptions: in the Nordic countries, for example, younger people have higher levels of complete or moderate trust;

in the UK, the lowest trust is among ages 35-49, arguably the age group most likely to own a suite of insurance products.

Of these industries, insurance probably has the most intangible core product (until the eventual payout occurs). However, it should also be the easiest in which to demonstrate a fundamental win-win relationship with the customer – neither customer nor provider will wait for a “bad” event to occur.

Figure 1: Percentage of consumers citing complete trust or moderate trust by type of business



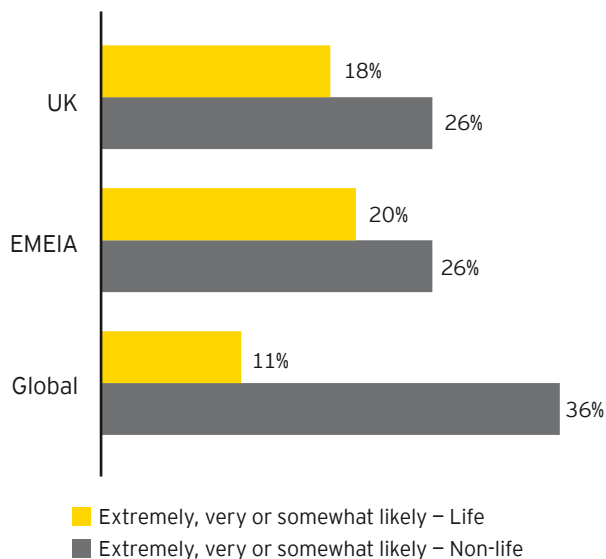
Key finding 1:

High turnover and low trust signal serious relationship issues

High turnover and switching rates

A wave of regulatory change is coming with the Insurance Mediation Directive (IMD), Packaged Retail Investment Products (PRIIPs) regulation and Markets in Financial Instruments Directive II (MiFID II). This will either directly drive greater transparency over time, or it may trigger more flexibility in product terms from the most innovative insurer providers. It will also impact customer propositions and the way insurance companies sell their products and provide advice. As regulators focus more on consumer conduct, they are looking to ensure that transparency and flexibility will resist any inherent locking-in of customers, an action that historically has allowed insurance companies to minimize turnover and mis-sell products.

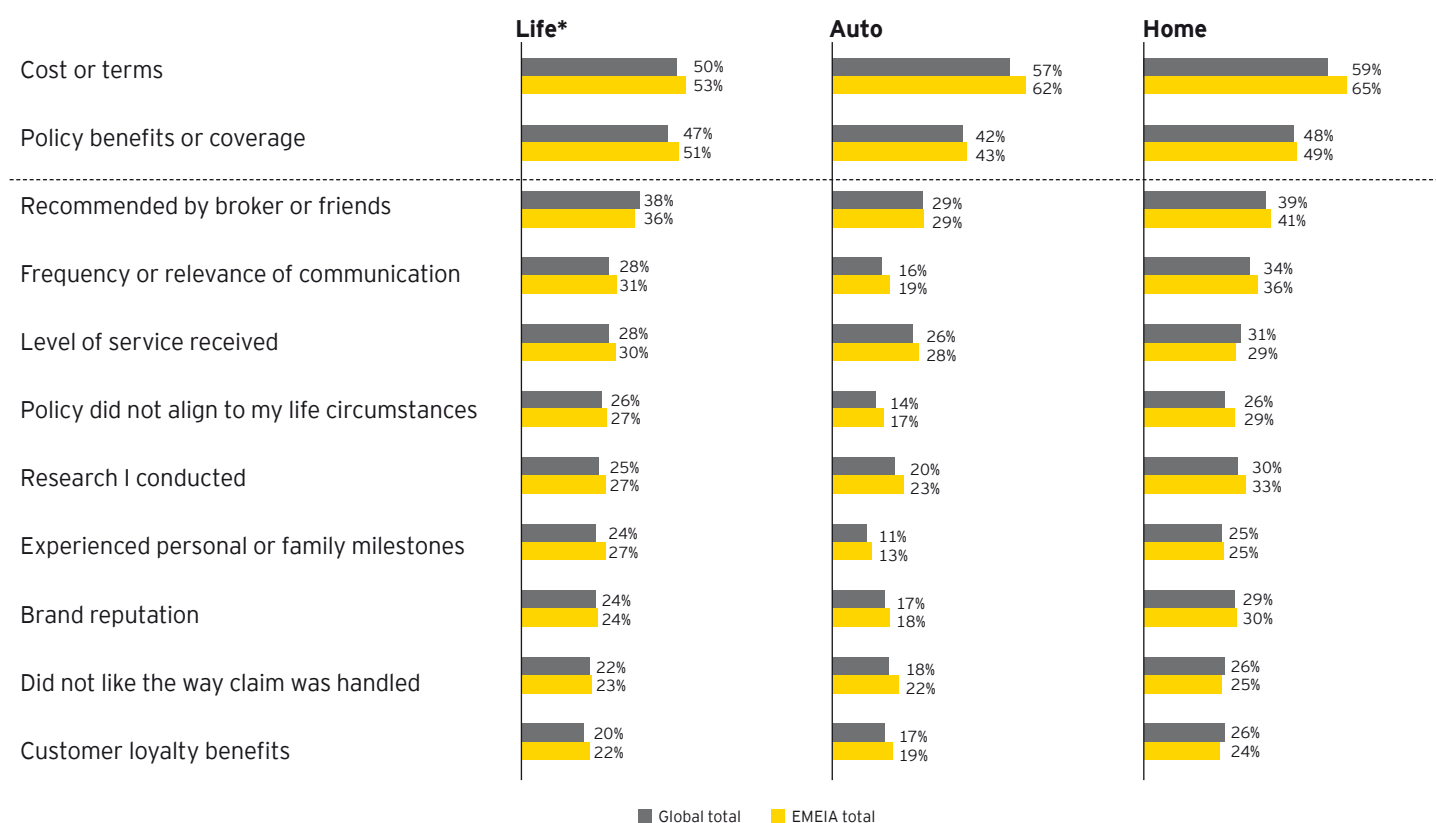
Figure 2: Likelihood to switch in the next 12 months – total EMEIA



The numbers of both life and non-life customers intending to switch within the next 12 months is significant across the region (20% for life vs. 26% for non-life). Yet, in Germany, the Netherlands, the Nordics, Belgium and South Africa, the percentages are much lower, which suggests either that customers are generally more passive or genuinely happier. Wider data suggests the former, with passivity possibly reinforced by products with high guarantees, a product structure that does not encourage switching, and restrictions on the breadth of products on offer. This would also seem to be borne out by UK life responses.

Globally, and in EMEIA, consumers primarily switch to get a better price or better coverage, but there are other reasons. The UK market (which has a particularly high usage of aggregators) appears to be dominated by price though, and other reasons are completely overshadowed. The industry has trained UK consumers to become among the most price-conscious in the world – to the extent that regulators have raised concerns about the visibility on company websites of the broader promotion features. However, responses for EMEIA, such as “level of service received” and “frequency or relevance of communications,” rank among the top five reasons why customers choose to change providers (see figure 3).

Figure 3: Top reasons for closing or replacing a policy – total EMEIA



Consistency in buying and relationships

The factors and characteristics that influence buying and relationship processes are broadly in line with the global findings and are fairly consistent among different countries in EMEIA, as is the level of customer satisfaction or dissatisfaction.

These findings are of interest when defending a current book, but they are also relevant when targeting other insurers' customers. It is particularly interesting when one overlays these rankings with respondents' satisfaction scores. In the UK, customers find "value for money" and "easy to deal with" to be the most important relationship characteristics and show a high dissatisfaction with loyalty

bonuses and the ability to conduct business on smartphone or tablet. In Germany, one in two values "strong brand reputation" and "recommended policy best for my needs and budget" in the buying process; however, they favor quality and relevance of communications after purchase. One in seven Italians consider loyalty bonuses as an important buying characteristic – but only 60% are satisfied with them. And they rank "value for money" at the top – but 25% are dissatisfied with it. There is general dissatisfaction in Italy with third-party personal and professional feedback, as well as choice, flexibility and responsiveness of the insurer after the purchase.

Key finding 1:

High turnover and low trust signal serious relationship issues

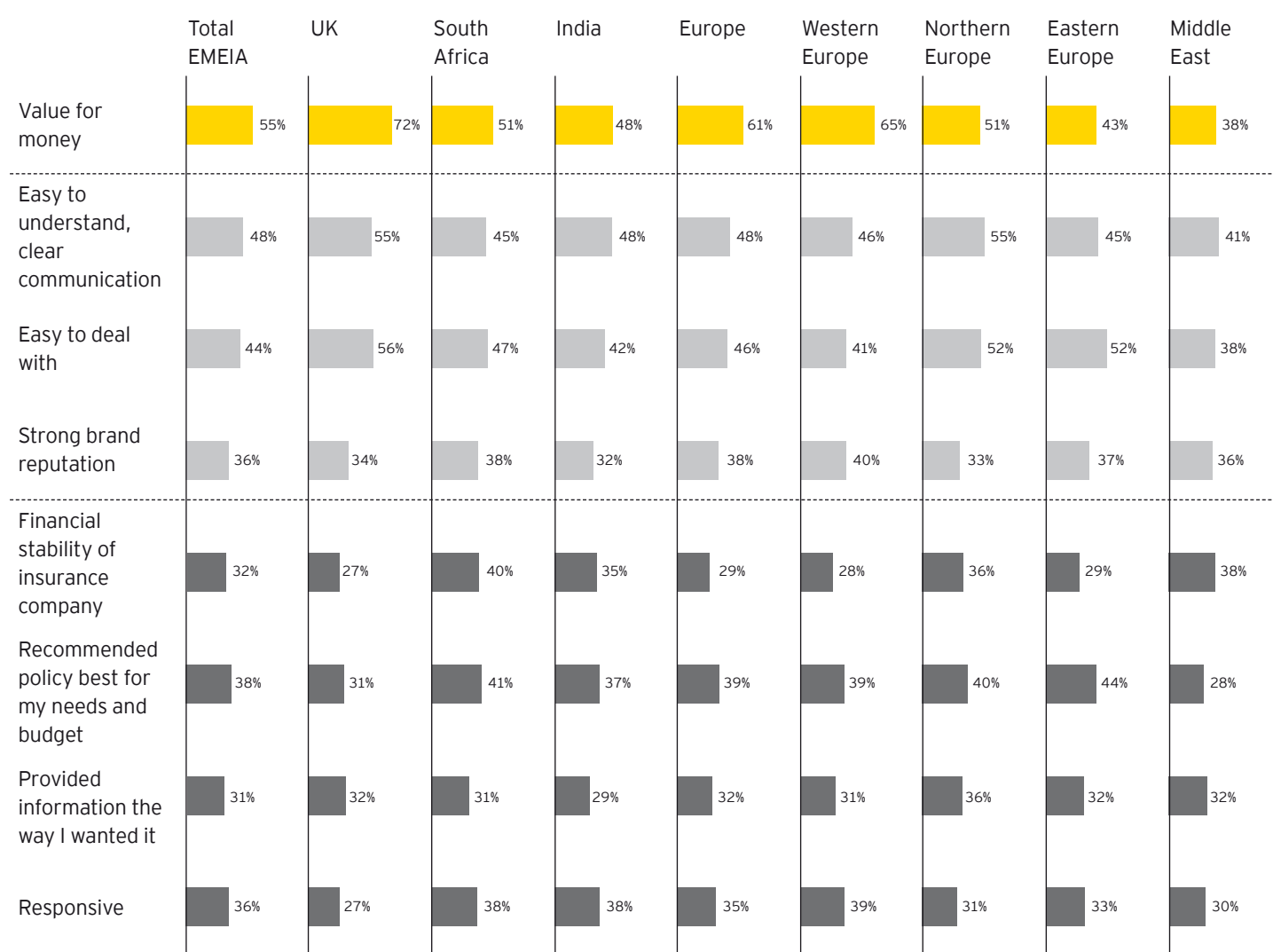
Figure 4: Most important relationship characteristics during ongoing relationships – total EMEIA



One in six Spanish respondents wants to be understood in terms of their life preferences when buying, but only 67% are satisfied with the level of understanding demonstrated – the second most important characteristic of satisfaction among the Spanish. And again, one in five says loyalty bonuses are an important parameter for purchase, but this characteristic has the highest level of dissatisfaction.

In France, respondents highly value price, brand and “recommended policy best for my needs and budget.” As in the UK, they are actively dissatisfied with loyalty bonuses (even after purchase) and the ability to conduct business on a smartphone or tablet. One in five French customers also expresses dissatisfaction with around-the-clock access.

Figure 5: Most important relationship characteristics – total EMEIA



Whereas most Western and Northern European respondents rank “value for money,” relevance of communication and “easy to deal with” in the top three relationship characteristics, there are notable exceptions as we move east. Eastern Europeans place the highest level of relationship importance on “easy to deal with” (52%), “easy to understand, clear communication” (45%) and “recommended policy best for my needs and budget”

(44%). And Middle Eastern customers have an even broader range of considerations: “easy to understand, clear communications” (41%), “easy to deal with,” “financial stability of the insurance company” and “value for money” (38% each).

Key finding 2:

Just because they leave you,
doesn't mean they don't love you.

Marketing and targeting of customer types could be far more productive, focusing not only on cross-sell and up-sell, but also on reactivation of alumni customers.



Figure 6: EMEA policy closures (attrition) within last 18 months, by advocacy level (likelihood to recommend) – life vs. non-life

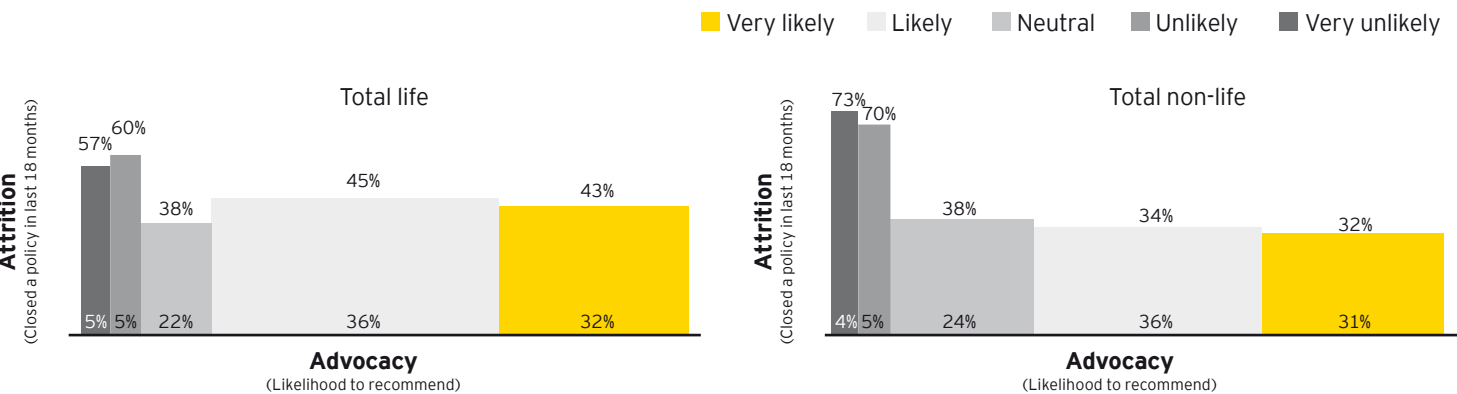
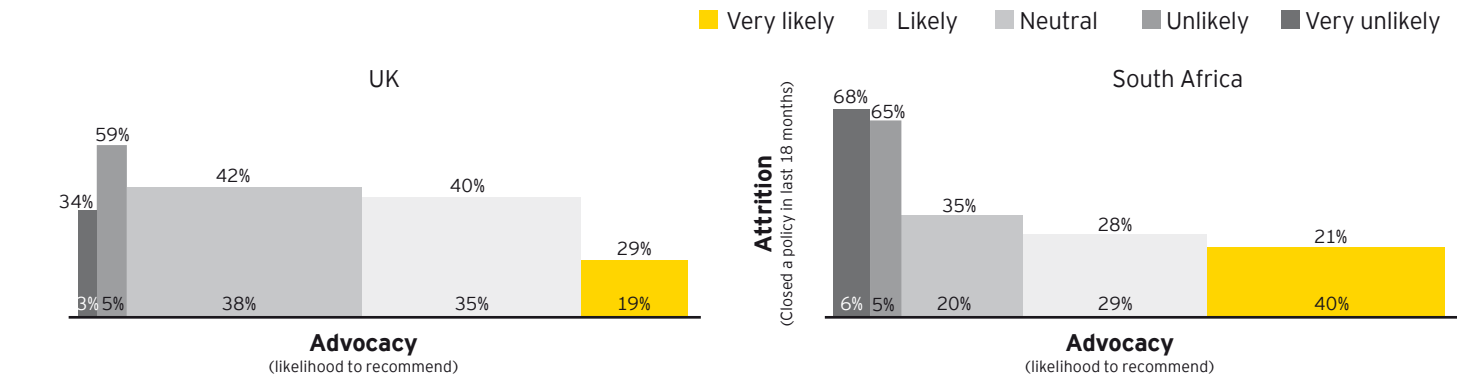


Figure 7: UK and South Africa policy closures (attrition) within last 18 months, by advocacy level (likelihood to recommend)



Our survey findings on advocacy and attrition levels apply to both life and non-life products. The UK exemplifies a developed market where there is some merit in shifting advocacy from likely to very likely. Likewise, South Africa exhibited much higher levels of loyalty than others in the region. However, again, the difference in attrition is only of borderline materiality once someone is neutral or likely to advocate.

Insurers have an opportunity to shift customer perception. Marketing and targeting of customer types could be more

productive, focusing not only on cross-sell and up-sell, but also on reactivation of alumni customers. Many organizations – particularly large firms with high staff turnover – have now adopted an alumni approach for staff that leave. Insurers have an opportunity to adopt a similar position for customers. But that will necessitate developing data storage and data-gathering capabilities for ongoing customer contact that extends through the life cycle of the policy – and beyond.

Key finding 3:

Insurers have so few interactions with their customers, that every one can be a critical moment of truth.

Overall, about three in five customers (57%) from EMEA engaged their insurer over an 18-month period, consistent with the global results (56%).



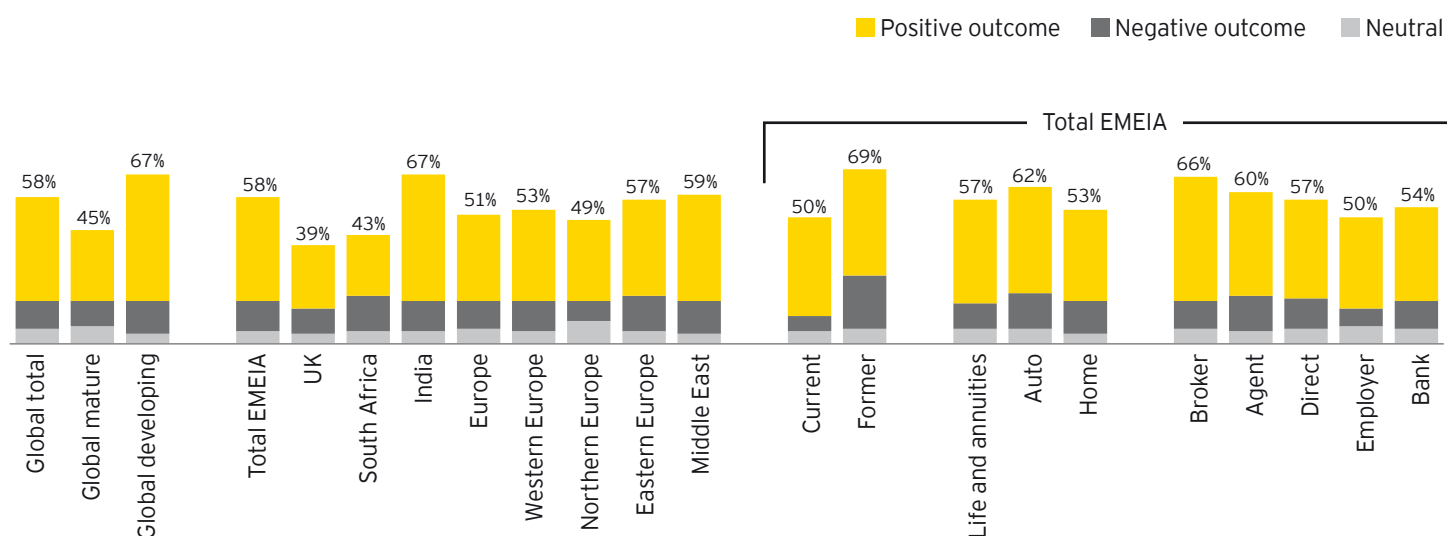
Overall, about three in five customers (57%) from EMEIA engaged their insurer over an 18-month period, consistent with the global results (56%). The level of interaction, however, varies substantially within EMEIA if we consider just those responses in respect of a current live policy:

- Higher than average – the majority of customers from India (77%), South Africa (68%), Eastern Europe (67%) and the Middle East (61%) have contacted their insurer over the past 18 months.
- Lower than average – insurance customers from Western (49%) and Northern (43%) Europe are less likely than either global or EMEIA customers to report an interaction over the past 18 months.
- Customers from the UK (30%) are the least likely (from EMEIA or globally) to have interactions with their insurer.

Experiences change consumer perceptions

For those countries within the region that have a lower incidence of interaction, each interaction takes on added importance. Most interactions lead to a “moment of truth.” It is even more important, then, to monitor each contact point effectively. And overhauling communications predominantly to drive down cost (i.e., designing communication to avoid follow-up questions from the customer) will miss certain opportunities. Better dialogue and the use of new technology to address those questions in a natural, cost-effective way will increase the positive moments of truth.

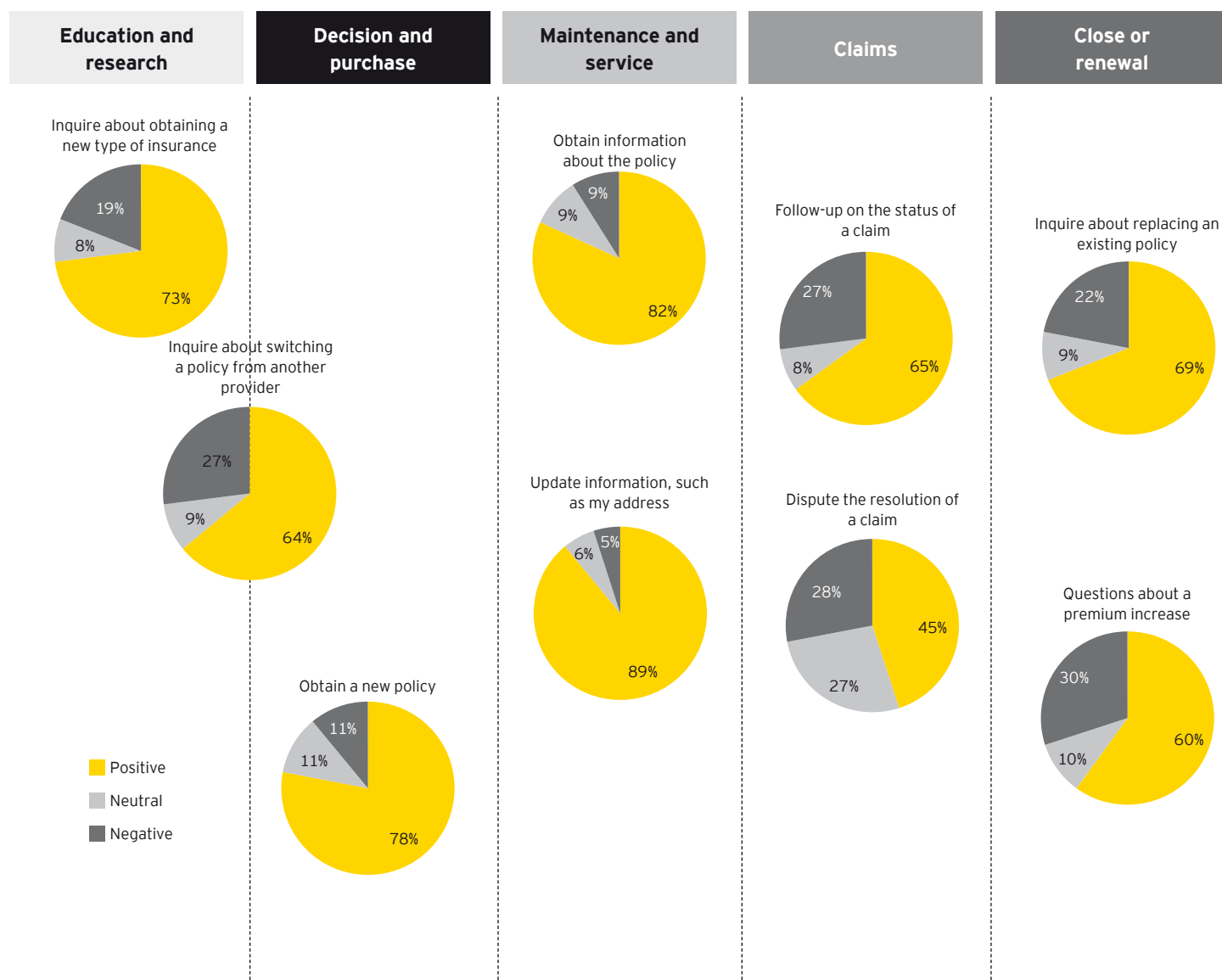
Figure 8: Percentage of customers reporting a “moment of truth” by key segments, products, markets and channels – total EMEIA



Key finding 3:

Insurers have so few interactions with their customers, that every one can be a critical “moment of truth”

Figure 9: Outcome by moment-of-truth contact and phases of the customer relationship life cycle – total EMEA



Survey findings reveal that customers are more likely to report positive outcomes for engagements in the early and middle phases of the experience life cycle. As shown in figure 9, these stages include: education and research, decision and purchase, and maintenance and service. Of the five common moment-of-truth contacts in these areas, at least 70% of all customers reported positive outcomes in four: inquiring about a new type of insurance (73%), obtaining a new policy (78%), obtaining policy information (82%) and updating that information (89%). There was only one contact with fewer than 70% of all customers reporting a positive outcome in the earlier stages of the experience life cycle. Even there, for inquiring about switching a policy from another provider, 64% reported a positive outcome and 27% reported a negative outcome.

Customers report very different experiences regarding moments of truth in the latter stages of the life cycle (claims, close or renewal in figure 9). These experiences (inevitably, given the context) receive much higher levels of criticism compared with those discussed earlier. While considerable attention has been paid to claims experiences, customers do report relatively high levels of negative outcome: following up on the status of a claim (27%) and disputing the resolution of a claim (28%). However, customers report similar rates for closing or renewals: nearly 1 in 4 (22%) inquiries regarding replacing an existing policy and 3 in 10 (30%) about increased premiums lead to negative outcomes.

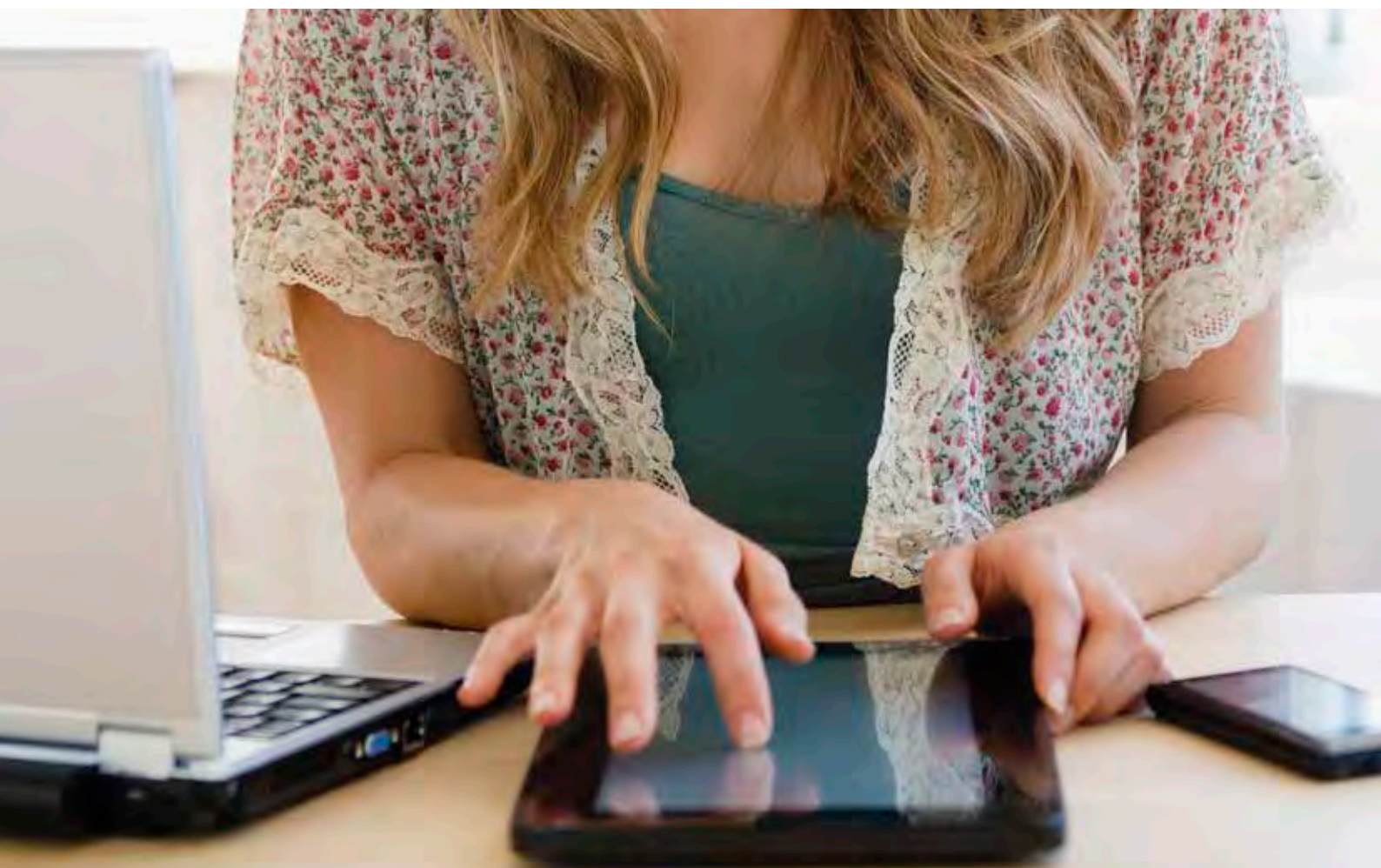
Moment-of-truth outcomes vary by region

There is variation within the region, with customers from India the most likely to report an interaction and, therefore, a moment of truth. It is therefore not surprising, given their higher level of contact with insurers, that they are more likely to have higher levels of sales-related outcome (59%). While customers from the UK are the least likely to report any moment of truth, their sales-related outcomes are higher than those in global mature markets (39% vs. 32%). Conversely, South Africa has a lower incidence of sales-related outcomes than mature markets (27% vs. 32%). Consistent with the global report, customers using independent brokers are more likely to report positive sales-related outcomes (54%). And those buying their insurance from a bank report lower levels of sales-related outcome compared with the global average (39% vs. 47%).

Key finding 4:

Consumers want more frequent, meaningful and personalized communications.

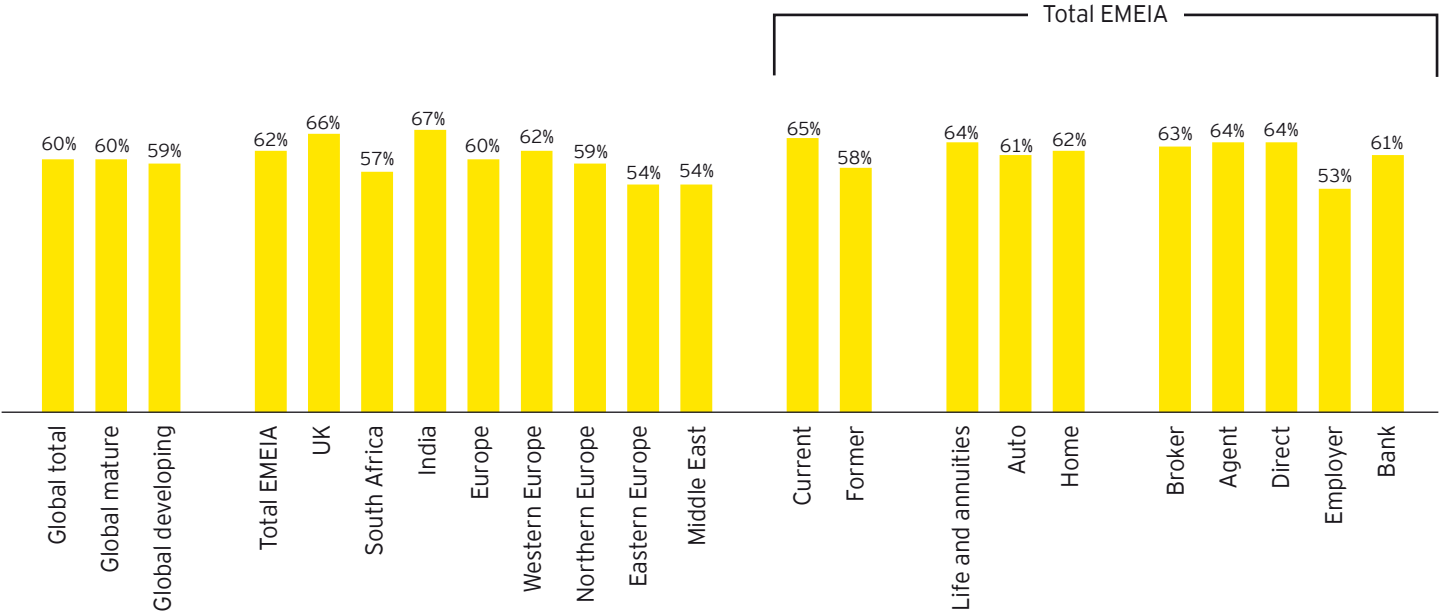
EMEIA-wide, 15% of customers would like to receive more communications in life, and even more (20%) in non-life.



The global trend of lower levels of high satisfaction applies regionally to EMEIA customers, both in the aggregate and across key subgroups. Even those reporting the

strongest levels of satisfaction, UK (19%) and broker (19%), only achieve levels that suggest the need for significant improvement in communications.

Figure 10: Percentage of consumers very satisfied or satisfied with outbound communications – total EMEIA



On the whole, as with our global findings, EMEIA customers report a clear, consistent demand for more frequent contact than they currently receive from their insurer. EMEIA-wide, 15% of customers would like to receive more communications in life, and even more (20%) in non-life. More than 20% of life insurance customers in countries such as the Netherlands, Belgium, Poland and South Africa would like to receive more than one communication a year. In non-life, approximately 30% rarely receive information and would like to do so at least once a year. This is even more pronounced in Spain, the Nordics, Belgium, Poland and South Africa. Germany stands out as a notable exception: there is no current demand for more information.

It is noteworthy that, in addition to policy updates (51%), there is also consistency relating to general information (56%) and special deals and promotions (54%). Those buying from banks, employers and directly from the insurer report the largest gaps between the communication they receive and what they would prefer.

Key finding 5:

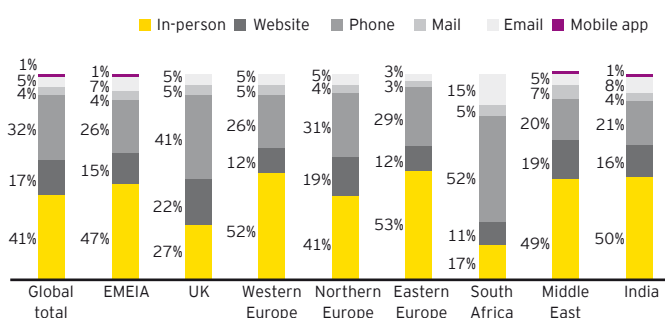
As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.

Personal contact remains important for customers and must be integrated into a cost-effective multichannel strategy



Across all types of transactions and inquiries, customers from EMEIA express a consistently high use of personal interaction. Those contact points initiated by customers (inbound communication) are usually started in person, with outliers in the UK (where the phone is the most widely used method), the Nordics and Saudi Arabia (where website use is more widespread).

Figure 11: Most widely used media for inbound contact



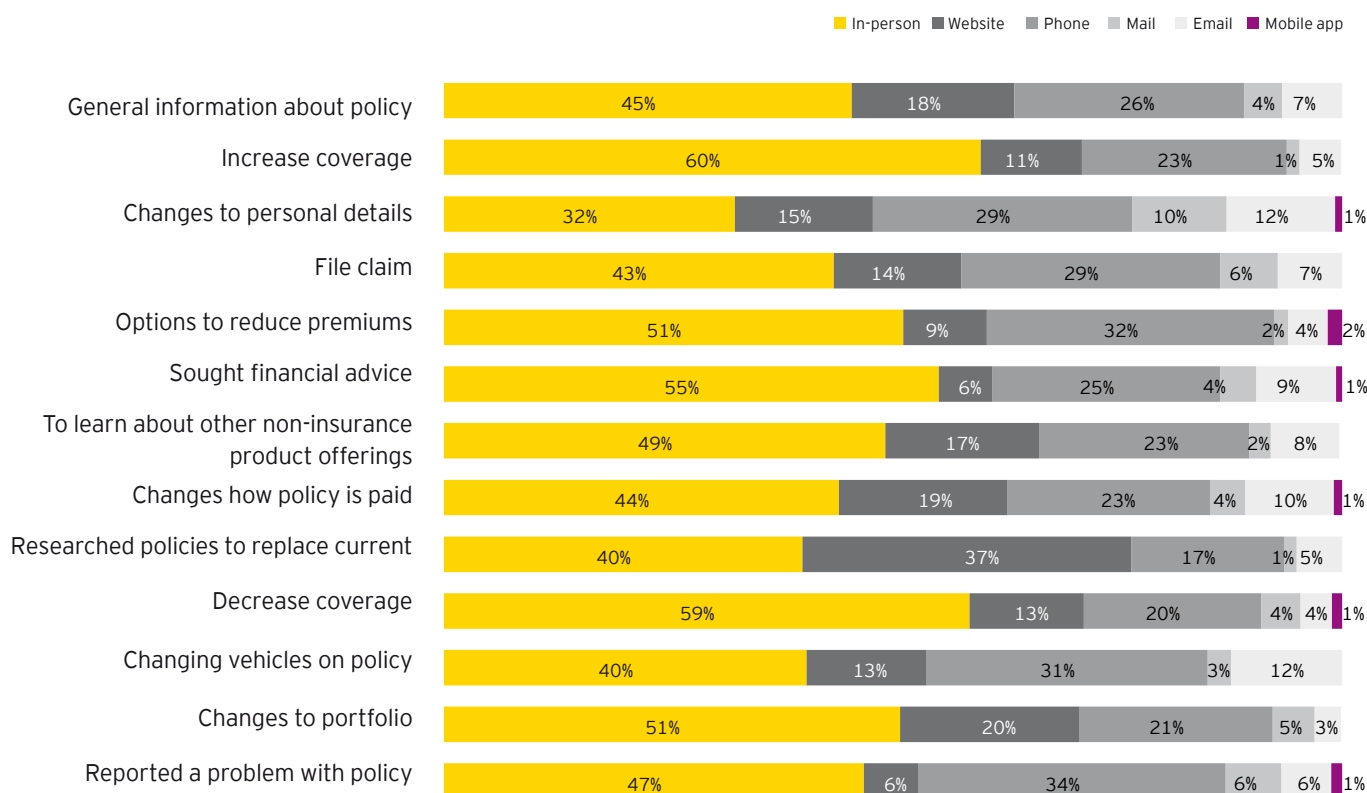
Shift in demand for email communication

For outbound communication, customers would generally like less personal contact and post, and more communication via email. Consistently across EMEIA, there is a shift in demand from regular mail to email, most pronounced in the UK, Germany, France and India.

As the insurance industry is not as advanced as other industries in email communication, such as the use of automated email responses, they need to improve their capabilities to communicate effectively with customers and so avoid their emails being treated as “spam.” This requires a combination of automated emails at specific stages in the process, and softer engagement methods at other times.

Of course, these preferences depend on the nature of the inquiry.

Figure 12: Consumer use of channels or information sources for different types of transactions and inquiries – EMEIA



Key finding 5:

As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships

Gravitating to digital or remote channels

Given this embedded (possibly habit-fueled) reliance on personal communication, customers were asked to consider a switch to digital or remote communication methods for different transactions or inquiries. Overall in EMEA, about four in five customers would consider an alternative to personal contact, though some people still prefer face-to-face interaction; 33% of respondents favored personal interaction for canceling a policy. It remains important for customers and must be integrated in a cost-effective multichannel strategy.

The strongest resistance to digital and remote communication options was in relation to obtaining financial advice and canceling an insurance policy. By contrast, general account management, including assistance with a claim, was the area where customers were most likely to consider a digital and remote channel.

The vast majority of customers gravitated toward digital or remote channels (especially email) that allowed them to interact directly with an insurance representative. Across the eight types of transaction or inquiry, email and a 24-hour telephone hotline were selected as the options most likely to be considered for each, with email most preferred for seven of the eight.

There is an intriguing split of respondents between those who will only use a phone line (10%), those who simply do not need the phone option (44%) and those who are willing to try other contact methods but still need the phone line as a fallback option (25%).

Figure 13: Percentage of consumers who would consider using channels to interact with their insurer

	Inquire about new insurance policy	Questions about an existing policy	Seeking financial advice	Assistance with a claims	Researching different types of insurance	Managing your current policy	Renewing your policy	Cancel my policy
Web chat	35%	36%	27%	29%	26%	26%	22%	13%
Email	43%	46%	35%	40%	35%	41%	41%	33%
24-hour telephone hotline	35%	40%	31%	47%	29%	39%	32%	29%
Mobile app	24%	24%	20%	23%	24%	26%	22%	12%
Interactive support	23%	26%	23%	28%	26%	28%	21%	12%
Video tutorials and guides	23%	21%	23%	22%	26%	19%	15%	8%
None of the above	16%	13%	22%	14%	20%	16%	18%	33%

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