Reimagining customer relationships

Key findings from the EY Global Consumer Insurance Survey 2014

Building a better working world

Contents

For additional information about this survey,
go to **ey.com/insurance/GCIS2014.**

Executive summary

Two years after *EY's inaugural Global Consumer Insurance Survey*, results from the 2014 survey confirm that the insurance industry faces the same type of digital-driven and consumer-led disruption that retail, banking, media and entertainment and other sectors have experienced. Indeed, it seems clear that insurers have much work to do in delivering the customized experiences, intuitive toolsets and easy information access that today's informed and empowered customers require.

We believe that the responses from 24,000 individual consumers across 30 countries in both mature and developing markets provide many actionable insights for insurers seeking to improve their customer engagement. Indeed, these consumers are telling us that stronger, two-way relationships may be the key to future market leadership in insurance. Certainly they would not mind hearing from their insurance providers more often.

Not that strengthening relationships will be easy. Indeed, survey results clarify that insurance customers are unique in many ways. Traditional assumptions of loyalty and advocacy seem not to fully apply in insurance, and policyholders behave in often unpredictable ways. Thus, the imperative for insurers is to understand customers at a far more nuanced level than they do currently, and to seek new and different ways to engage with them.

We believe that stronger customer relationships hold the key to future success. Insurers must develop innovative new value propositions – designing products and offerings that break the industry mold.

In this sense, consumers are the strongest and most important force for change in the industry. That is saying a great deal when financial, technological and regulatory developments are also doing so much more to reshape the global insurance market.

We would welcome the opportunity to share more details about these findings, discuss their implications for your organization and present the customized results based on your market and product portfolio. Please consult the list of contacts from EY's global insurance customer team at the end of this report.

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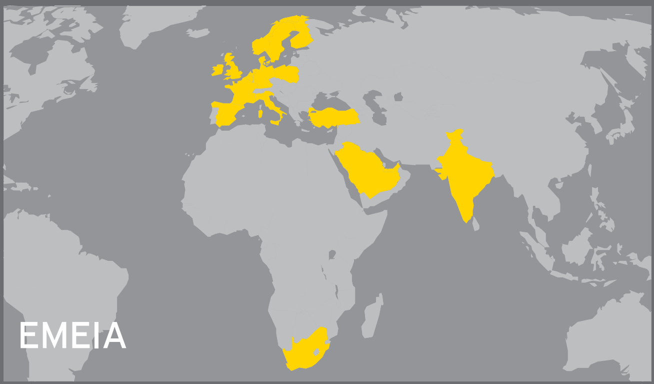
About the survey

To provide more insight into current consumer preferences and attitudes, EY's Global *Consumer Insurance Survey 2014* asked approximately 24,000 people in 30 countries around the globe about their relationships with insurance providers. Building on the inaugural 2012 survey, this year's survey focused on what matters most to consumers in these relationships, how they interact with their providers and how satisfied they are with a range of offerings from insurers. Along with EY's Global *Insurance Digital Survey 2013* and thought leadership concerning customer centricity, these findings present an overview of strategic opportunities and specific tactical choices insurers face in what many industry stakeholders recognize as a new, customer-driven era.



24,000 consumers

30 countries

50 questions

About this report

EY's Global *Consumer Insurance Survey 2014* provides an overview of current consumer attitudes about their relationships with insurance providers. This report aggregates global results across:

- Product types — primarily life and non-life
- Purchase source or distribution channels — independent brokers, dedicated agents, direct from insurers, employers, banks
- Four geographic regions — EMEIA (Europe, the Middle East, South Africa and India), Americas (US, Latin America and Canada), Asia-Pacific, Japan
- Market maturity levels — mature vs. developing:
  - Mature: US, Canada, UK, France, Germany, Belgium, Italy, Spain, Netherlands, Ireland, Norway, Sweden, Denmark, Finland, South Africa, Japan, Hong Kong, Singapore, South Korea, Australia
  - Developing: Turkey, Poland, China, India, Indonesia, Malaysia, Saudi Arabia, United Arab Emirates, Brazil, Mexico

In addition to this global report, there are four regional reports for EMEIA, Americas, Asia-Pacific and Japan, respectively. These provide more detailed insights and analysis at the regional and country level.

Research approach and methodology

From May to July 2014, EY commissioned a global consumer insurance survey of 24,000 customers in 30 countries across four geographic regions.

Highlights of the methodology for our EY Global *Consumer Insurance Survey 2014*:

- The survey focused on canvassing customer views through a series of 50 questions. These were posed to all participants to enable global comparison across regions — focusing on life, non-life and product lines, such as auto and homeowner's insurance.
- EY business leaders, customer practitioners and marketing professionals from each participating region provided input into the research hypotheses and survey questions to ensure relevance and value for their region.
- Research hypotheses captured consumers' current providers of insurance and satisfaction level; explored levels of customer engagement and loyalty with insurers (such as benefits of sharing data, what drives customer loyalty/advocacy, ideal frequency of contact, desired approach for communications); detailed customer experience definition (specific examples of customer "moments of truth" (positive or negative); and contact/channel experiences.
- An external market research company conducted the survey/field research, collected and analyzed data. EY established a content steering group with single point-of-contact regional leaders, supported by EY analysts as required.

Product types throughout this report: life includes life insurance and annuities/pensions. Non-life includes auto insurance and home insurance (both building and contents/renters insurance).

Introduction

EY's Global *Consumer Insurance Survey 2014* confirms that strengthening customer relationships and achieving customer centricity in core operations have become strategic imperatives for the insurance industry across product classifications, geographies and the full range of operating models.

The key findings include:

1.

High turnover and low trust signal serious relationship issues.

2.

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

3.

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

4.

Consumers want more frequent, meaningful and personalized communications.

5.

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

To be clear, the vast majority of insurance executives recognize the importance of these issues. They also understand that their companies are in the process of a long-term customer experience journey. But the findings presented here show that insurers still have considerable work to do in operationalizing the customer-centricity vision.

While most insurance executives agree that something must be done, there is considerably less clarity and confidence about the best next steps to take on the journey or the immediate-term tactical and operational priorities. The analysis of the research results by EY's global team of insurance customer advisors highlights several critical elements.

- Long-term market success begins with stronger, deeper customer relationships. All products, operations and investments must be evaluated in terms of their impacts on customer engagement.
- Insurers must take more responsibility for the health of *all* customer relationships, regardless of distribution channel. First, that means understanding precisely what different customers (across all channels) want at different phases of the relationship. Further, insurers must take stock of which and how consumers have been "orphaned," and whether "alumni" customers can be won back. In choosing distribution partners, the goal must be to work only with those agents and brokers who embrace customer-centric strategies.
- Insurers must master both product and customer experience design. Operationalizing customer engagement means designing the products, processes and experiences that satisfy — and even delight — customers across a multichannel sales and service ecosystem.
- Advanced analytics will define the market-leading insurance enterprise of tomorrow. Top-performing insurers will be notable for their ability to leverage timely insights about shifting consumer needs and act predictively, precisely and nimbly in advance of key decision points and during critical interactions.
- There is an opportunity for insurers to become true risk mitigation partners, in addition to quantifying and pricing risk. By delivering services beyond policies — such as programs and content that promote healthier living, safer driving or better financial outcomes aligned to the original customer need — insurers can expand their fundamental value proposition and transform consumer perceptions about the industry.

The insights contained in this global *Consumer Insurance Survey* report and the series of regional survey reports — along with the research many insurers are conducting on their own — provide guidance for executives seeking to prioritize investments in customer-facing capabilities and transformation initiatives. Collectively, they identify starting points and smart routes insurers can take on the journey to stronger relationships, based on their unique customer segments, product portfolios and geographic footprints. We believe the key findings and actionable insights on the following pages will help insurers navigate the most formidable obstacles and seize the highest-value opportunities along that journey.

Key finding 1:

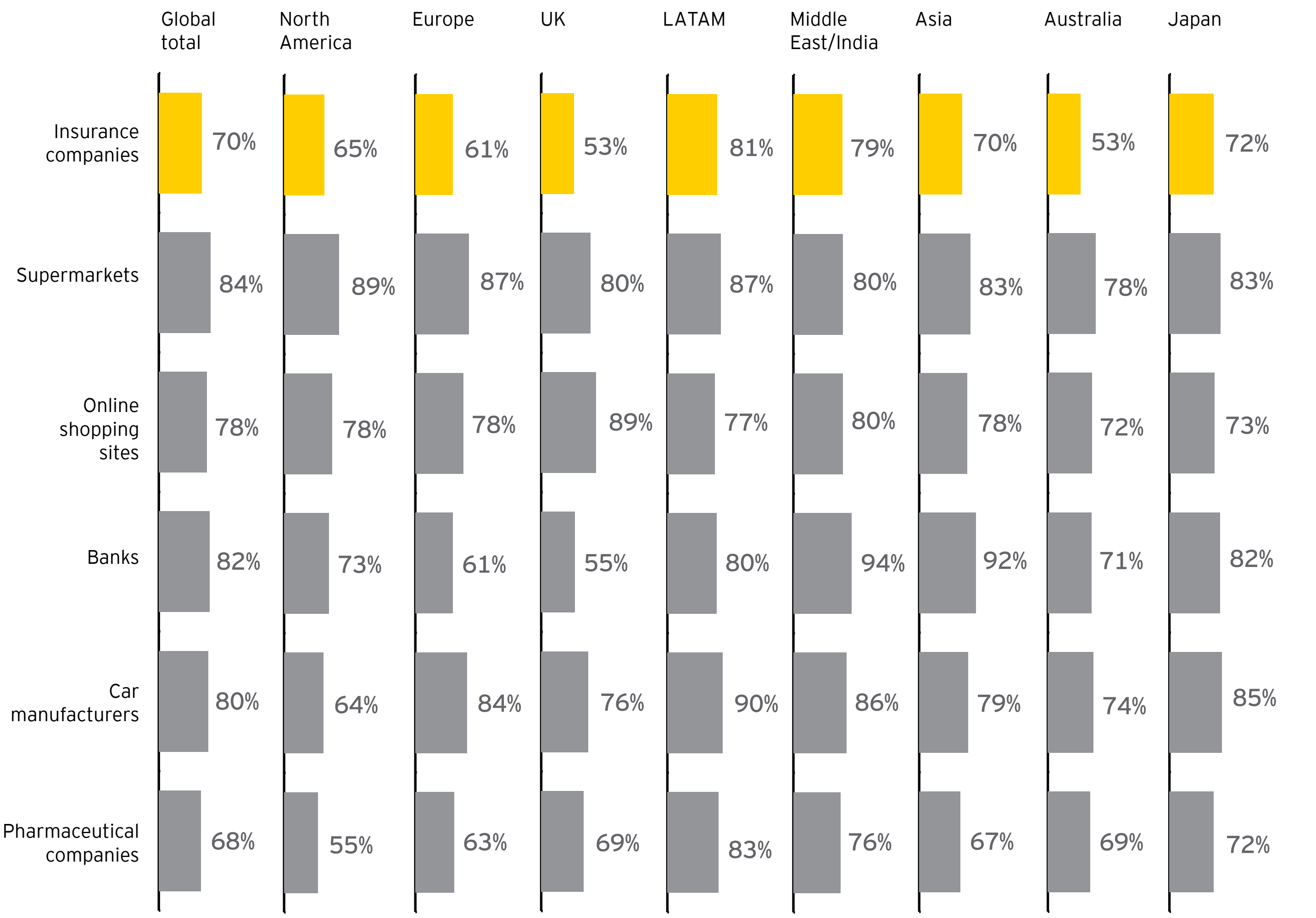
High turnover and low trust signal serious relationship issues.

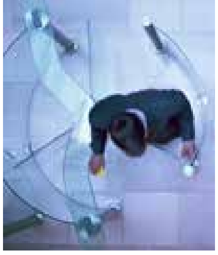
There is widespread industry consensus that customer turnover rates are too high. Indeed, churn is a problem that many in the industry would be delighted to solve. And, increased regulatory focus on potentially unfair "lock-ins" and non-transparency will continue to provide upward pressure on turnover rates.

The survey examined various factors relating to turnover, including how global consumers perceive the industry, how likely they are to switch providers, which factors matter most at different points of the relationships and current low satisfaction areas or vulnerabilities across distribution channels.

Global consumers trust the insurance industry less than they trust banking, supermarket, car manufacturing and online shopping. This is a rather stark position, particularly considering the banking industry's profile during and immediately after the global financial crisis. For insurers that position their brands with messages about reliability and being there when consumers need them, low trust is a lingering problem. Indeed, the 2012 EY survey showed that consumers are willing and prefer to buy more products from insurers that they trust. To rebuild trust, insurers might demonstrate commitment to the well-being of the customers and communities they serve. The visibility of insurance brands in the response to recent natural disasters, such as Hurricane Sandy and the New Zealand earthquakes, have highlighted how insurers can play a broader societal role and the importance of trust in a larger context.

Figure 1: Level of trust (percentage of consumers citing "complete trust" and "moderate trust") by type of business





Key finding 1:
High turnover and low trust signal serious relationship issues.

Looking deeper at the issue of trust reveals that:

- Consumers in Latin America (81%) and the Middle East and India (79%) view insurance companies more favorably compared to the other regions, while mature markets, such as Europe (61%), UK (53%) and Australia (53%), express much lower levels of trust.
- Lower income individuals have particularly low levels of trust, regardless of region or industry.
- Mature markets have generally lower levels of trust in absolute terms than developing nations, and particularly insurers and banks.

Further, the survey results reveal that far more insurance consumers actually switch insurers than express an intention to switch — an almost unprecedented finding in market research. Across other industries, the vast majority of consumer studies find that anticipated switching almost always exceeds actual switching. Unlike their counterparts in other industries, insurance consumers appear to act more decisively and opportunistically when presented with a better deal. However, it also suggests that insurers able to provide relevant and timely offers could ensure they do not lose customers who are not otherwise inclined to switch.

What really matters to customers

The survey examined why consumers close policies and what matters most to them in their relationships with insurance providers. Specifically, participants were asked about the most important factors across the relationship life cycle — from initial shopping activities, through common service-oriented tasks and claims-related inquiries, to renewals and increasing coverage — and about their current satisfaction levels with these factors. These responses indicate the key mitigation strategies for insurers seeking to increase retention.

The top two reasons consumers close policies — "cost/terms" and "benefits/coverage" — are no surprise. However, communications and service-related factors were also frequently mentioned; with the exception of auto policies, "frequency/relevance of communications" was cited (by approximately 30% of global consumers) as a top reason for closing a policy. Thus, it is clear that retaining customers is not solely about price.

We asked customers to cite the most important characteristics during an ongoing relationship, and it is not surprising to find "value for money" and "brand reputation" among the most important factors. However, the research clearly shows that service and experiential factors, such as "easy to understand, clear communications" and "being easy to deal with," are almost as highly valued. For life products, "financial stability" is understandably more important. For non-life, "being easy to deal with" and "being responsive" are more important. These results continue the trend identified by the 2012 survey, which found some linkage between the quality of contact and improved cross-selling/up-selling performance and lower switching levels.

Looking at current levels of satisfaction in these areas, relatively few consumers report being very satisfied with the most important factors across the relationship life cycle. "Value for money" is also a major vulnerability across most sectors and channels. While many consumers may equate value exclusively with price, there may be an opportunity for insurers to increase their perceived value by strengthening their performance in specific service-oriented capabilities.

Service and experiential factors do matter to consumers.

Figure 2: Top reasons for closing or replacing a policy

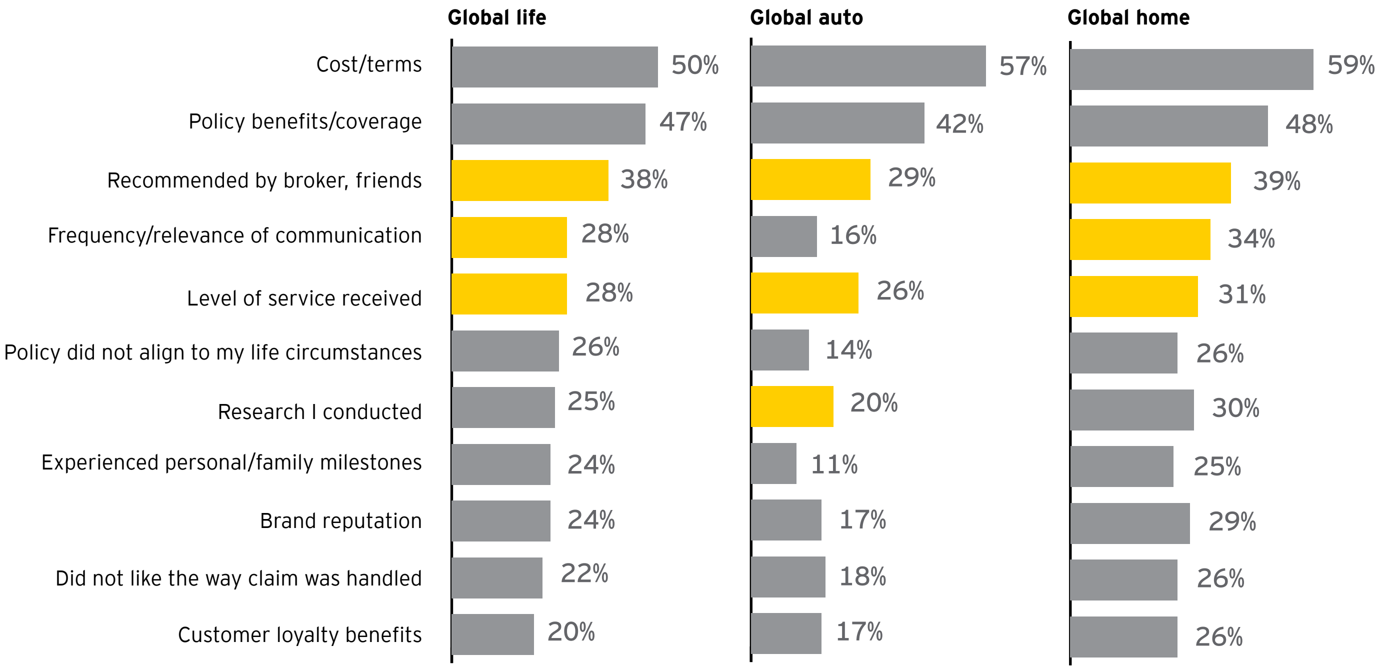
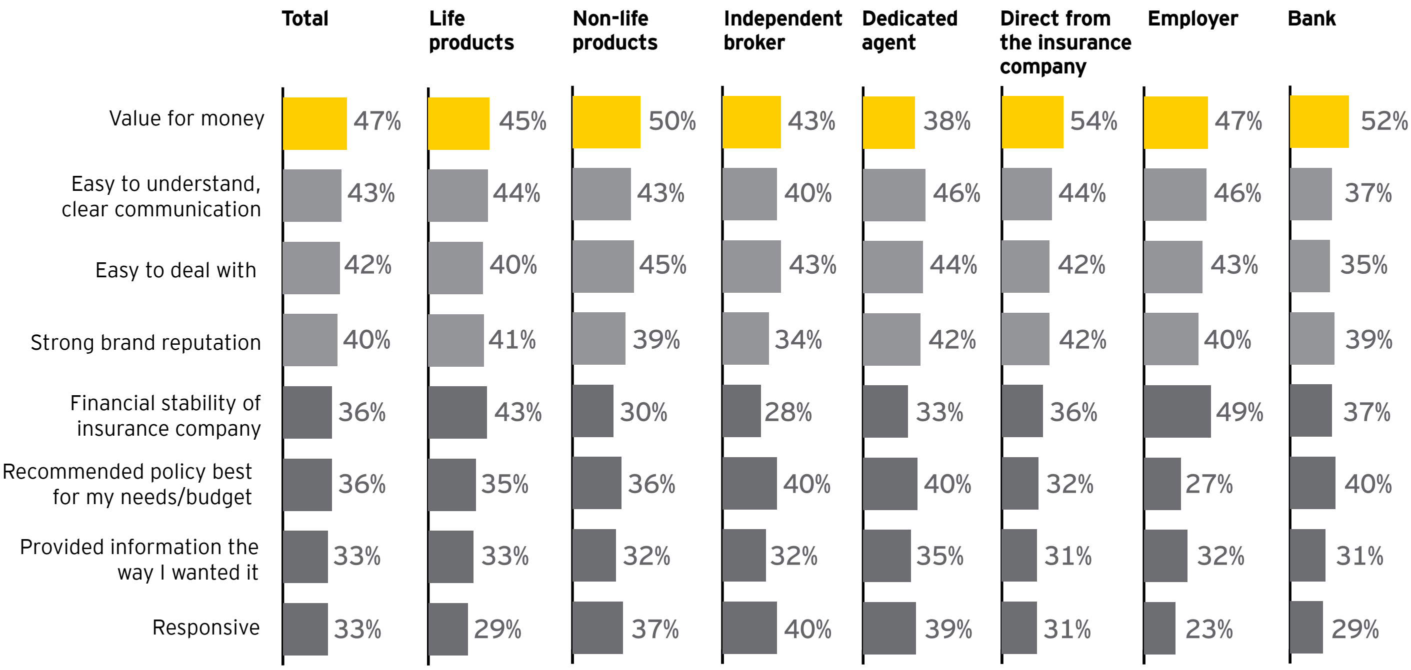


Figure 3: Most important characteristics during ongoing relationships*



*Participants were asked to indicate the five most important characteristics regarding their relationship with their "purchase source" (for example, insurer or broker).

Key finding 1:
High turnover and low trust signal serious relationship issues.

Delivering value in new ways

Consumer experience is the other major variable in the value-for-money equation. In this sense, enhancing relationships with consumers through better communications becomes a way to create more value for money, by demonstrating the ability to understand changing consumer needs and respond appropriately. Then insurers will have an opportunity to expand their fundamental value proposition. As just one example, they may provide advice on improving home security or offer discounted services for certain types of individuals or groups. By acting to help consumers more actively mitigate risk (rather than just insure risk), insurers may be able to shift consumer perceptions of value and trust.

Insurers have an opportunity to expand their fundamental value proposition.

Cross-referencing the responses relative to importance and satisfaction reveals various root causes of the retention challenges, as well as current vulnerabilities across channels and product types. (Vulnerabilities are defined as those areas or factors that are highly valued by consumers but currently marked by low consumer satisfaction.) Life insurers in particular are vulnerable in terms of recommending policies, providing information the way customers want it and communicating clearly. These are clearly addressable areas, all of which could be turned into strategic differentiators for providers that act decisively to shore up these capabilities.

Vulnerabilities and opportunities across distribution channels

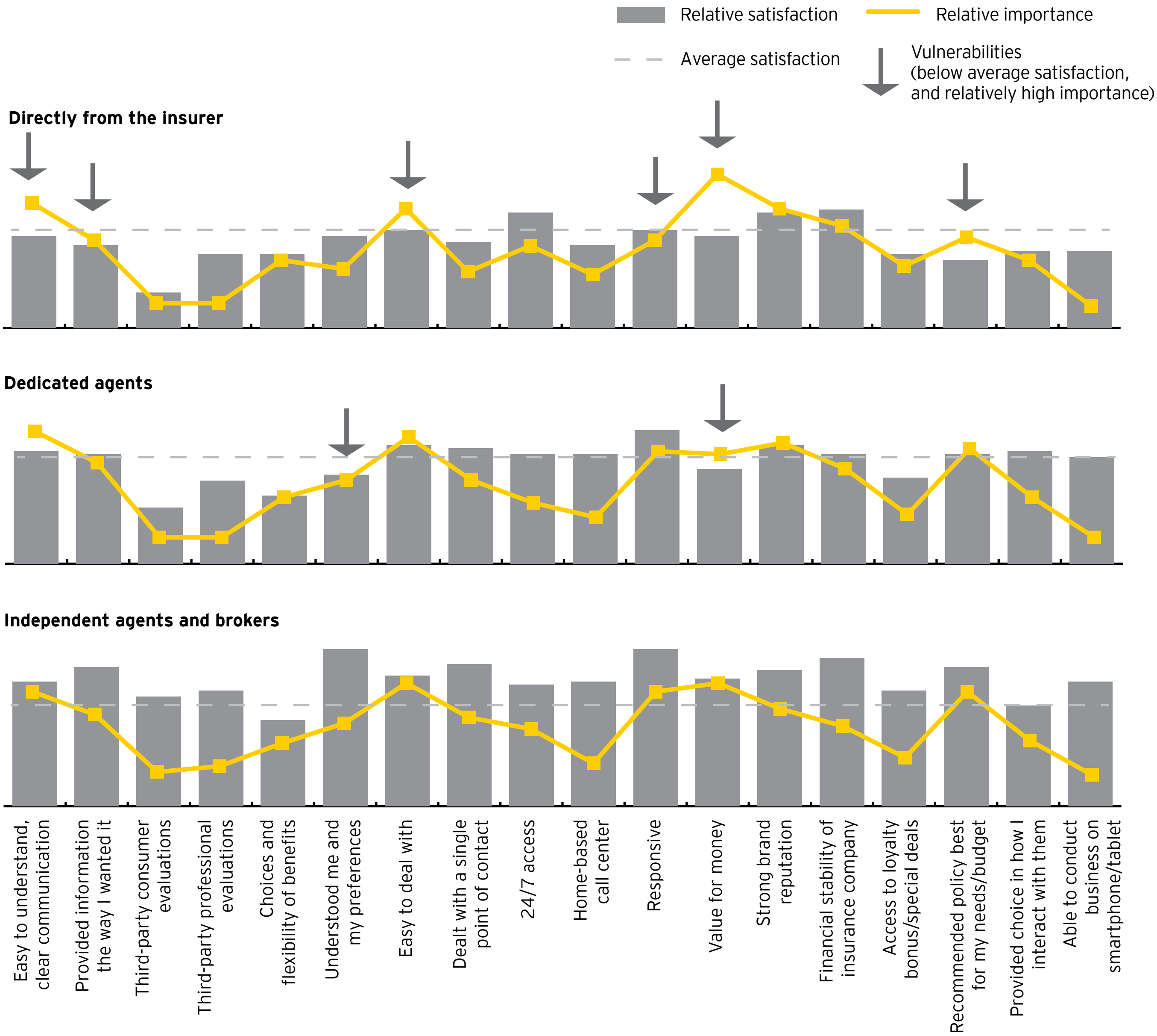
An analysis of vulnerabilities by distribution channel highlights that:

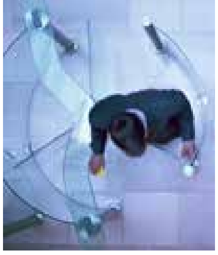
- Independent agents and brokers appear to perform well in the areas that matter most to customers.
- Dedicated agents are fairly effective, too, though could improve in "understanding customer needs" and "recommending products."
- Insurers' direct channels show by far the most weaknesses in ongoing relationship management, with vulnerabilities in the areas of communications, providing information, being responsive and easy to deal with.

Insurers with direct customer relationships are clearly falling short, though no distribution channel is performing at peak levels in absolute terms. The results frame a central distribution conundrum for insurers: while brokers and agents are not the most cost-effective way to go to market, they appear to provide some advantages to consumers. As we will see later, relying on a single established connection to the customer will not be viable in the future. There is work to do in improving direct channels and then in optimizing channel strategies so that different types of customers are served in the best way.

Direct channels are falling short in critical areas of ongoing customer relationship management.

Figure 4: Analysis of strengths and vulnerabilities by distribution channel, based on satisfaction with the most important characteristics during relationship phase





Key finding 1:
High turnover and low trust signal serious relationship issues.

Implications and actions for insurers

Implications	Actions
Profits are under threat Consumer switching behavior, coupled with regulatory drivers and high competitive pressures, are a threat to profit margins and simply unsustainable for insurers pursuing top-line customer growth.	‣ Become more adept in predicting the behavioral changes that lead to policy closures and in identifying consumers that can be stopped from switching. Enhanced retention management capabilities will give insurers a "fighting chance" in saving some relationships. ‣ Use advanced analytics and internal and external data sources to build detailed customer personae and value profiles based on demographic and lifestyle characteristics — operationalize these into marketing activities, retention programs and service delivery.
Communications and closing the value gap are the priority Delivering ongoing value for money, and improving the relevancy and frequency of communications, must be priorities for improving policy retention.	‣ Improve outbound communications as a tangible way to shift consumer perceptions about insurers' ability to deliver value. ‣ Understand how price sensitivity impacts different customer groups. Apply this knowledge in segmentation and marketing efforts. ‣ Broaden and deepen consumer perceptions of value. Clearly demonstrate the value you can bring with tools, advice and additional services – not just insuring the risk but actively helping customers reduce and manage their risks. ‣ Add information and advice on topics of interest (e.g., household safety or comparison data for similar customers) into communications to demonstrate interest in wider consumer needs.
You can't keep the policy forever, but you can keep the relationship in your grasp Recognizing that policy retention will never reach 100% and that some policy closures are driven by changing consumer needs, insurers must act now to stop 'preventable' customer leakage. There is potential to still retain the customer relationship or a consistent share of the household's wallet in the long term – but you need to stay in touch.	‣ Design (and promote) more flexible products that allow consumers to expand and adjust coverage as their circumstances change. ‣ Leverage advanced analytics capabilities to understand "what matters most" to different customer segments, by geography and product lines. Use this to build greater proficiency in offering relevant and timely solutions. ‣ Seek ways to stay connected to "alumni" customers and win them back after they close or change policies.

The nature of actions required will clearly differ depending on the channel strategy companies have adopted, so insurers may need to work through or with their business partners to achieve these objectives.

EY insights in action: pricing sophistication

Value and price remain top-priority considerations for consumers in evaluating and selecting insurance products. But it can be quite difficult to understand precisely where their sensitivities lie. Strengthening underwriting and pricing through the application of real-time data sources – social media, wearable technologies, telematics and other sensor and regulatory news feeds – is one way to generate more nuanced insights.

Yes, there is greater complexity to manage, but the payoff in targeting products and prices to "segments of one" is potentially game changing. One large UK insurer embraced advanced pricing capabilities to drive profit growth. In just one year, the project paid for itself via "quick-win" pricing improvements in two business units. The keys to success were:

- A quantified business case with immediate-term benefit and return on investment targets
- The development of sophisticated strategic pricing models based on advanced price optimization technology
- Improved data management capabilities for validation, modeling and analysis
- Architecture design and deployment, including application integration and reporting components to support real-time pricing
- A robust data governance framework and accurate key performance indicator reports to track the new model's effectiveness
- A new pricing target operating model and governance structure to support pricing processes and ensure business readiness for the transition.
- A multidisciplinary program management team of actuarial, operations and information technology change experts

Case study: leveraging data to reduce lapse rate

A top-10 life insurer in Australia was experiencing lapse rates above the industry average. Despite strong sales performance and a very effective sales force, prior attempts to improve retention rates were unsuccessful. There was no clearly defined accountability for customer retention, and management reporting did not reflect true lapse value rates.

Through a rapid diagnostic and deep analysis of customer, policy and billing data, EY insurance advisors validated the link between lapse rates and profitability. Propensity modeling and geospatial coding allowed the project team to uncover lapse "hot spots," while process mapping of key customer touch points identified potential leakage points. Immediate quick fixes were developed and implemented, along with a strategic framework for longer-term retention that segmented the customer base by value and lapse likelihood, which helped prioritize investment in all retention programs.

Overall, the insurer reduced its lapse rate by 1.1% during the first six months, generating a 7% increase in net profit after tax – well beyond the original target – with a long-term goal of 2% reduction in lapse rates.

Key finding 2:

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

The likelihood to recommend and other measures of consumer advocacy have become common proxies of overall brand health. In some industries, they are the dominant means by which executives assess the strength of customer relationships. The survey results demonstrate that traditional loyalty measures may not be strong indicators of actual behavior in the global insurance marketplace.

Two-thirds of all global customers say they are likely or very likely to recommend their former insurance provider to friends or relatives; however, 38% of that group of advocates reports having closed policies or switched providers within the past 18 months. Interestingly, nearly the same percentage of neutrals (those neither likely nor unlikely to recommend) has closed a policy in the last 18 months. Among both advocates and neutrals, the rate of policy closing and switching varies little based on the likelihood to recommend (i.e., "advocacy"). In other words, insurance consumers appear to be refuting conventional wisdom about the characteristics of loyal consumers.

Figure 5: Global policy closure rates (attrition) within last 18 months, by advocacy level (likelihood to recommend)

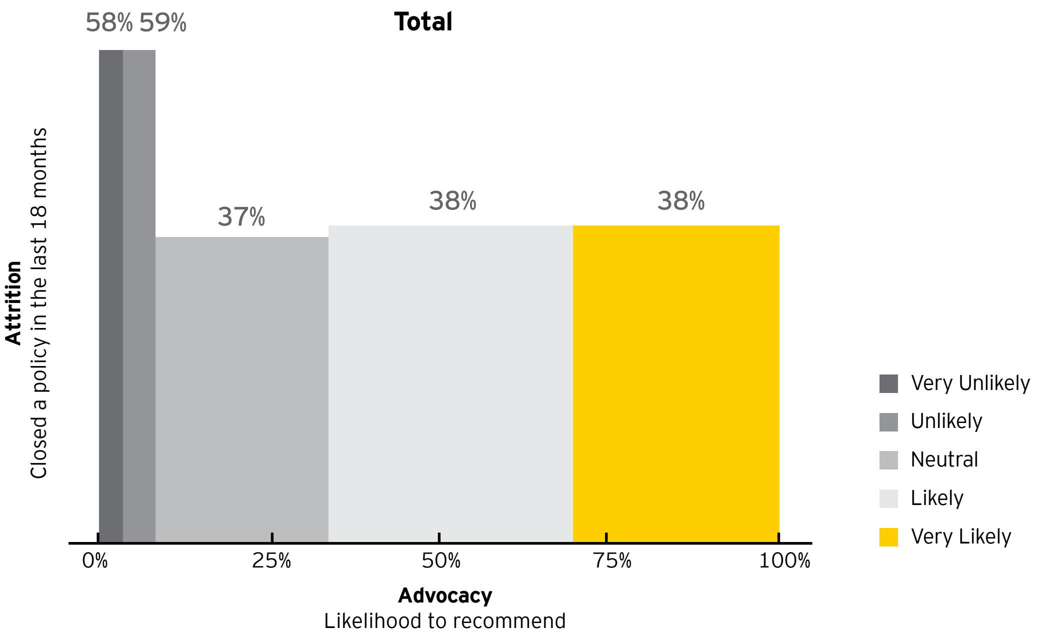
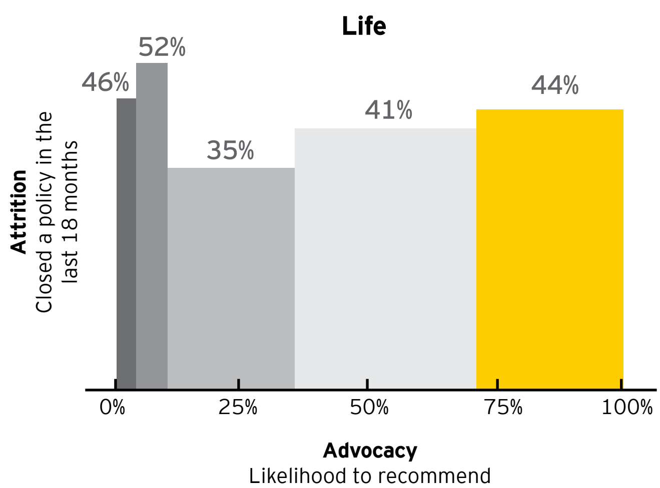
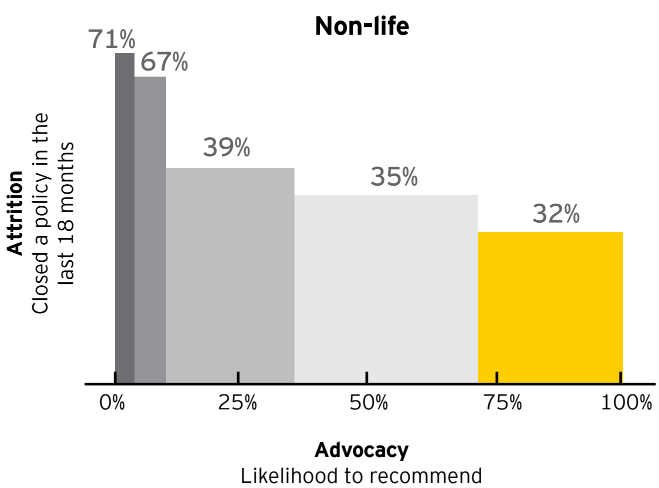


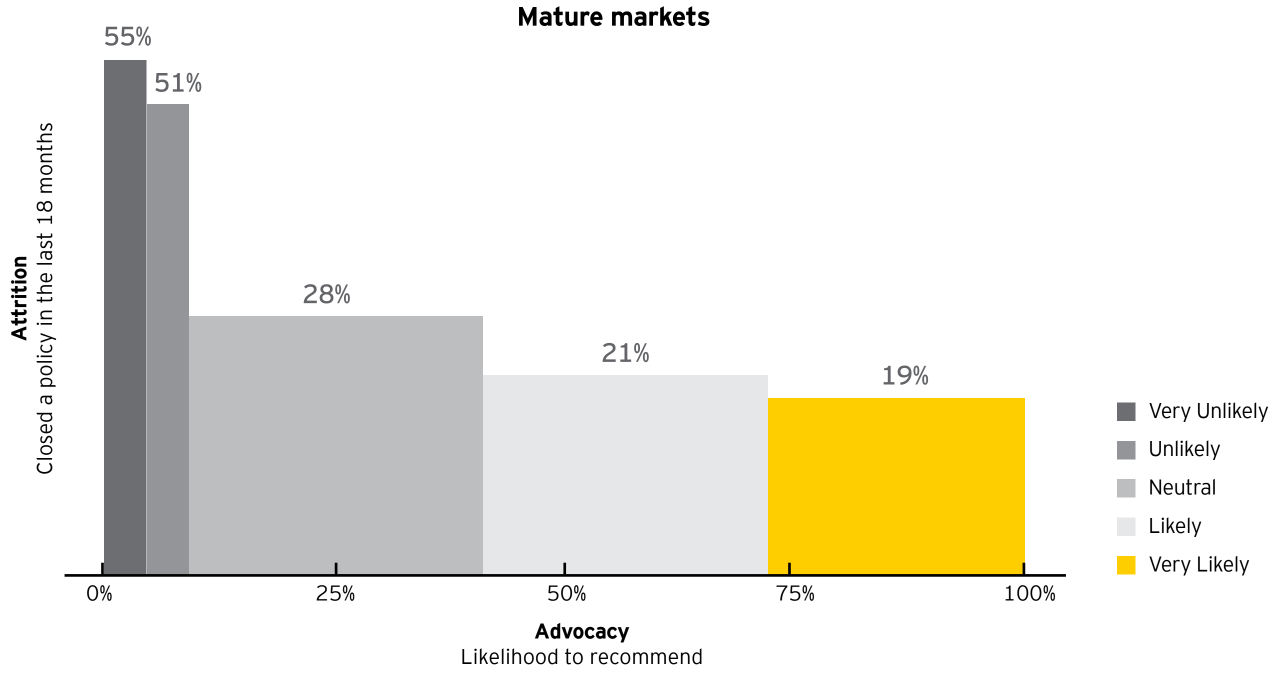
Figure 6: Global policy closure rates (attrition) within last 18 months, by advocacy level (likelihood to recommend) — life vs. non-life

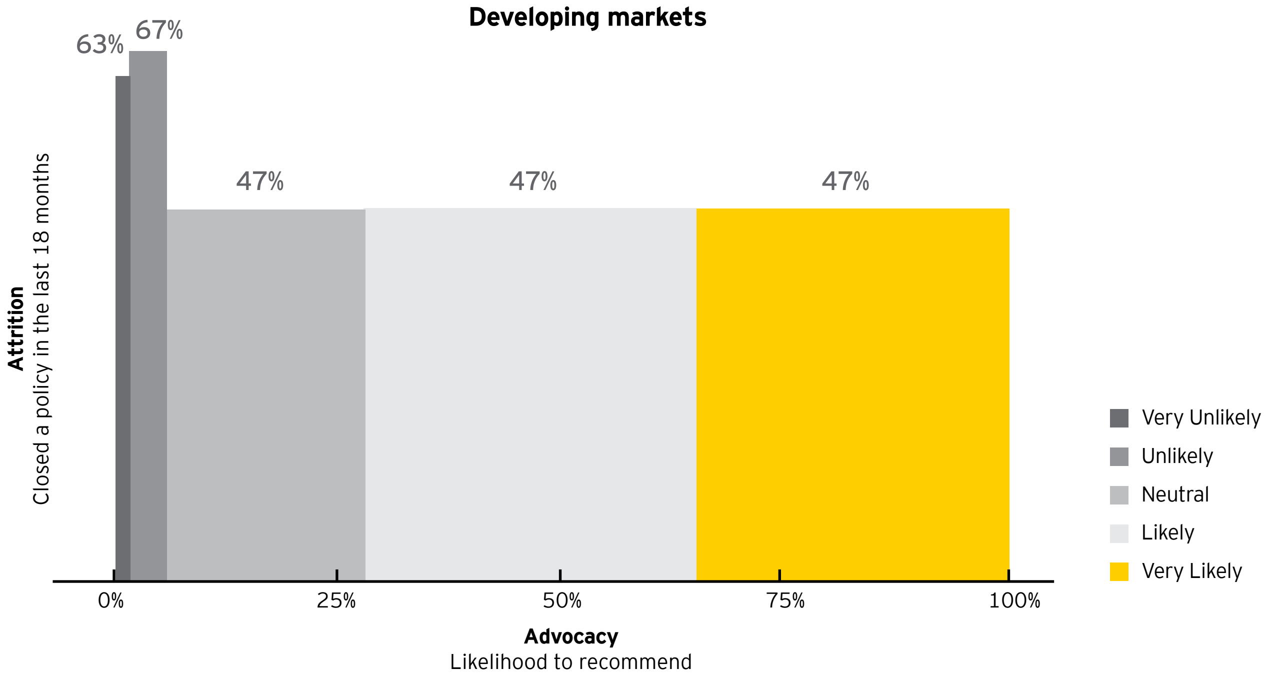




Key finding 2:
Just because they leave you doesn't mean they don't love you.

Figure 7: Global policy closure rates (attrition) within last 18 months, by advocacy level (likelihood to recommend) — mature markets vs. developing markets





Consumers professed likelihood to recommend their former insurers even after switching to a new provider corroborates the finding that policies are often closed for practical reasons (e.g., consumers found a less expensive policy or one better suited to their needs). It may also suggest that these consumers can be won back, meaning insurers must think in terms of maintaining some form of relationship with these "alumni customers" (by offering additional services, for example) that is broader than an individual policy.

A high percentage of customers who claim to be advocates for their insurers, close policies.

Advocacy and attrition: the regional view

An analysis of regional results also suggests an association between the level of trust in insurers and the likelihood of customers advocating for their providers. The Middle East/India and Latin America have the highest level of customer trust and the highest level of customer advocacy at 42% and 37%, respectively. Europe (25%), Australia (23%) and the UK (19%) have the lowest level of trust in insurers and also rank toward the bottom with respect to advocacy.

Other notable regional findings:

- The Middle East and India (52%) and Latin America (41%) have the highest levels of advocacy and rank toward the top of attrition.
- North American consumers rank toward the middle in advocacy (35%) but show the lowest levels of attrition (22%) of any region.
- The level of advocacy among Japanese consumers is exceedingly low (5%), and its level of attrition (28%) is lower than all regions except North America.

There are fluctuations across life and non-life products, but the general pattern still holds: surprisingly high percentages of those who claim to be advocates close policies or switch providers. It is also possible that some life consumers may be reluctant to change providers or move investments given that high surrender charges may apply. In fact, they may act more loyal while actually feeling unhappy because they lack flexibility.

It's no surprise that consumers who are unlikely or very unlikely to recommend switch at significantly higher levels. While they represent a small group, insurers face some risk that their unlikelihood to recommend, evolves into active detraction, an increasing risk given the power of social media to amplify specific complaints or general dissatisfaction.

Key finding 2:
Just because they leave you doesn't mean they don't love you.

Implications and actions for insurers

Implications	Actions
People who leave may still like you — take action now to leverage their advocacy later When even customers who claim to be advocates are closing policies, you need to be taking action while you have them, to enable you to leverage their advocacy after they leave.	‣ Initiate data cleansing and targeted data population exercises — fill gaps in email and mobile phone contact records as a priority. ‣ Establish and maintain marketing database of both current policyholders and "alumni customers," aiming for full customer contact details and contact preferences.
You may not be measuring the right things Advocacy is not a straightforward determinant of loyalty in the global insurance marketplace. Measures of "intent" are not a reliable indicator of actual consumer behavior. Customer metrics may need to be re-evaluated.	‣ Re-evaluate the metrics used to monitor the health of customer relationships and used to shape customer segmentation and retention strategies. Ensure a balanced set of customer MI is in place, incorporating historic actuals, predictive indicators and diagnostic information.
Defend against negative sentiment The relatively low level number of negative advocates (which helps boost net promoter scores) seems to be good news. However, the powerful nature of social media magnifies the risk that negative word-of-mouth will reach broad audiences.	‣ Refine and improve complaint-handling processes — and leverage these interactions to your advantage (e.g., fill gaps in contact data and capture contact preferences). ‣ Extend social media monitoring strategies and have appropriate mitigation plans in place to avoid social media blowups and reduce "preventable" customer churn. ‣ Monitor, report on and recognize the conversion of former detractors into "neutral" or advocating customers.
Reward advocacy The loyalty bonuses that insurers tend to design into current products are not rewarding advocacy.	‣ Explore the potential for an advocacy reward (e.g., "refer a friend" type discounts) to reflect this wider measure of loyalty.

The nature of actions required will clearly differ depending on the channel strategy companies have adopted, so insurers may need to work through or with their business partners to achieve these objectives.

"There has been an unfortunate lack of end customer engagement. It manifests itself in our inability to even track email addresses or contact preferences, our lack of outbound and inbound marketing capability. It begs the conduct question: it lies behind the questioning of regulators on issues of fairness."

— EY insurance client

EY insights in action: customer metrics

Without accurate metrics and key performance indicators to determine the strength of customer relationships, insurers may struggle to optimize their investments in consumer engagement and centricity. A carefully balanced set of key performance indicators should:

- Include both actual, historical behaviors and predictive indicators
- Use diagnostic information — e.g., lapse data plus route cause analysis — to create multidimensional views
- Align to key functional drivers and business strategies
- Be presented in meaningfully timed reporting cycles that minimize the "noise" from short-term fluctuations in customer behavior

Of course, defining the right metrics and then implementing them are two distinct steps. Process design, data management programs and the establishment of strong analytics platforms are critical components. Many insurers that have succeeded with new customer metrics have conducted targeted pilot programs (in a country or business line) before broader, enterprise-wide rollouts. Other insurers have benefited from empowering their managers and analysts with advanced data visualization tools that rapidly integrate information and link data from disparate sources to enable more exploratory, interactive and real-time analysis of data for faster insights.

Key finding 3:

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

Given the intangible nature of insurance products and the fact that most people hope they never have to use the products they buy, it is no wonder that consumers have such infrequent interactions with their current insurers.

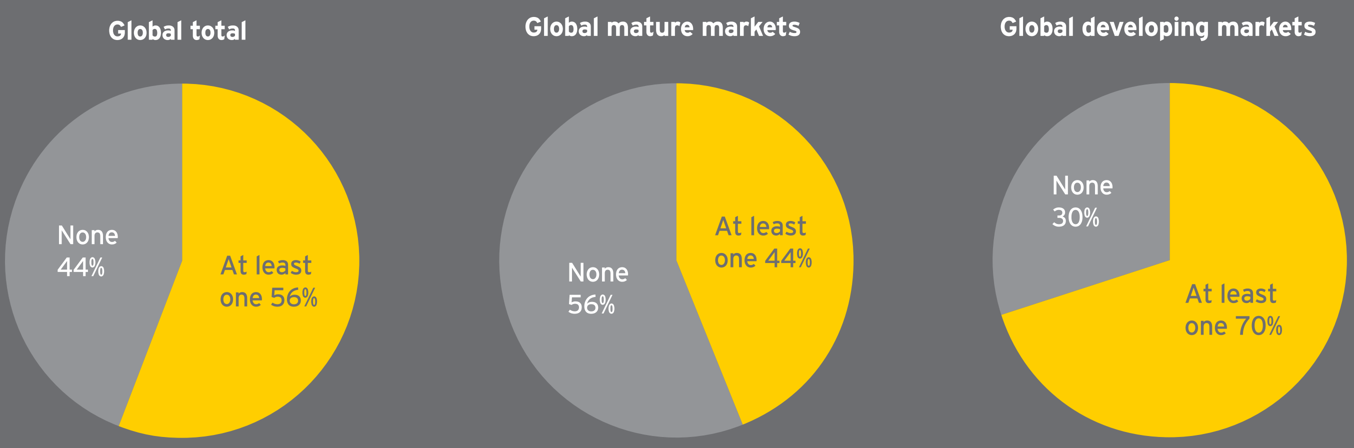
In fact, 44% of current customers report no interactions during the previous 18 months. The research shows these touch points occur so rarely that any interaction, for any reason — even seemingly insignificant administrative tasks — may serve as a "moment of truth," an event that shifts the perception of insurers and brokers in the consumers' minds. (For the purposes of the research, positive outcomes from moments of truth were defined as coverage increases, the opening of new policies or higher favorability ratings from the consumer. Negative outcomes were defined as coverage reductions, policy closures or lower favorability ratings.)

The data confirms that there are many potential sources for moments of truth. They range from the simplest types of interactions (asking questions about existing policies and updating basic information, such as a home address) to "higher-stakes" inquiries (obtaining a new policy and disputing the resolution of a claim). For insurers, the challenge is to seize the opportunities to deliver successful outcomes, while balancing constraints surrounding capacity and costs. For instance, easy-to-use self-service channels are the right channel for address changes and basic questions, thanks to their cost-effectiveness and functionality. However, inquiries about increased coverage or disputed claims generally merit handling through higher-touch channels.

Contact points equal opportunity

Further, the findings show that *how* insurers handle these critical interactions (by communicating effectively, for instance) is as important to consumers as the reason or issue that causes the moment-of-truth contact. In other words, insurers often control their own destinies in driving successful outcomes during the relatively few contacts they have with customers.

Figure 8: Customer interactions with their current insurers during last 18 months — global totals*



*For a definition of mature and developing markets, see the section, "About this report," page 5.

Key finding 3:
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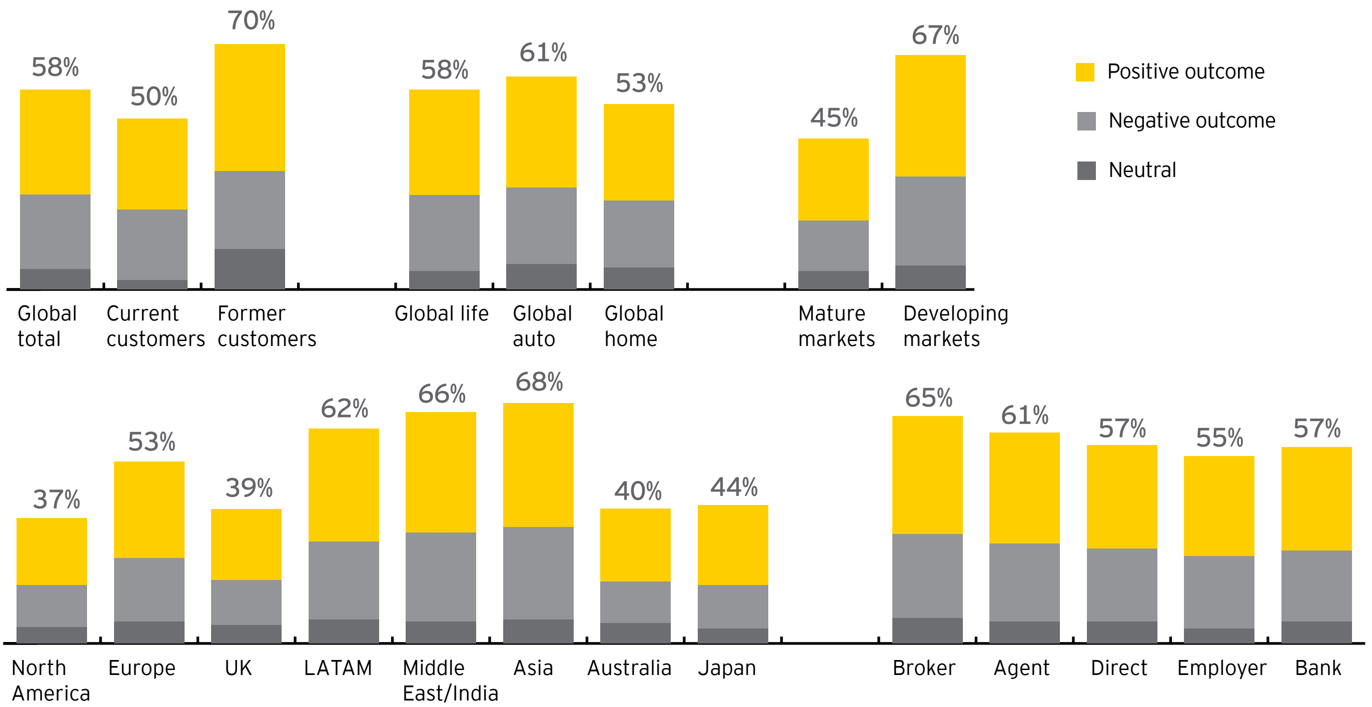
Figure 9: Percentages of consumers reporting a "moment of truth" - by key segments, products, markets and channels, globally

Participants were asked, "In the past 18 months, did you have a positive or negative experience that fundamentally changed how you thought of your provider/purchase source?"



A full 58% of global survey respondents report having a moment-of-truth experience in the last 18 months. This majority is consistent across all product types, though there are more significant variations across global regions, as highlighted in Figure 9. The good news is that most such interactions generally result in positive outcomes for consumers, meaning providers have a potentially solid foundation on which to build stronger relationships. Here again, there is consistency in the findings from the 2014 and 2012 consumer surveys in showing that effective customer interactions can strengthen relationships and drive growth.

Moments of truth occur most frequently in emerging markets (where positive outcomes are more common). Indeed, 37% of all moments of truth arise from former customers in emerging markets.

Claims: not *the* moment of truth

As expected, claims-related experiences represent a moment of truth. However, contrary to conventional wisdom, they are not the only critical touch points. The top reasons that resulted in moments of truth were:

- Existing policies (e.g., obtaining information, asking questions about coverage, deductibles or premiums, updating address or other information): 50%
- Potential new polices (e.g., increasing coverage, obtaining a new policy, replacing an existing policy): 32%
- Claims (e.g., inquiring about status, disputing the resolution): 14%

The Global *Consumer Insurance Survey 2012* demonstrated that quality claims experiences have become a baseline expectation among insurance consumers. Insurers must still succeed in claims-related moments of truth, of course. But respondents to the 2014 survey have made clear that there are many other essential and opinion-changing interactions beyond claims.

These levels are generally consistent across product types, though non-life products show a slightly higher proportion of claims-related moments of truth. These vary dramatically by region. Across most developed regions, moments of truth occur disproportionately in non-claims areas, such as inquiries about existing policies. In developing markets and in Europe, there is a comparable (and in some cases equal) emphasis on potential new policies.

The upside of engagement: 70% of customers experiencing a moment of truth report a positive outcome.

Globally, 70% of customers experiencing a moment of truth report a positive outcome. Interestingly, the findings confirm that overall, brokers and insurance companies are able to deliver positive outcomes at comparable levels. However, when it comes to up-selling during moments of truth, brokers outperform direct insurers and those with dedicated agent forces. The bottom line is that there is clear opportunity to capture sales within or following on these moments of truth, provided insurers understand customer needs and can create a process that allows a sales opportunity to close.

Looking at outcomes for different types of moments of truth, the results confirm that inquiries regarding claims and increased premiums lead to more negative outcomes. However, obtaining new policies or switching from another provider also result in result in surprisingly high levels of negative outcomes. In other words, insurers appear to be missing out on distinct opportunities to expand and deepen relationships.

Moments of truth are selling opportunities — and too many of these opportunities are being missed by insurers.

Moments of truth = an interaction or experience that positively or negatively changed the customer's perception of their insurer or broker

Positive outcomes = coverage increases, the opening of new policies or higher favorability ratings from the consumer

Negative outcomes = coverage reductions, policy closures or lower favorability ratings

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

There are substantial differences regarding types of positive outcomes. Nearly half (46%) of the customers who report positive outcomes in their moments of truth indicate that they obtained additional coverage from their insurers. It bears repeating that every interaction can be a sales opportunity if it is handled properly. Further, more direct engagement with consumers may reduce attrition.

Outcomes vary by channels and regions

Looking at moment-of-truth outcomes across different distribution channels, customers who acquired their policy through an independent broker report higher levels of cross- and up-selling behavior than those buying directly from an insurance company or through a dedicated agent. Specifically, they report increasing coverage (27% for independent brokers vs. 20% for insurance company/ dedicated agent) and purchasing another insurance product (11% vs. 7%). In all, those buying through a broker report higher levels of cross- and up-sell behavior (58% vs. 52%) relative to moments of truth.

Independent brokers are more effective in leveraging moments of truth to generate sales or increase coverage for a customer, which is the outcome for 38% of moments of truth in this channel. In comparison, customers who buy insurance directly from an insurer or through a bank are considerably less likely to increase their coverage at the moment of truth (21% and 18% , respectively).

However, it's important to note that insurers gain a net benefit from every moment of truth, suggesting that there is an upside to increasing the number of contact points with customers.

There are substantial fluctuations in moment-of-truth outcomes across regions and countries. Regions comprised wholly or primarily of developing countries are more likely to have customers reporting moments of truth and positive outcomes. Contrast these consumers against those from mature markets, who report having the fewest moments of truth and lowest percentages of positive outcomes.

It seems customers in mature markets have higher expectations and hold insurers to higher standards at each touch point. These findings are consistent with the predominance of self-starting consumers who equip themselves with information about products and therefore are looking for answers to specific questions. But given the preponderance of positive outcomes, the key question for insurers is how to create *more* moments of truth.

"It is the existing insurance 'mold' that has driven us toward infrequent engagement — a new mold needs to be created to allow more regular, added-value 'conversational engagement'."

— Graham Handy, EY Global Insurance Customer Leader

Figure 10: Reasons for contact that created the moment of truth and outcomes across different phases of the customer relationship life cycle

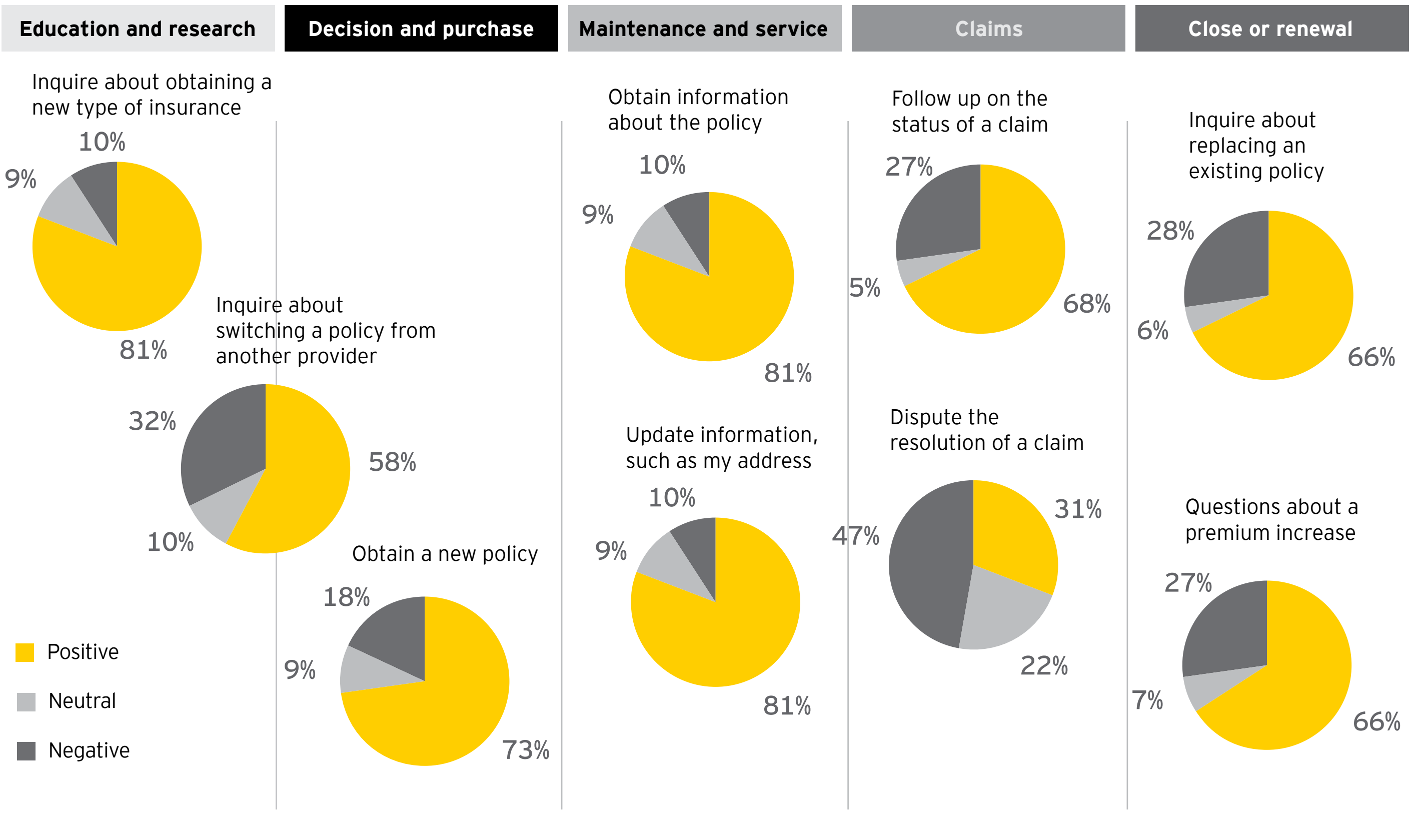
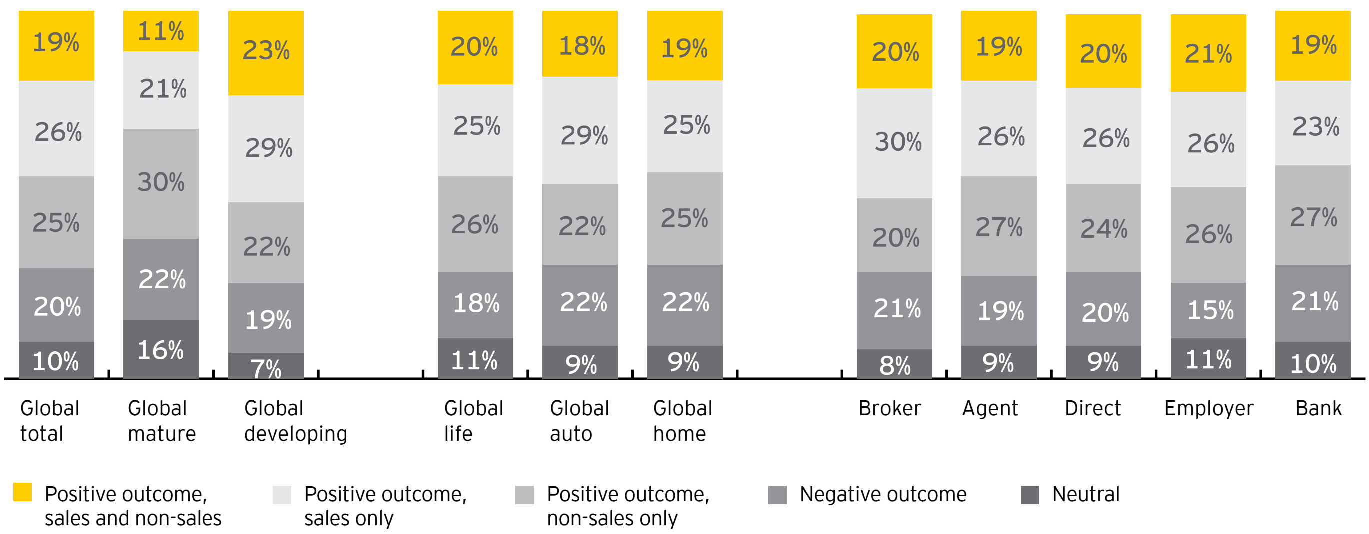


Figure 11: Moment-of-truth outcomes



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

Communications count during moments of truth

Survey participants were also asked *why* these events become moments of truth. The quality of communications was clearly the most important factor in elevating these interactions or inquiries into a moment of truth, reported by nearly six in 10 customers.

- Among those reporting a positive outcome, the quality of communications stands alone as the most common reason, chosen by 60% of respondents who experienced a moment of truth, with time to resolution ranked second.
- Communications were also commonly cited by those reporting a negative outcome, though the level of support and the existence of the problem were also important.

Here again, the survey findings confirm that how insurers handle critical interactions is as important as the underlying reasons for the interaction itself. To put it another way, effective communications is an essential and enabling element for a quality customer service experience.

> "If a digital or simplification project is a cost-driven project rather than engagement driven, then you will resist certain kinds of policyholder communication, like those that may result in a question from the customer. But if you want to increase your positive moments of truth why wouldn't you engineer a dialogue? The trick is to use new technology to deal with those questions in a natural but cost-effective way."
>
> *– EY insurance client*

Implications and actions for insurers

Implications	Actions
All the little interactions count Empowered consumers have increasingly high expectations for every interaction they have with their insurers, even if those touch points are infrequent. Given the potential impact on satisfaction, even interactions that seem minor must be viewed in a competitive context. It is possible to win long-term loyalty by seizing small opportunities in the here and now.	‣ Develop the processes and system triggers to differentiate and automatically route customer inquiries to the right treatment: between inquiries that merit a "high-touch" approach, such as questions about increasing coverage, versus those that can be routed to self-service channels. ‣ Develop effective front-end systems between the customer's experience and legacy technology. For example, self-serve functionality that eliminates the need for customers to duplicate processes or re-key data (e.g., common logon, one change of address for multiple policies)

Implications and actions for insurers

Implications	Actions
When customers do engage, insurers can respond well — but there are too few engagements It seems that insurers are very capable of succeeding when consumers engage them or have a specific problem to solve or task to handle. But since the engagement level is so low, insurers have relatively few opportunities to shine.	‣ Create more and better points of interaction through more frequent, proactive and meaningful communications, aligned to shifting consumer needs. ‣ Broaden the value proposition to create frequent and two-way opportunities to connect — for example, establishing affinity groups, customer clubs or rewards programs for specific communities and segments can boost engagement. ‣ Offer supplemental information on topics of interest (like household safety or safe driving tips, or comparison data for similar customers) to standard communications (like policy statements) to demonstrate interest in wider consumer needs.
All inbound inquiries signal an opportunity and a potential threat There are obvious opportunities regarding inbound inquiries from consumers concerning increasing coverage or purchasing new products. These signal a clear intent to buy or move, a signal insurers must be prepared to heed and act upon. When those interactions end without a closed sale, the likelihood of attrition increases significantly. But also recognize that any kind of inbound inquiry indicates a potentially dormant customer has "awakened."	‣ Treat those customer inquiries (coverage or option related) as priority "flight risks." Focus retention programs on improving handling of these highest-priority inquiries, and monitor up-selling performance in those instances. ‣ When customers actively reach out to you, this often indicates a life event or circumstance change. Leverage this opportunity to understand and capture these changes in customer records — and use this to deliver a positive moment of truth, including follow-up contact and offerings.
Timeliness and personalization drive successful outcomes, but this must be cost-effective Successful moments of truth are about communicating in a timely fashion, in preferred formats, with relevant content. There is a demand for personalization, but insurers cannot afford to meet everyone's demands, all the time. A balance must be struck between the need to drive positive outcomes with the need to standardize and industrialize sales and service interactions. Insurers who can correctly strike the right balance will be the future winners.	‣ Develop and deploy a clear customer value-based segmentation model to drive customer treatment, in terms of marketing campaigns, contact channels offered, and routing of inbound customer inquiries. ‣ Optimize the consumer experience in digital channels through easy to use, intuitive self-service tools. ‣ Identify where personal interaction creates most value in the relationship — and operationalize this. Make the hard decisions, based on costs and ROI regarding what you are prepared to offer and to whom. The decision will differ by customer segment, product and market but, the criteria must be consistent.

The nature of actions required will clearly differ depending on the channel strategy companies have adopted, so insurers may need to work through or with their business partners to achieve these objectives.

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

EY insights in action: customer experience design

Given customers' rising expectations and shifting needs, insurers that can deliver authentic and trusted customer experiences across all channels stand to reap significant benefits. EY's "emotional fingerprinting" methodology seeks to define an organization's unique emotional character — the sum of all positive and negative customer experiences arising from and within customer interactions. Benchmark research shows that clusters of positive and negative customer emotions impact business value for all types of organizations. Emotional fingerprinting seeks to identify, measure and design high-quality customer experiences through a five-step process:

1. Measure the frequency of recent positive and negative experiences
2. Explore the character of these experiences by situation, events and channels
3. Identify the emotions evoked by these experiences (frequency and magnitude)
4. Categorize customer emotions for improvement initiatives
5. Design a customer experience blueprint to structurally improve performance

By understanding where positive and negative emotions arise in customer interactions (moments of truth), organizations can identify initiatives where customer value correlates with business value, an approach EY calls "experience by design."

Voice of the customer analysis, experience benchmarking, innovation workshops, experience simulation and digital analytics are other capabilities brought to bear during the experience-by-design process. Because not all components and touch points are of equal importance to customers, the "experience by design" approach ensures that required experiences are translated into prioritized requirements. The final outputs include actionable operational improvements and solutions to increase trust and strengthen customer relationships.

EY insights in action: digitizing agent onboarding

"The agent is a customer too" is a mantra in the industry and a view that is driving initiatives that seek to build a better agent experience as a means to competitive differentiation. For most insurers, the agent onboarding process is highly manual and paper based, involving the printing, signing, copying and mailing of long application forms and supporting documentation, such as licenses.

The leading practice is to digitize the entire process with intuitive, easy-to-navigate online tools for both independent and dedicated agents. All documents, forms and disclosures are well organized and can be submitted online. The application processes and time frames are clearly communicated, with real-time status tracking available through attractive and customizable dashboards.

Such an approach leverages the examples set by customer experience leaders and start-up companies that have been "born digital." Insurers are challenged to streamline and digitize existing processes, largely because they need new capabilities outside their traditional competencies, such as:

- Active email/SMS address management
- E-delivery capabilities, such as digital signature, enterprise content management and social media integration
- Communications content management — consistent branding across communication channels and integrated mobile experiences

While these may seem like highly innovative capabilities today, they will underpin tomorrow's standard operating procedures.

Key finding 4:

Consumers want more frequent, meaningful and personalized communications.

The findings from the Global *Consumer Insurance Survey* make clear that consumers want more frequent, meaningful and personalized communications from their insurance providers. Our survey finds, however, that there are large "communication gaps" between what customers want and what they currently receive.

A full 57% of global insurance consumers, across all product types, prefer to hear from their providers at least semi-annually. Today, only 47% receive that level of contact. This communications gap is even more pronounced when looking at specific types of information, such as special deals and promotions and policy updates. In an era when many consumers feel bombarded by push communications and suffer from a general sense of information overload, it is particularly interesting for customers to express a desire for more communications from any company.

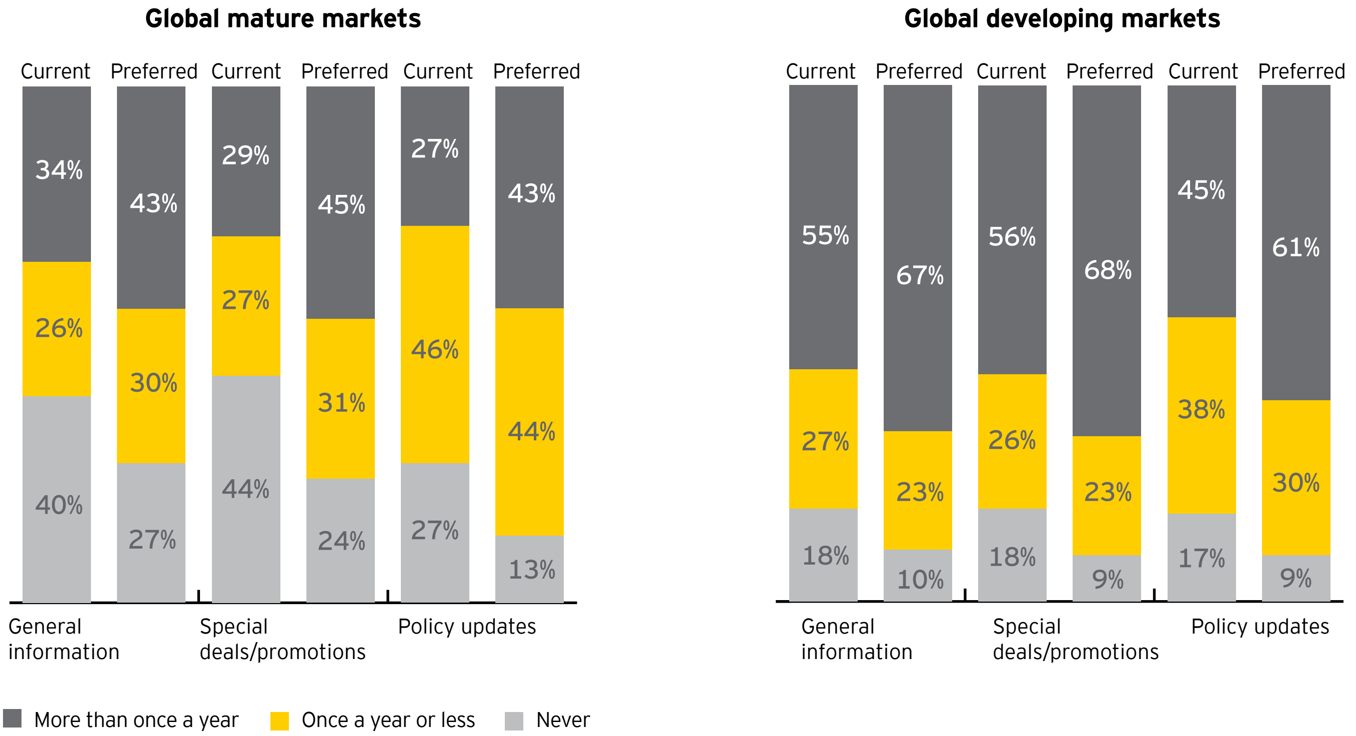
Many customers are ready to hear from their insurers

Nearly as interesting is consumers' openness to receiving special deals and promotions, as well as general information and policy updates. Only a small minority (14%) of survey respondents expressed a high level of satisfaction with outbound communications efforts. Given the environment of high turnover, low trust and advocating customer attrition rates, we believe the benchmark here should be "very satisfied," not simply "satisfied," customers. In that context, absolute levels of satisfaction with outbound communications are disappointingly low. (For the purposes of the research, outbound communications refer to any communications generated and distributed proactively by brokers or insurers, while inbound communications refer to customer-initiated interactions.) Further, it suggests insurers have a distinct opportunity to strengthen relationships by improving the frequency, quality and personalization of their communications.

The diversity in consumer preferences (including those who would prefer no communication at all) suggests that insurers should give consumers the ability to determine what they receive, when and through which channels. Such personalization is the key to optimizing communications. Unfortunately, today such choice is often dictated by the agent or insurer, not the end customer.

Insurers, brokers and agents are all falling considerably short in meeting demand for outbound communications.

Figure 12: Frequency of outbound communications — current vs. preferred levels



Key finding 4:
Consumers want more frequent, meaningful and personalized communications.

Figure 13: Consumer satisfaction with outbound communications

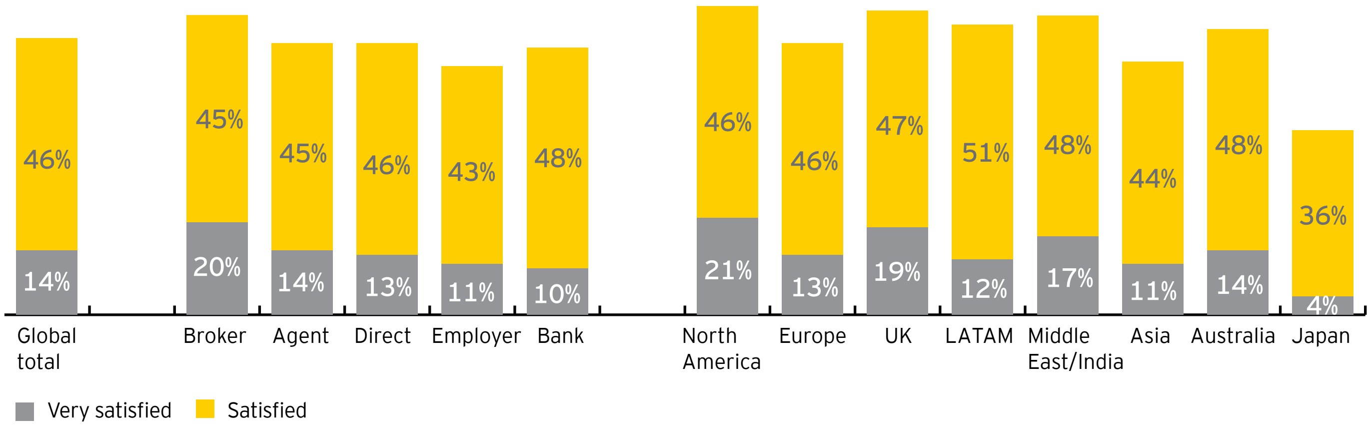
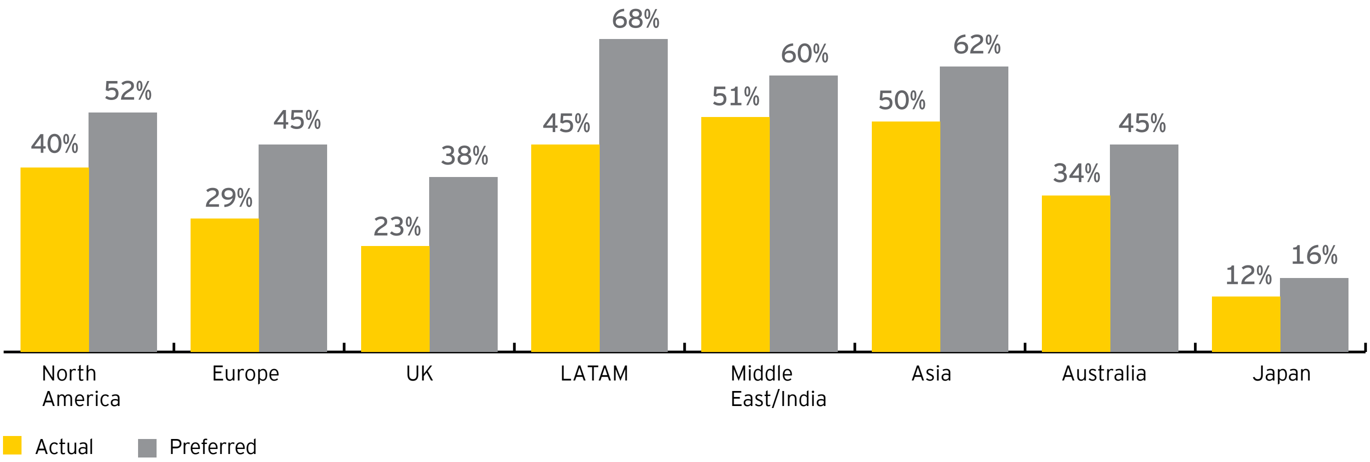


Figure 14: Percentages of consumers preferring semi-annual communications vs. delivery of actual communications — by region



This communications gap exists both for consumers who buy through independent brokers and those who buy directly from insurers or through dedicated agents. Similarly, it extends across regions and countries at generally consistent levels. The communications gap appears greatest in Latin America. European countries and the UK also have a larger-than-average communications gap, though it exists universally across markets.

Overall levels of satisfaction are extraordinarily low in the absolute sense, though there are differences by regions and sales channel. Across all regions, consumers are far from delighted with outbound communications. At 21% and 19%, respectively, customers from North America and the UK report the highest level of satisfaction with outbound communications. The Middle East and India have the next highest level of satisfaction, at 17%. The lowest level of satisfaction with communications, by far, belongs to Japan, at just 4%, or one in 25 customers. Again, the evidence is clear: the basic and fundamental ways in which insurers engage with consumers require significant attention.

Looking at distribution channels, consumers buying from independent brokers show a slightly higher level of satisfaction. Analysis of satisfaction by frequency of communications reveals a clear positive association between being very satisfied and increasing frequency of contact, in line with our 2012 Global *Consumer Insurance Survey* findings. As with moments of truth, more contacts yield benefits for insurers.

More communications generally yield benefits for insurers.

The scarcity of effective outbound communications places a significant burden on inbound communications, those contact points initiated by consumers. Over an 18-month period, more than half of all customers (56%) report proactively reaching out to their insurance company. As expected, the level of proactive engagement is more limited among life customers, at 52%, compared to 60% of non-life customers. Notably, inbound communications are predominantly generated through digital channels.

New imperatives: personalization and regulatory pressures

Of course, not all consumers want more outbound communications. About one in six respondents indicated that they "never" want to hear from their insurance provider. The contrast between these groups speaks to the widespread expectation among consumers that they can and should be treated uniquely and in precise alignment to their individual preferences. This personalization imperative presents insurers with an additional level of complexity in finding ways to tailor communications.

Regulatory pressures may also increase the urgency surrounding communications. It is an item high on the agendas of regulatory authorities in many key markets, including the UK and Europe. Regulators are looking to ensure customer communications are simple and easily understood, as part of improving overall quality and "fairness" to customers. Insurers that seek to align communications improvements with strategies for revenue growth and customer retention will likely generate higher returns from mandated investments than those firms that aim for minimum compliance.

Collectively, the survey results show the critical role communications play in customer relationships. Specifically, communications:

- Are a common reason why customers close policies or switch insurers
- Have a major impact on whether events and interactions become moments of truth
- Influence overall satisfaction rates across the customer life cycle

It's clear, then, that an effective communications and engagement strategy is a crucial step on the long-term journey to customer centricity.

Key finding 4:
Consumers want more frequent, meaningful and personalized communications.

Implications and actions for insurers

Implications	Actions
Judge communications success in its ability to strengthen relationships, not just deliver information The opportunities associated with communications are strategic and essential to boosting customer-centricity. Communications must be measured not by their ability to provide basic information, but rather in terms of their ability to strengthen relationships. The ultimate pay-off will come through reduced turnover and improved up-sell and cross-sell performance (and potentially large cost savings).	Develop an effective communication and engagement strategy, including: ‣ Rationalize and digitize print communications to reduce printing and postage costs. ‣ Redesign and simplify the messaging and format of all customer correspondence, including using plain, understandable language to improve clarity and reduce call center inquiries. ‣ Implement an effective enterprise content management (ECM) platform and supporting infrastructure to support your communications strategy.
Frequency cannot be separated from relevance More customization of messages and offers does not necessarily mean more communication. The power of personalization in communications is that it can both improve satisfaction rates — and drive bottom-line benefits (like reduced print and postage costs). To be clear, semiannual is still a relatively low frequency of communications for truly engaged consumers in the information age. That means, at current tempos, each and every communications must score highly in terms of its relevance and value to consumers.	‣ Allow customers to set preferences for content, frequency and channels – and make it easy for them to update these on a regular basis, as life events and circumstances change. Make this a positive part of your value proposition (not just an opt-out clause). ‣ Use the power of digital and social media analytics to identify and deliver communication content of interest to specific customer segments.
Regulation will drive change if the industry does not Regulators around the world are placing continued focus on consumer conduct and fairness — over time, these requirements may prompt more and different types of communications.	‣ Ensure that mandated communications are aligned to customer needs and go beyond a lowest-common-denominator approach to compliance.

The nature of actions required will clearly differ depending on the channel strategy companies have adopted, so insurers may need to work through or with their business partners to achieve these objectives.

EY insights in action — four key components: customer communications transformation

1. Simplification: The overall objective of consolidating, eliminating and redesigning customer correspondence is key to a better customer experience.

First, this requires a full inventory of written correspondence (paper and digital) for all business lines to develop a manageable body of templates by customer segment and end-to-end business function. Second, it essential to redesign and simplify the each message and format to align with standards and guidelines associated with the brand, templates and printing operation requirements. This should focus on the customer's point of view (not the business process or policy). The final objective is to consolidate, eliminate or implement redesigned correspondence through a centralized tool to maintain and create new correspondence.

2. Digitization: Think "digital first" to optimize the customer experience through enablers such as active email and SMS address management, digital signature, enterprise content management and social media integration. It can be a long journey from a largely static print-based strategy to an engaging digital experience. Actively migrating customers to digital channels (e.g., "push" emails to test response) and demonstrating the benefits is a start. Providing excellent self-service, useful information and online tools will help retain customers.

3. Integration: Integrating disparate applications, intelligent document creation and forms management are key components of an effective ECM platform. Middle-ware platforms can be leveraged to orchestrate a seamless delivery of customer communications. Highly customized workflow systems provide the ability to route to customer preferred communication channels, and rule-based intelligent document generation can identify and populate correct templates.

4. Self-service: This is critical for scale and because customers want to be empowered, in control, and do their own research.

The business benefits are compelling: better designed correspondence results in reduced customer call volumes and back office processing costs, as well as reduced printing, production and postage costs. A simplified technology environment lowers maintenance costs and shortens development time. The migration of customers online to self-service, further decreases both call and mail volumes. Overall, an effective transformation will deliver a reduced risk of legal and regulatory exposure and an improved customer experience, resulting in greater customer satisfaction and loyalty.

Case study: simplifying communications

A large, multinational insurer was seeking to simplify customer communications, improve the customer experience, reduce operating expenses and minimize risk exposures. The objective was to streamline data collection in forms and simplify language in policyholder correspondence to enable better customer understanding, standardize the process of managing correspondence, and transform content and document management platforms.

EY designed and executed a multiphase approach to rationalize and simplify the format and messaging of all correspondence across the customer life cycle - focusing on the most frequent and critical customer touch points.. The objective was to reduce the overall inventory of documents, lower inbound inquiry calls, and build a foundation to enable digital document distribution and data capture.

Simplification has delivered significant value in the form of higher-quality correspondence, clearer language and lower production and printing costs. Streamlined processes helped increase efficiency through workflow automation and self-service. Customer testing showed that customers had a better understanding of the messaging and were less likely to call; and preliminary business results recorded a significant decrease in data errors on customer submitted forms.

Key finding 5:

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

Yes, customers still gravitate toward the familiar — however, there can be no doubt that digital options are gaining traction for many more kinds of interactions.

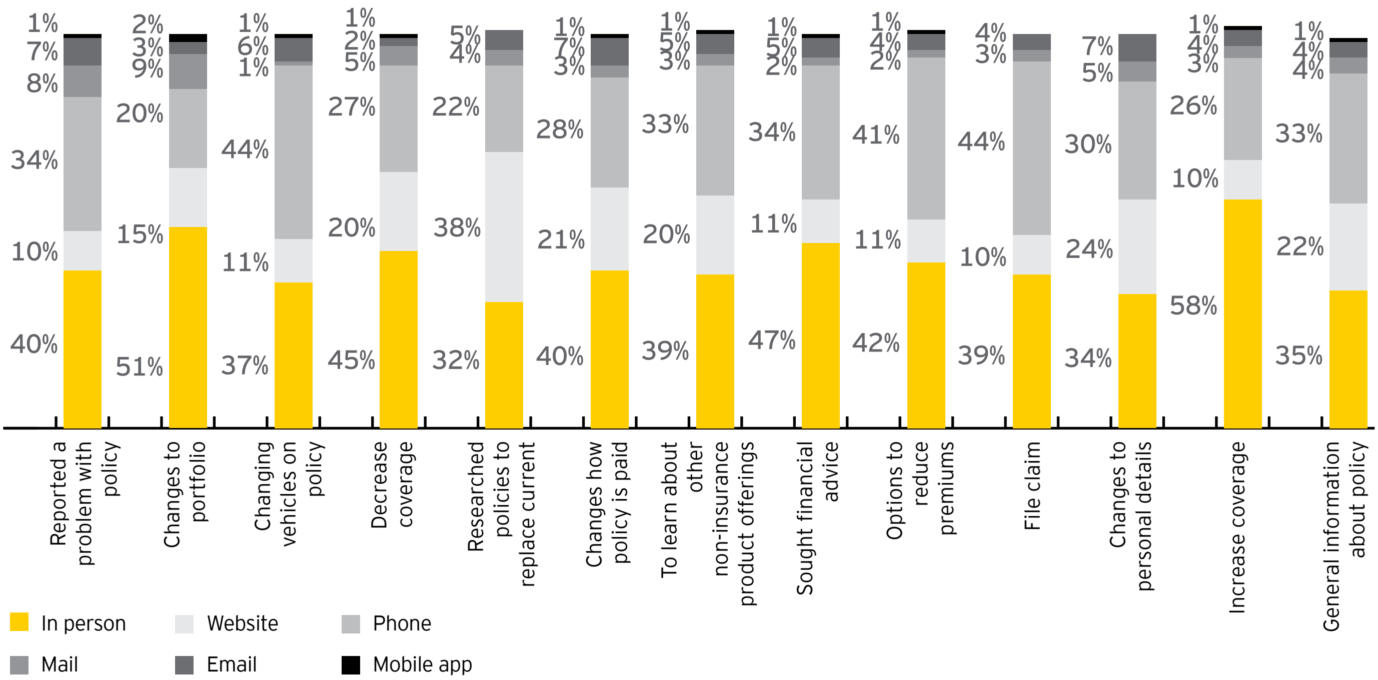
While the days of purchasing complex life insurance on a mobile phone are still in the future, our survey reveals that consumers show increasing willingness to use remote and digital interactive contact channels for a wide range of tasks. This is a shift that is driving seismic changes in the distribution landscape in some markets — which insurers need to manage carefully.

Call centers are increasingly seen as a viable replacement for face-to-face interactions for many tasks. Digital options (such as web chat) are fully in the consideration set for many consumers. The takeaway for insurers is to offer consumers the right mix of channels for the right tasks and inquiries as a means to maintain healthy relationships, no matter their precise distribution strategy and service models. In other words, insurers must design, implement, integrate and promote the channels that customers want and expect — and prepare to manage the potential channel conflict that is likely to result.

The survey results confirm that a vast majority of customers are quite willing to consider contact methods other than in-person (face-to-face) interactions for many types of inquiries and transactions. For some activities, digital/remote and face-to-face are basically 50/50 propositions (though this varies by product type). In this sense, the 2014 survey results confirm findings from the 2012 Global *Consumer Insurance Survey*, which found that in-person interaction is important but no longer seen by consumers as a requirement.

Customers still gravitate toward the familiar, but about 80% are willing to use digital and remote channel options for many tasks and transactions

Figure 15: Consumer use of channels/information sources for different types of transactions and inquiries



Key finding 5:
As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.

Figure 16: Percentage of consumers who would consider using these contact methods (assuming they were available) when interacting with their insurance company

	Inquire about new insurance policy	Questions about an existing policy	Seeking financial advice	Assistance with a claim	Researching different types of insurance	Managing your current policy	Renewing your policy	Cancel my policy
Web chat	41%	40%	29%	29%	28%	27%	22%	14%
Email	41%	41%	33%	34%	35%	40%	35%	28%
24-hour telephone hotline	38%	48%	34%	51%	31%	40%	36%	35%
Mobile app	25%	26%	22%	23%	27%	27%	20%	14%
Interactive support	23%	26%	24%	26%	28%	27%	21%	12%
Video tutorials and guides	22%	22%	23%	23%	28%	20%	15%	9%
None of the above	15%	12%	22%	14%	17%	15%	19%	31%

Shaded areas indicate areas of interest, relatively high percentage of consumer consideration.

Optimizing the mix of contact methods

Roughly eight in ten customers are willing to use digital and remote contact channels (including web chat, email, mobile apps, video support or phone) for many different types of interactions and transactions. Currently, only 13% of global consumers say they would use only a phone hotline. In fact, 26% are willing to try other digital contact methods, but still need the phone as a fall back option, and an even larger 43% would actually prefer to use any other digital option except for the phone. Twenty-four-hour telephone and email are almost always the top two choices, with web chat and interactive support the next most popular choices. Deeper analysis of the survey results reveals that three-to-four contact methods may be the optimal number. When delivered as an integrated offering, some channels may be able to overcome preference for in-person communications, while still effectively reaching the vast majority of customers. Beyond a certain point, more channels increase options without necessarily maximizing reach.

Demographic factors further demonstrate the prevalence of the shift to digital channels:

- 44% of seniors would consider a digital/remote channel option for all types of transactions and inquiries.
- More educated individuals are more likely to consider digital/remote channels.
- As income increases, so, too, does consumer willingness to consider digital and remote channels.

The challenge of shifting customers away from in-person to digital or remote options varies substantially by region:

- Consumers in Asia appear to be the most amenable to this migration, as customers express a higher likelihood to consider at least one of the options presented for nearly all transactions or inquiries.
- Consumers in the Middle East and India also expressed a higher level of receptivity, although they are much less willing to consider cancelling their policy through digital or remote options. The same options yielded a much lower level of interest from those customers in mature markets, especially from North America and Japan.
- While slightly more open-minded than North America and Japan, customers from Europe and the UK were less likely to consider digital or remote channels for different types of transaction and inquiries, although they were more apt to consider policy cancellations using these channel options.

Our analysis shows that providing three to four remote/digital contact methods may be the optimal number to reach the vast majority of customers

The rise of the digitally empowered, self-directing customer

Increasing adoption of digital channels is driving more consumers to act on their own in researching and purchasing policies. A full 69% of global customers feel that they initiate the purchase of new policies. Especially in mature markets, a critical mass of customers is now quite comfortable working independently to negotiate the complexities of insurance products.

Current and former customers who purchased policies through independent brokers were asked to share their experiences about obtaining information directly from insurers. While both segments indicated equal success rates in obtaining the desired information, former customers indicated they needed to seek out more sources than did current customers and were less satisfied with the process. It is reasonable to infer that difficulty in accessing information may contribute to customers leaving or that specific information requirements around the withdrawal process are not being met.

Key finding 5:
As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.

Brokers, attrition and "orphans"

The survey indicates that consumers purchasing from independent brokers are 29% more likely overall to switch insurers or cancel policies. Within the same group, 50% are more likely to do so on life products (including annuities). As many in the industry recognize, the role of the advisor has a larger bearing on attrition than consumers themselves actually realize. Whether acting in their customers' or their own self-interest (including their self-interest positioned as better meeting customer needs), brokers are a primary source of customer attrition. Thus, it is risky for insurers to fully relinquish their role within customer relationships to brokers.

Given current turnover rates and the need to engage, insurers cannot afford to relinquish their role in customer relationships to brokers.

The time has come for insurers to retake control of customer relationships, recognizing that control will mean different things in different channels. For some insurers, direct-to-consumer channels simply must become more prominent. In those cases, the inevitable impact on intermediary relationships must be managed. Many insurance companies are understandably reluctant to "step on the toes" of independent agents and brokers. However, the increasing adoption of digital channels and need for stronger relationships are forcing the hands of insurers.

Insurers that rely on intermediated channels can provide brokers and agents better communications tools to facilitate stronger customer engagement. Indeed, communications capabilities may become a key criterion in evaluating and selecting future distribution partners. More fundamentally, insurers must seek to collaborate only with those distribution partners that share their commitment to delivering value to consumers.

Adding to the urgency are the large numbers of policyholders who appear to receive little or no contact from their insurers, agents or brokers. The sense of "orphaned customers" was clear in the aftermath of Hurricane Sandy when some US-based insurers were unable to contact all of their impacted insureds; because agents or brokers "owned" those customers, insurers had no access to contact information, such as mobile phone numbers. No customer, under any circumstances, should be overlooked in this way, especially not in the wake of a natural disaster.

Ultimately, and for most consumers, it is immaterial who owns the relationship, so long as someone does. Consumers are also less concerned about channels than the overall experience and sense of engagement with their insurers; showing value for money and a strong commitment to service prevent consumers from feeling orphaned, regardless of the channels they prefer.

Aligning on customer engagement

Brokers and agents have long played an integral role in managing customer relationships and in building trust. While that will continue in some form and for some time to come, this survey provides a strong business case for insurance companies to play a central and direct role in building and sustaining meaningful customer relationships.

Managing channel conflict and engaging brokers and agents in mutually beneficial relationships will not be easy. A shared vision of customer engagement must be developed, and roles and responsibilities clearly spelled out. But, given the breakdowns in communications and high rates of turnover, this process of strategic evolution in distribution must begin now.

"The biggest complaint we get from our customers is 'you don't help me.' It's not good enough to refer every last request for insight to an advisor who may actually not even still be in contact with them."

– EY insurance client

Implications and actions for insurers

Implications	Actions
People are ready and willing to embrace new forms of personal interaction "In-person" contact is not the only means to effectively engage consumers and meet their needs. Beyond phone communications, web chat, video tutorials and other digital channels may ultimately replace face-to-face (for some segments) as the primary means by which insurers offer consumers "personal" interaction.	‣ Develop flexible and integrated multichannel capabilities, with a clear and comprehensive map of the channels (including face-to-face and digital options) that are most appropriate for each customer segment, product and transaction or inquiry.
Habits may take some time to break but they will shift over time Ongoing reliance on traditional channels may be a function of familiarity and a lack of awareness of alternative contact options. If insurers are to move more transactions to digital, those channels must not only meet customer expectations for convenience and functionality they must be actively promoted and incentivized.	‣ Promote channel options and digital self-serve functionality to targeted customer segments, to move more traffic to those channels. "Test and learn" pilot programs are useful ways in which to innovate and test new approaches. ‣ Three to four contact methods appear to be the optimal number, when delivered as an integrated offering, to reach the vast majority of customers as an acceptable alternative to face-to-face. ‣ Ensure availability of consistent information across channels as a baseline requirement to enable more self-service.
Insurers cannot shrug off the challenge of more effectively managing customer relationships in intermediated channels Intermediated distribution adds complexity to insurers' efforts to strengthen customer relationships. However there is evidence of dissatisfaction amongst customers with a supposedly dedicated advisor. Even if hard to address, the provider must play a role in closing this gap. The mantra of "agents are customers, too" is valid and may help reduce the risk of disrupting long-standing relationships.	‣ Revisit distribution partner selection criteria and partner value segmentation to ensure alignment with customer-centric strategies. ‣ Engage the most important strategic distribution partners to co-develop a joint customer relationship strategy with clear mutual benefits. Define customer management rules on mutually beneficial terms. ‣ Equip agents and brokers with more tools to share information and promote more and better communications.
If brokers consider themselves the owner of customers, they should be held to account to address issues or relinquish ownership In many cases, agents or brokers may consider themselves the rightful owners of all communications – and indeed of the entire relationship. But the issue of orphaned customers is rife and generally underestimated.	‣ Clearly define responsibilities for various types of communications and interactions, as well as ownership of data generated at every touch point. ‣ Review intermediary performance against customer churn, service, complaints and other lapse hotpots. Be ruthless with brokers who are damaging the long-term economics of your business.

The nature of actions required will clearly differ depending on the channel strategy companies have adopted, so insurers may need to work through or with their business partners to achieve these objectives.

Key finding 5:
As consumers embrace digital, insurers must rethink their distribution strategies and partner relationships.

EY insights in action: broker distribution

The changing role of the agent in an increasingly multichannel distribution environment is one of the industry's most urgent challenges and one that impacts all stakeholders. Brokers face increased pressure from all sides:

- Customers have more complex needs, know more about their choices and want to pay less for products.
- Insurers with increasing costs want to compete on things other than price and seek to lower commissions.
- Competition is more intense, and regulation is increasing.

Insurers that can see the world through the eyes of a broker can help build stronger customer relationships by helping their distribution partners navigate these challenges by:

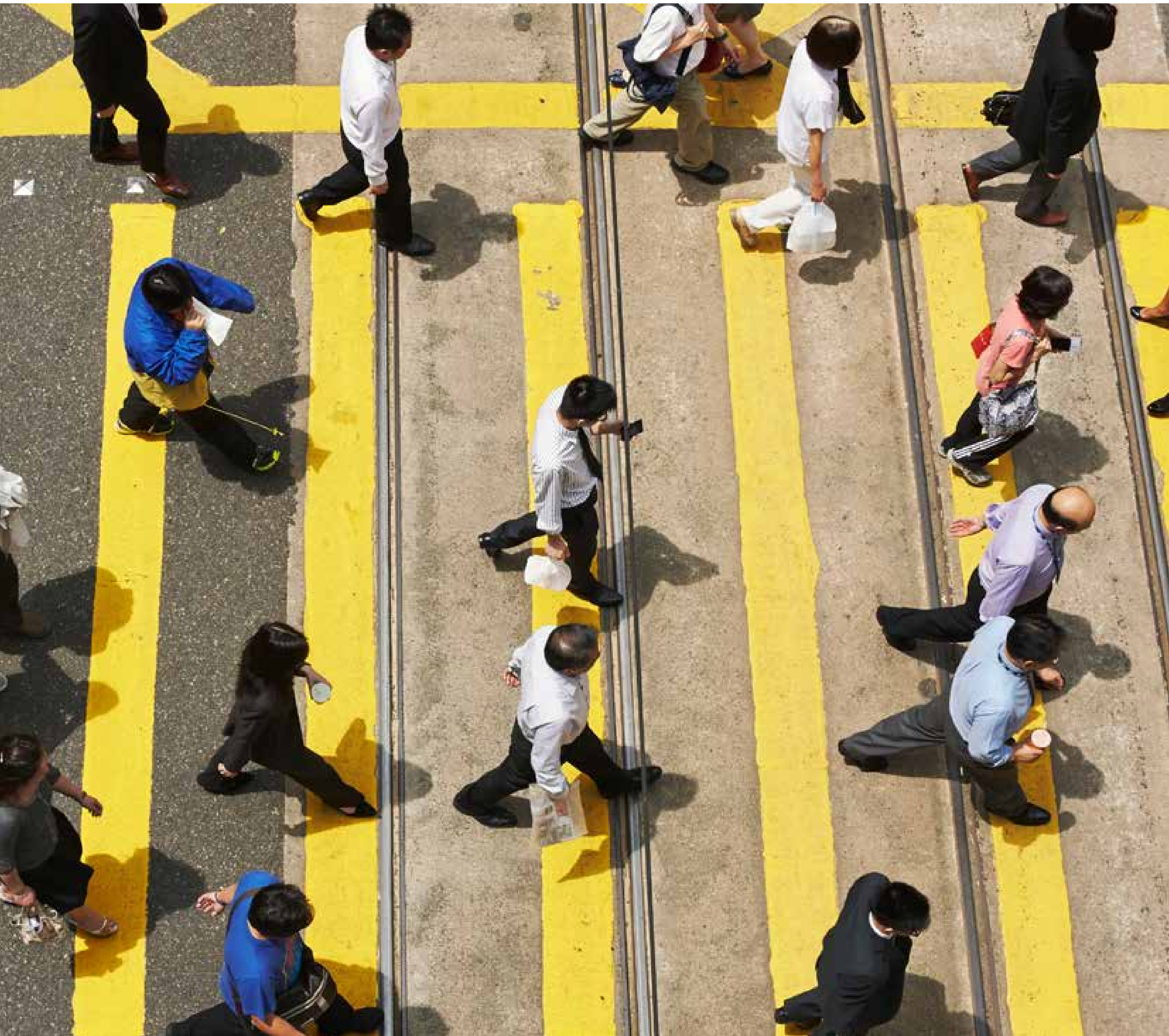
- Delivering policy and customer-specific prompts to assist brokers in proactively contacting customers
- Providing technology to help agents interact with clients through multiple channels and access client information from multiple sources (web, social media, other data sources) and use analytics to generate more insights
- Sharing expertise regarding long-term talent needs and succession plans
- Helping brokers understand the impact of new regulations

Collectively, these steps will allow brokers to differentiate themselves by providing exceptional service, serving as trusted advisors and generally delivering more value to customers. Of course, effective distribution strategies are a two-way proposition. Thus, insurers must be sure that brokers keep in touch with and share information about changing customer needs and do what they can to support better outcomes in claims and other areas. Mutually beneficial relationships will require mutual effort.

Conclusion:

A new era dictates new value propositions.

Insurers must rethink and take control of customer relationships with new offerings, new capabilities and optimized channels.



The findings of the report confirm the clear and actionable opportunities for insurers seeking market advantage through better customer engagement. The way forward will require more than just trying to solve problems or ticking the boxes in those areas where customer satisfaction levels are dangerously low. Rather, a broad-based and strategic rethink regarding the core value proposition insurers offer customers must take place.

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

- How effectively do we serve and satisfy customers?
- Why do we lose customers today?
- Who do we want as customers tomorrow?
- What products and services do our customers want from us?
- Which channels work best?
- What tools and technology do we need to understand what customers really want?

The answers to these questions will uncover transformation opportunities at multiple dimensions of the organization. Improvements will be needed in many areas and functions, including technology, product design, underwriting, customer service and, critically, the challenging area of organizational culture. Indeed, the outward-facing work of customer engagement will likely necessitate an unprecedented level of internal change.

As the fallout from the financial crisis recedes, the EY insurance team believes that stronger customer relationships hold the key to future success. Insurers must find ways to offer more value across the relationship life cycle. Engineering mutually beneficial, two-way relationships is not just about boosting the industry's poor brand perception and trust levels, but also about adopting new, partner-like roles in customers' lives. Insurers must overcome their unique challenge of their products typically being "out of sight and out of mind."

That grand aspiration, along with the many demographic, technological and competitive factors at play, are likely to drive insurers to develop next-generation products. Insurers simply cannot reach such symbiotic, win-win customer relationships with current product sets. Telematics, wearable technology and other advancements are redefining the 'art of the possible' in terms of what we know about how people live and behave (and when we can know it).

For insurers, that means the time is now to start designing products and offerings that break the industry mold. Inevitably, they will look outside of traditional risk-based insurance products to find new profit pools, new business models, new partners and new forms of growth.

Whatever exact shape the future takes, there can be no doubt that reimagining insurance customer relationships will be the key to future success.

For additional information about this survey, go to **ey.com/insurance/GCIS2014.**

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