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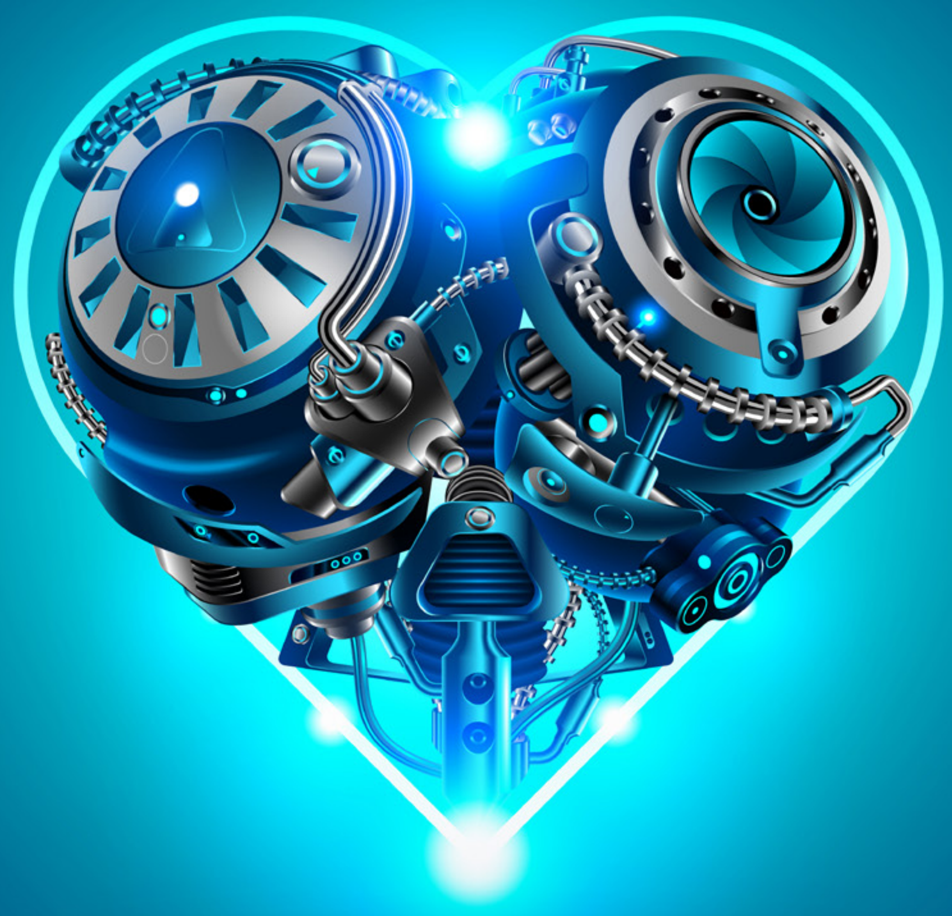


REIMAGINE LIFE

GLOBAL CONSUMER STUDY 2018

STAYING HUMAN IN THE MACHINE AGE

CONTENTS

This is ReMark's fifth Global Consumer Study (GCS). The essence of this research is its focus on the consumer: why and how they purchase – and experience – insurance.

As always, we thank all those who contributed to this year's report. We welcome comment and opinion, as all dialogue ultimately shapes our perspective and future studies.

A ReMark publication. November 2018

EXECUTIVE SUMMARY

The relationship between consumers and technology is complex. At one extreme there is the embrace of social media and rapid adoption of applications which facilitate service, save time, and make interactions easier. At the other, there are doubts and suspicions about the ability of technology to pry into the lives of consumers to their disadvantage.

The Global Consumer Study 2018 suggests that the optimists are winning out – with significant benefits for the relationship between insurers and their customers. With the responsible use of consumer data and the delivery of clear benefits in return, the potential is emerging to change the customer relationship for the better – and even entice the elusive Millennial generation to engage.

This is not a study of technology, but technology is implicit in this year's themes. Take the way that consumers want to interact with insurers – the old construct of advised or direct channel customers is becoming obsolete. Customers tend to prefer one or the other, but less exclusively so over time. They do what works for them at the time and in context, moving across online and offline channels – O2O. And they expect insurers to make that easy to do.

This O2O experience can only be delivered by deploying technology in a way that sets the customers free to deal as they choose.

Now, this can seem threatening to the traditional role of the insurance intermediary, and to those insurers whose economics are built on intermediated channels. But this study suggests that is unlikely. Consumers want access to online channels for a range of needs – but when it comes to the purchase decision, they continue to value the human touch.

This points to a consumer who is clear-headed about the relative strengths of people and technology when it comes to insurance. People are valued for their experience and specialised knowledge of the consumer's need – which technology is unlikely to displace anytime soon. Technology is valued for its speed and consistency, and the ability to iron out confusing and time-consuming processes.

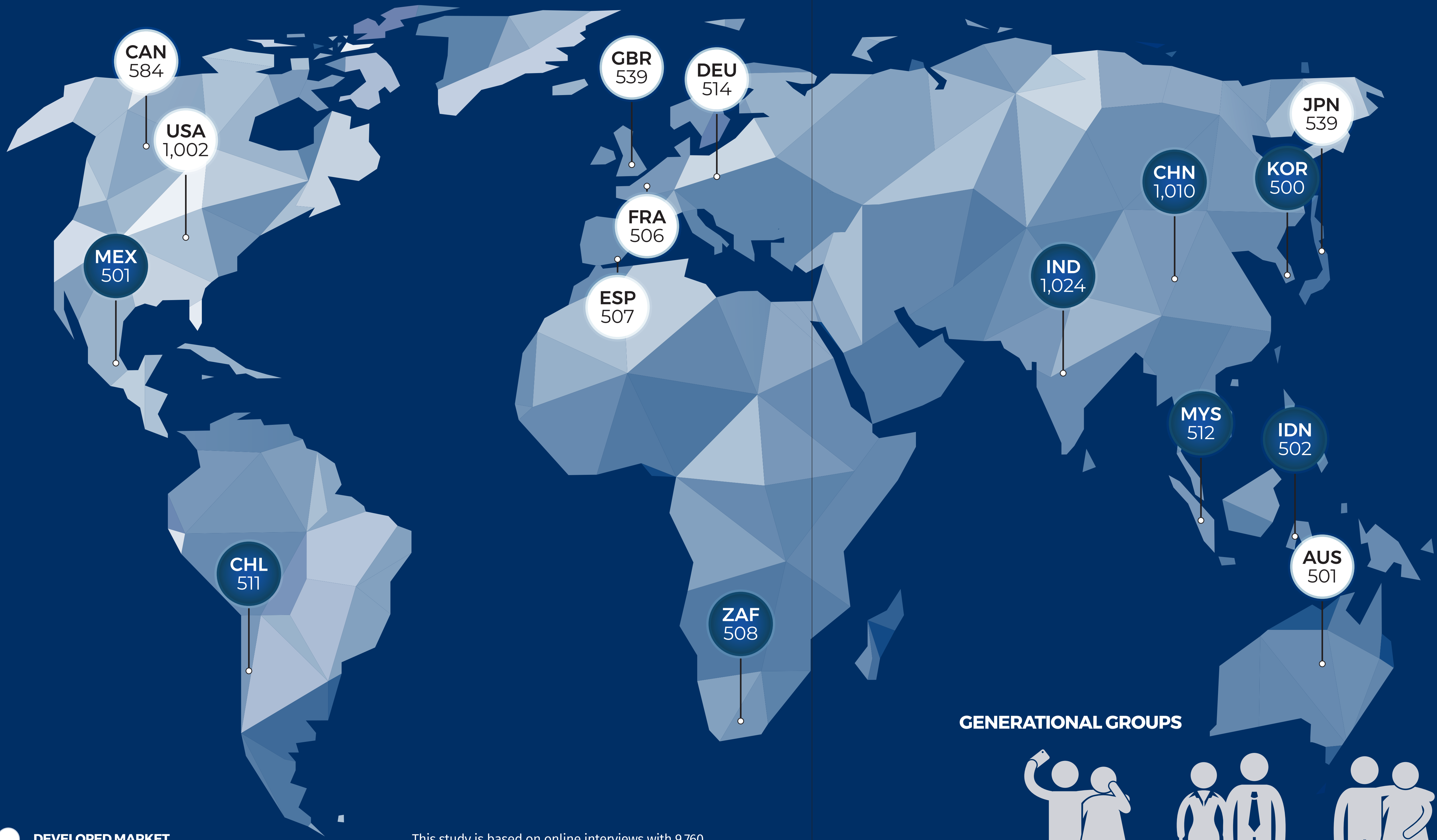
This can be seen in the openness to auto-advice and, particularly, to auto-claims technologies. When customers are dissatisfied, it's rarely about an insurer's decisions – it's about the difficulty of navigating the journey. Speed and simplicity matter. Consumers are willing to adopt the technologies which insurers make available if it speeds the process, simplifies the journey and eliminates frustrations.

Novel applications of consumer technologies also lie at the heart of the response to the Millennial challenge. Compared to their parents, Millennials are not particularly disposed to buying life insurance, nor are they receptive to many of the traditional propositions and messages of insurers.

This year's study shows that Millennials are indeed different, and that, especially in developed markets, they are more motivated by happiness and related goals. They want to live well. Health and wellness motivate them far more than fears. Wellness and loyalty programs, together with wearable technology that enables the sharing of data, bring benefits that speak to both insurer and consumer.

The machine age may be here – but the consumer still wants the best of what humans and technology can offer.

ABOUT THIS RESEARCH



DEVELOPED MARKET

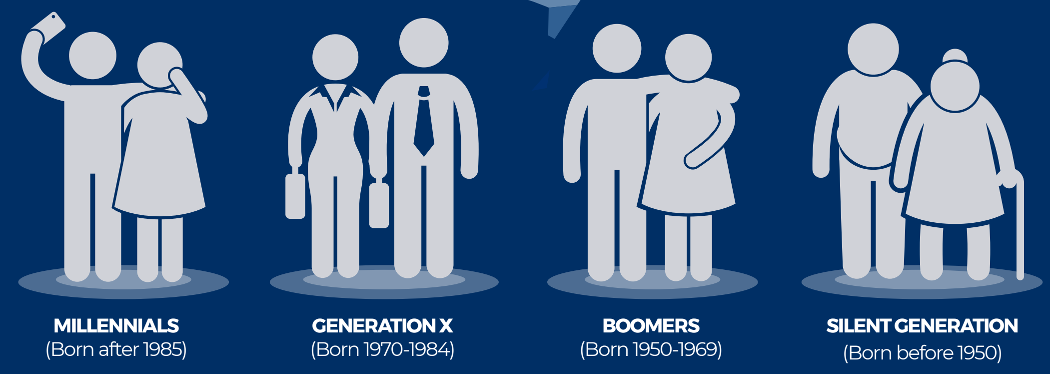
Large, long established markets

EMERGING MARKET

Smaller, fast growing markets

This study is based on online interviews with 9,760 consumers in 16 key life markets throughout the world. Fieldwork was conducted in 2018. The sample and methodology comply with best practice for each market based on a nationally representative set of demographic and economic parameters.

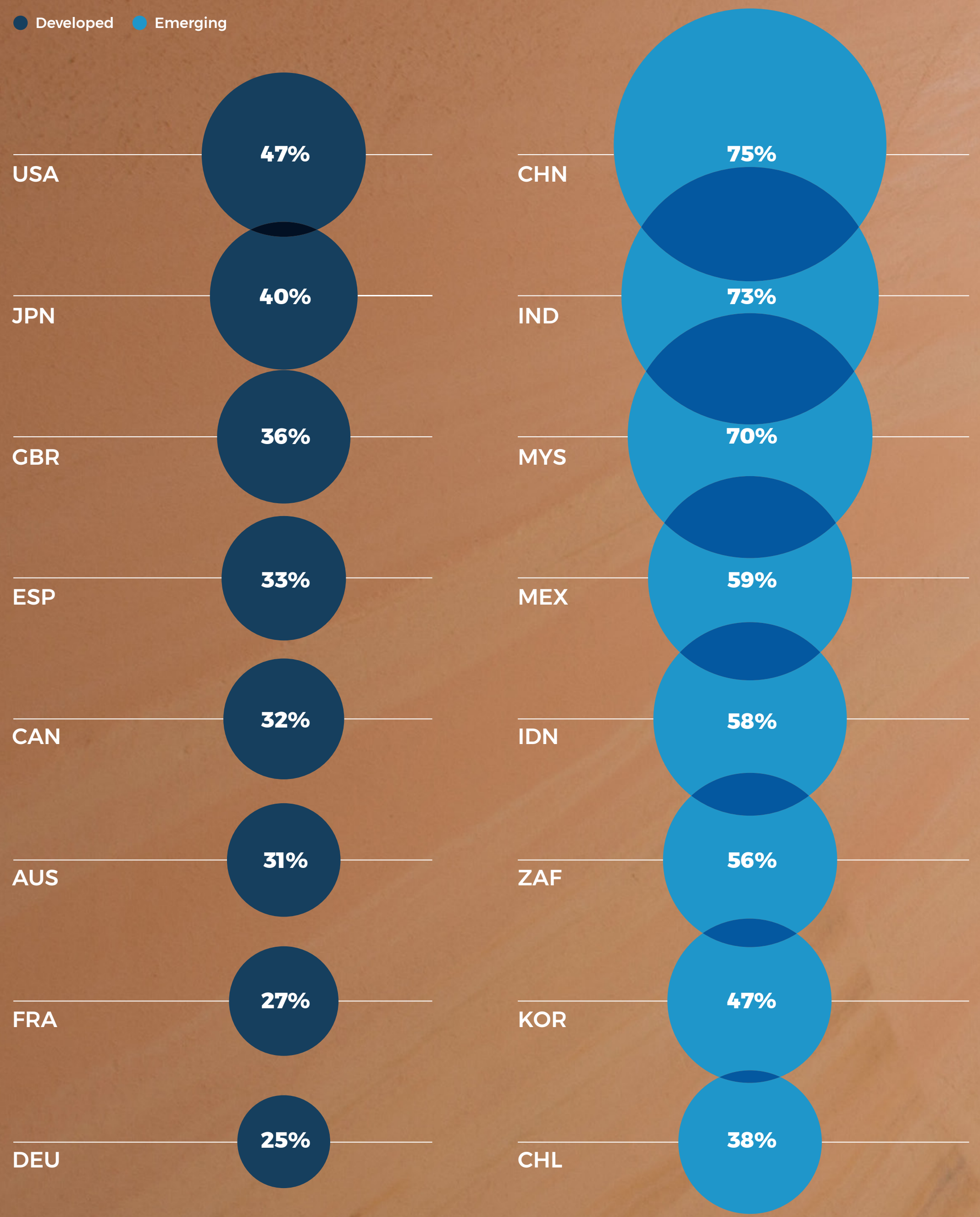
GENERATIONAL GROUPS



THE SHAPE OF THE MARKET

It is a very unusual person that has a spontaneous and compulsive desire to buy life insurance – an unfortunate reality that spawned the observation that life insurance is sold and not bought. Thus, insurers face a perennial challenge to demonstrate their relevance to consumers' aspirations and wellbeing.

This ambivalence towards life insurance is reflected to some extent in the priority given to insurance spending out of discretionary income.



Q: Please rank discretionary (money you have left over at the end of the month) spending on the following in order of importance to you.

Fig 1: % citing life insurance as top 3 discretionary purchase

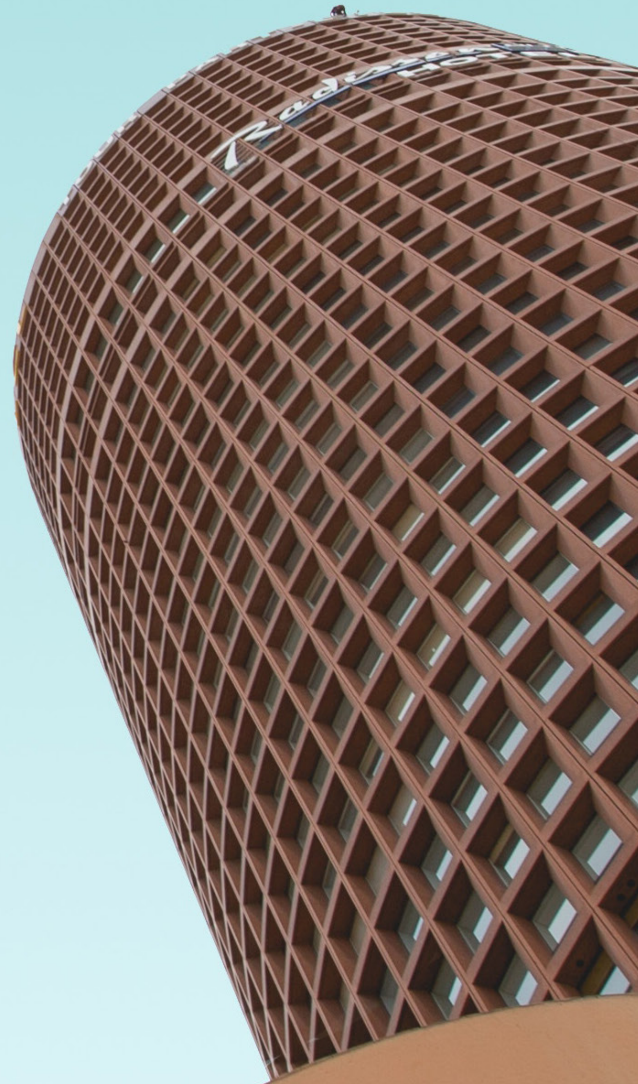
At first sight, there appear to be sharp differences in attitudes to the purchase of life insurance between developed and emerging markets. In developed markets, insurance is generally not a priority purchase, with only 27-40% of households ranking it in their top three discretionary purchases, compared with 50-75% in the emerging markets.

One explanation may be that those "discretionary" purchases are predominantly savings in nature. In emerging markets life insurance is often one of the few avenues that offer an alternative to deposit-based saving whereas insurers face fiercer competition in many of the developed markets (see Figure 2). The fact that the US is an exception amongst developed markets may reflect the US life insurers' significant role in the 401K pensions market.

Life insurance companies in a number of the developed markets face the additional challenge of increasingly stringent market conduct regulation. Amongst other things, these have demanded greater transparency of the cost of distribution and advice thus contributing to customers' concerns at the value of insurance products. Added to that, mis-selling scandals – particularly relating to the sale of insurance by banks – have been instrumental in eroding trust in the sector.

It is also true that attitudes towards saving have changed enormously over the last 20 or so years. Developed markets used to have a very strong savings culture but that has now changed with the ready availability of credit. Millennials are far more likely than previous generations to accept debt as being a natural fact of life. That is perhaps not so surprising given that they have lived through a period when government policies encouraged personal debt to help fuel economic growth.

Even the Boomer generation has not been immune to the attractions of realising their material aspirations through debt. Rapid appreciation of house prices has given access to cheap credit through remortgaging of properties – which, again, has eroded the need and the appetite for saving.



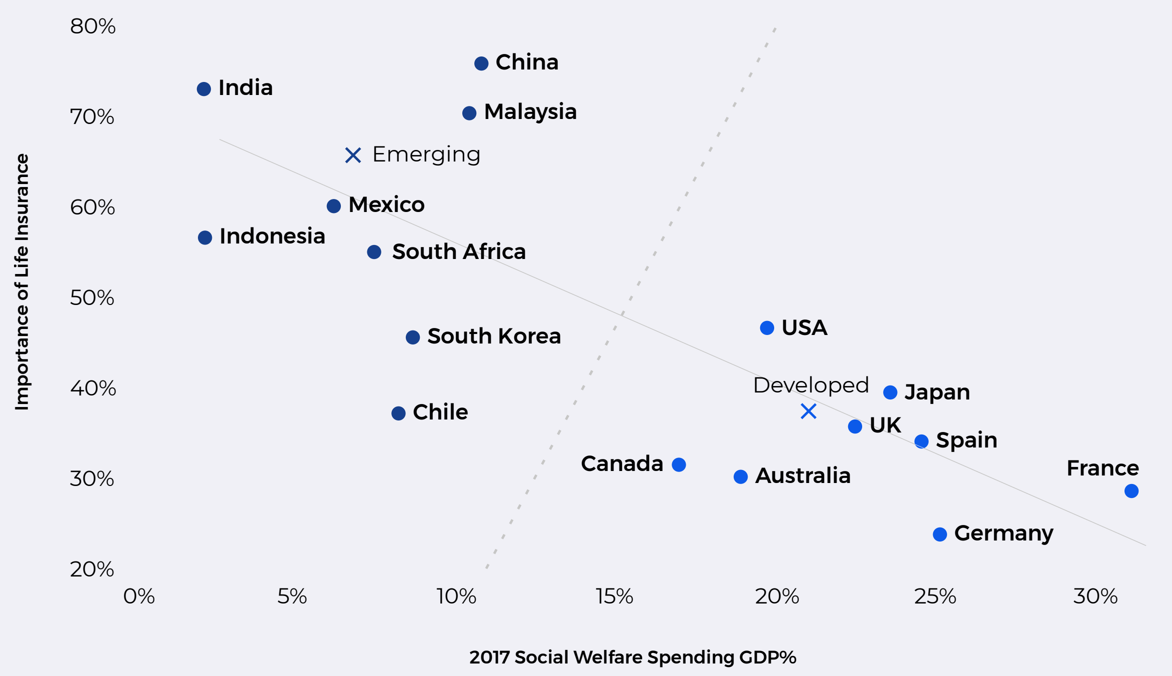


Fig 2: % life insurance importance v social welfare spending as GDP%

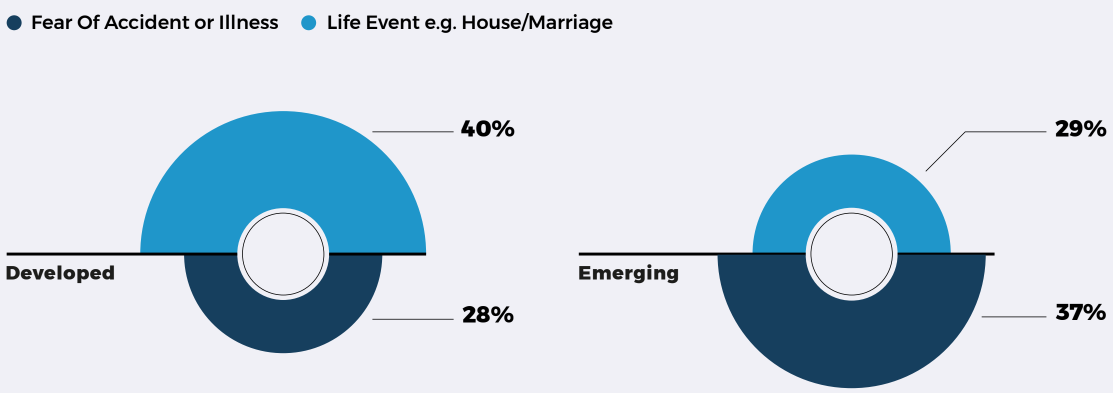
Source: (L)OECD (R)IMF DataMapper

Another explanation could be that the social welfare spending and employer-sponsored programmes have dampened the need for insurance in the more developed markets. This has undoubtedly been a factor but does not provide a complete explanation. In the UK, for example, the life insurance market coexisted quite happily with the welfare state until the latter part of the 20th century. The decline in its role in the personal savings market owes more to the emergence and growth of alternative – and often more flexible – investment vehicles.

Furthermore, we are already seeing that the financial pressures on employer-sponsored programmes and, indeed, upon welfare spending in the developed markets, are shifting more of the responsibility for personal welfare back to the individual.

DRIVERS FOR INSURANCE: NECESSITY OR ASPIRATION?

The responses to the survey point to differences in the motivation for the purchase of insurance between developed and emerging markets. In Figure 3, consumers in emerging markets are more likely to perceive insurance as a necessity – prompted by concern for the consequences of illness or accident – than an aspiration triggered by a life event.



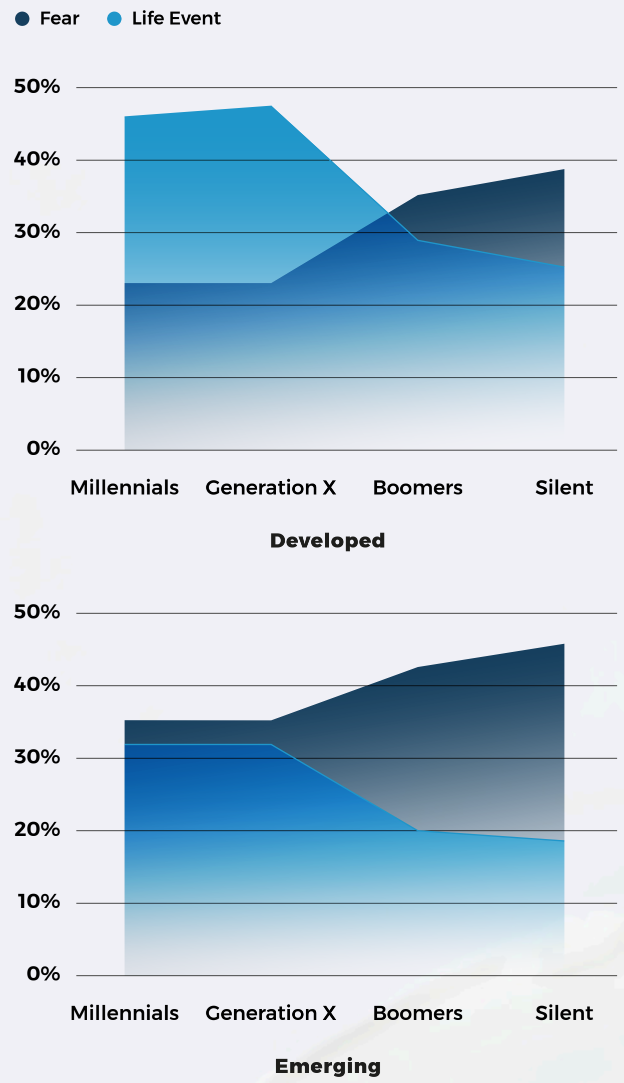
Q: What was your reason for purchasing (i.e. what prompted you to take out this policy)?

Fig 3: Purchase drivers – recent buyers

This tends to support the notion that a lower level of social welfare is contributing to the higher growth in emerging markets.

Amongst the emerging markets, China has the lead ranking for the importance of life insurance despite its significant level of social spending. This reflects the historic experience of consumers and some persistent doubts in the ability of the state to provide.

Alongside China, several other emerging markets, including Malaysia, highlight the role of life insurance in providing "peace of mind" for consumers who believe they cannot count on a state-funded social welfare safety net being there when it is needed.



Q: What was your reason for purchasing (i.e. what prompted you to take out this policy)?

Fig 4: Purchase drivers – developed/emerging

In both developed and emerging markets, concern for the implications of accident or illness is cited as a purchase driver more frequently amongst older generations. Whether this is an indication of an intrinsic difference in attitude between them and Millennials and Gen X consumers or merely a reflection of life stage, there is evidence to suggest that Millennials are focussing on new priorities – and that they are combatting uncertainties, old and new, with positive action and responsible behaviours.

THEME ONE

ONLINE, OFFLINE – ALIGNED

IMPLICATIONS

- Consumers make use of a range of digital channels but many continue to rely on offline intermediary channels.
- Direct online channels are favoured for research, but insurance is still typically purchased through agents or advisers.
- Online and offline channels are converging. However, it is important for any insurer to build a differentiated strategy, including product design and pricing, for customers with different channel preferences.

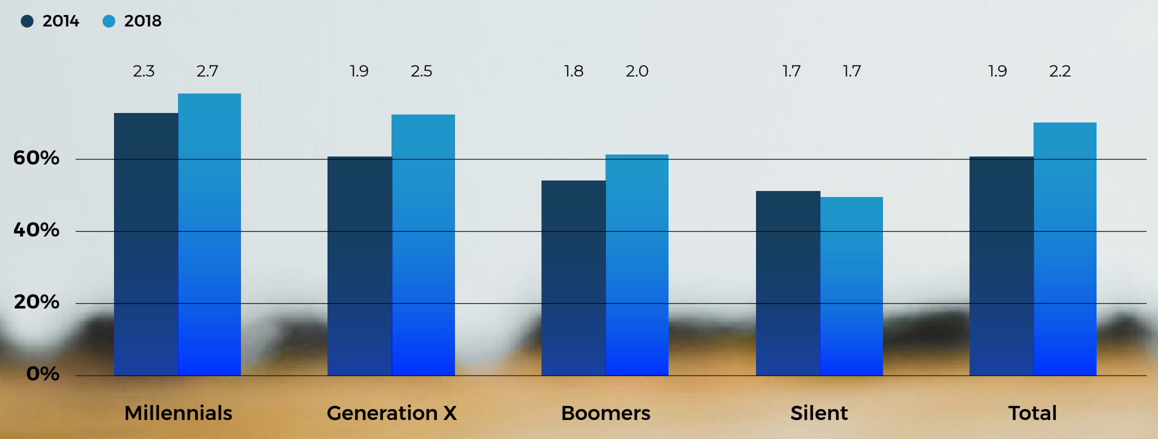
CHANGING DRIVERS, CHANGING JOURNEYS

Consumers are changing how they research, seek advice, and implement their insurance purchase decisions.

Whilst many, if not most, of the purchases of life insurance are initiated by some form of human contact – whether from an insurance agent, a financial adviser, bank staff or a phone call from a call centre – the journey to the ultimate purchase decision is changing.

Increasingly, consumers wish to have the facility to research their proposed purchase online. Different generations of customers have different engagement preferences, determined and defined in part by the complexity of their protection needs. However, the data indicates that all generations show an appetite for online engagement at some part of the pathway to purchase and, in particular, the next theme shows that all generations will be happy to provide certain personal information in a secure online environment.

The use of non-advised channels for pre-purchase research and information is high and rising. This now includes the use of social media to contact insurers directly, such as WeChat in China.

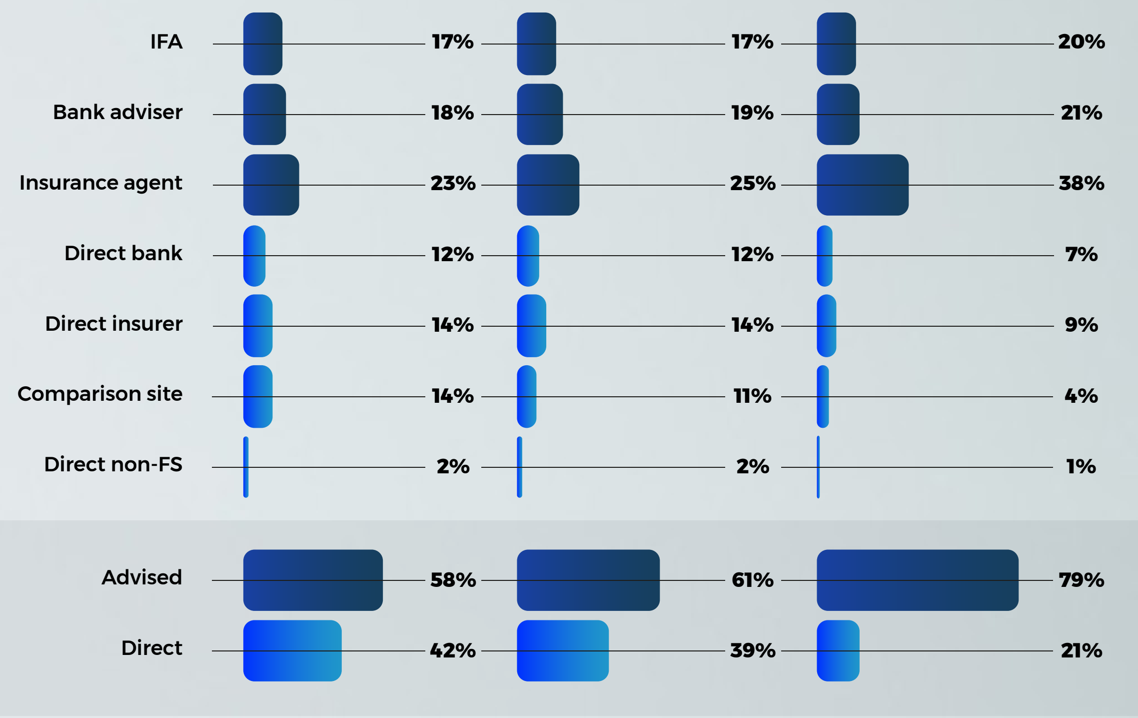


Q: What sources of information, if any, did you use before you took out this policy?

Fig 5: Average number of information channels used & % use of non-advised channels

The rise of digital channels for consumer research does not mean that traditional channels such as offline intermediaries are displaced. Rather, online channels are used to supplement information from other sources. The continued strength of intermediary channels is evident when looking at the journey to purchase – 61% of consumers state that they intend to purchase via advised channels, and 79% claim that their last purchase was via an advised channel (Figure 6).

Again, some of the differences can be attributed to the differing complexities of the products purchased by different generations, with Boomers more likely to be buying products that relate to pension provision and require specialist advice.



Q: (L) Which of the following information sources would you go to, to inform yourself about life insurance?
Q: (Centre) Which of the following channels would you be likely to use to purchase this / these products in the future?
Q: (R) Which one of the following channels did you use to purchase this?

Fig 6: % use of channels for information and purchase

DIRECT NOW MEANS DIGITAL AND IS RIPE FOR DISRUPTION

When consumers nominate direct channels, they are overwhelmingly referring to direct online channels – predominantly direct insurer websites, direct bank websites, and comparison websites.

Given the ease of access to such a wealth of information, there is no surprise that consumers take advantage of a broad range of advised and non-advised channels, underlining the importance of insurers accommodating as many channels to the consumer as possible.

It is understandable that consumers want to have the best of all worlds – the sophistication of personalised financial planning advice and the affordable ticket size that online channels advocate – in a simple, engaging user experience. However, for any insurer building these capabilities, it is worth noting the need to avoid cross-channel cannibalisation.

The complexity is the insurer's to own – to build a clear customer segmentation strategy, supported by channel and product differentiation. Customers who have complex financial planning needs should be served by well qualified advisers – who must take full advantage of sophisticated data-driven customer insights.

Q: Which 1 or 2 words would you choose to explain why you did NOT use a qualified financial adviser to help you?

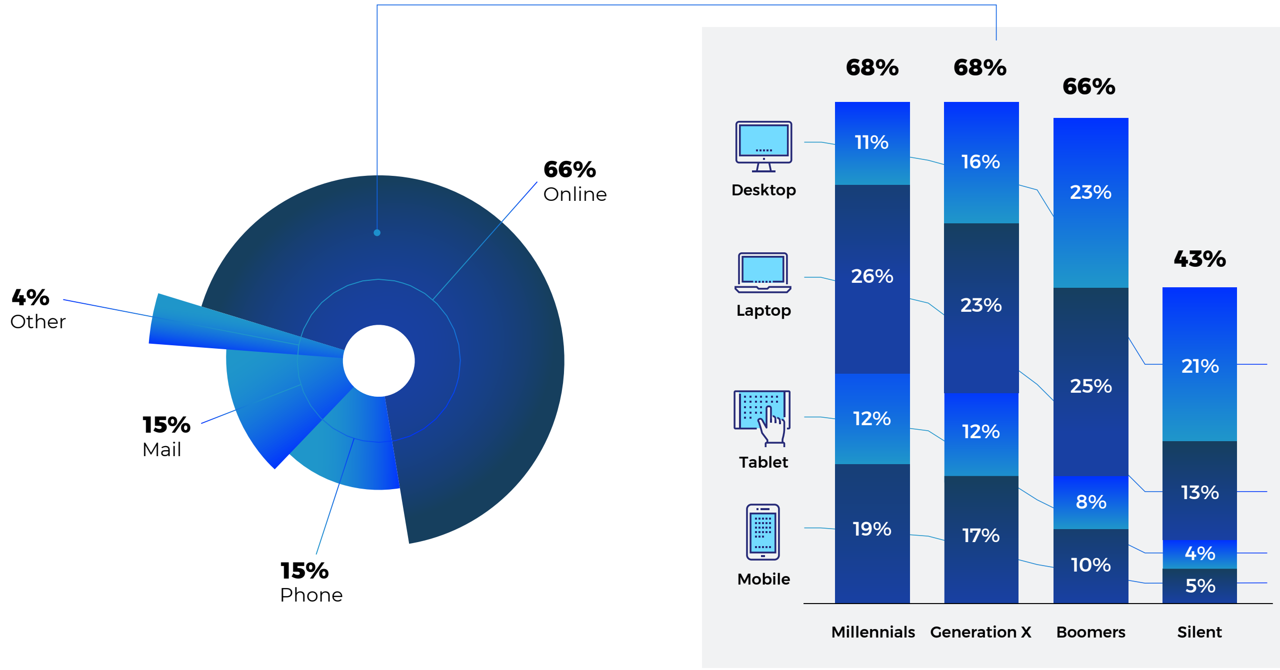
Fig 7: Reasons for purchasing direct

Equally, products for these customers should be highly personalised and customised for their needs and life stage, products which would, by definition, be unsuitable for customers who prefer a predominantly non-advised online engagement with the insurance company.

The ever-increasing cohort of customers who do purchase via direct channels cite "Cost" as their main motivation, reinforcing the notion that direct offers better value for money. Despite the fact that high upfront acquisition and infrastructure costs mean that direct products are not necessarily cheaper than intermediated products, this perception is a powerful driver, and underlines customers' sentiment that they are either unwilling to pay for advisers or believe they could not afford the advisory channel.

This misconception should be addressed, because if direct players fail to meet such expectations, it opens up space for disruptive players to sweep the market with cheaper offers. Such a disruptive player could emerge, taking full advantage of technological advances to drive significant efficiency in customer acquisition or infrastructure costs.

Figure 8 illustrates that 2 out of every 3 direct policies were completed through online channels. This is consistent across Millennials, Gen X, and Boomers – although there are inevitably differences in device usage. It is likely that the stimulus for many of the direct policies completed by the older generations will have been mailings of the ubiquitous Senior Plan.

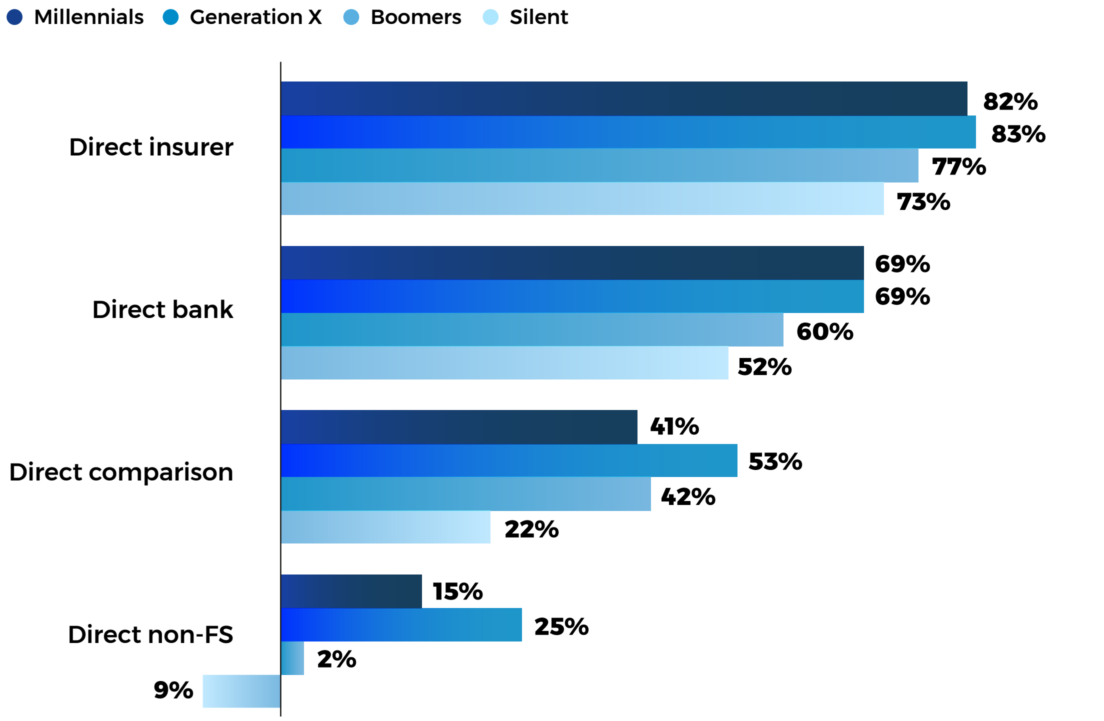


Q: How did you actually complete the application?

Fig 8: Actual direct implementation method

It is little surprise that the younger generations demonstrate a greater propensity to use mobile technology. However, this may also reflect the fact that their simpler product needs are more suitable for mobile implementation – something to which the more complex products prominent in later life may not be suited.

The survey showed a variation in customer trust in the different direct channels (Figure 9). Across all generations, consumers exhibit a high degree of trust in direct insurers, and only marginally less so in banks. However, direct comparison sites and direct non-financial services are clearly viewed less favourably.



Q: How did you actually complete the application?

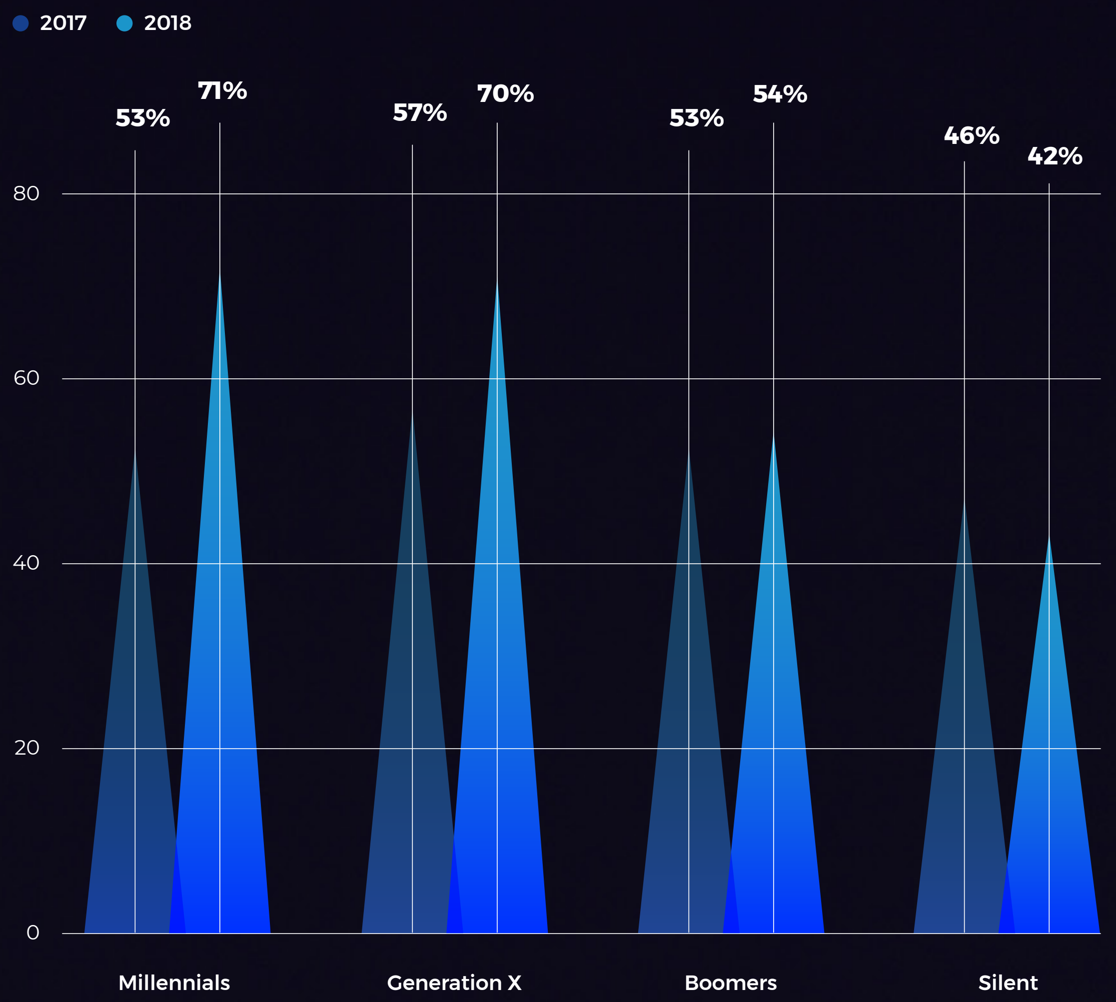
Fig 9: Actual direct implementation method

O2O CHANNEL EXPERIENCE, HYBRID ADVICE DELIVERY

The trust deficit emphasises the importance of providing the right channels at the relevant part of the consumer journey, and reinforces the value of an essentially seamless O2O transition. The life insurance industry needs to address a series of issues:

- Consumer perceptions of lack of affordability, in order to expand the consideration set, particularly in developed markets.
- Consumers' reflexive thinking that direct channels are the answer to affordability but may not trust those channels for the purchase.
- Consumers want to use multiple channels, and a mix of online and offline channels, in the course of their purchase journey.

A seamless O2O channel approach which allows the consumer to switch their channel of choice is an attractive guiding principle, and also points to the potential of hybrid advice models to solve the consumers' dilemma. Such models – combining online research, auto-advice technologies, and human confirmation/completion (whether face-to-face, phone, chat, etc.) – can deliver advice in a relatively cost-effective and flexible manner, building trust through a more effective customer experience.



Q: Automated advice services are now becoming available, where you answer a set of questions (typically done online) and at the end you receive a recommendation based on the answers you gave. If you were looking for a life insurance product recommendation, to what level would you trust an automated advice service like this to provide you with the right product?

Fig 10: Trust in auto-advice

Though auto-advice is still in its infancy, consumer perceptions are promising. Trust in auto-advice is increasing considerably, driven by Millennials and Gen X. In emerging markets, trust is especially high, nowhere more so than in India – included in this year's study, 80% of India's Millennials report a high degree of trust in auto-advice, an enthusiasm generating the great leap in this year's Figure 10 data.

The rise of auto-advice should not be seen as a threat to traditional face-to-face advice. Indeed, existing advice businesses are arguably best placed to deploy auto-advice, in order to efficiently deal with simpler advice cases which cannot justify the time and cost of face-to-face delivery.

Auto-advice is likely to expand access to and use of advised channels. This will allow more complex cases to be funnelled to human advisers, providing them with business that is both more professionally rewarding and more profitable.

Auto-advice also offers direct channels a cost-effective way to help customers navigate the complexity and variable reliability of today's information sources.

THEME TWO

DYNAMIC LIVES DEMAND SMARTER SOLUTIONS

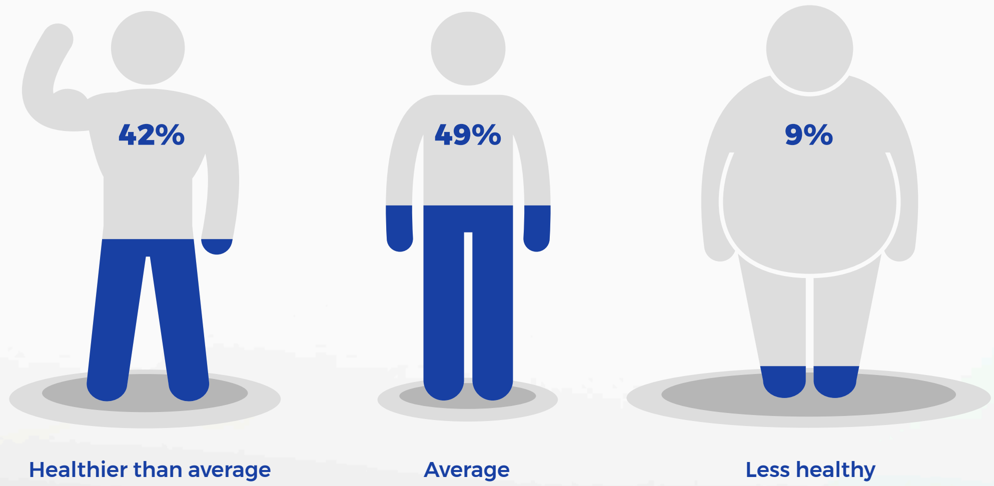
IMPLICATIONS

- Most consumers are happy to answer some health questions. However, their willingness to engage with health questions varies according to their perceptions of their health, with healthier individuals being prepared to share more data.
- The majority of customers, across all generations, now feel comfortable completing health questions online. Loss of privacy remains the biggest concern, to which insurers must pay close attention.
- Technological advances open the possibility to incentivise and influence consumers to make positive changes in behaviour through dynamic underwriting, automation and more frequent customer engagement.

HOW TO CONVERT THE UNCONVINCED?

Getting consumers to share essential information is the key for insurers to provide the appropriate cover at the correct price to individual customers. While consumers may prefer not to answer questions, most are realistic enough to know that some need to be asked – and answered. How consumers think about answering questions and their preparedness to do so, can be as revealing as the answers themselves.

Consumers have biases in self-perception. This is evident in the consistent under-disclosure of alcohol and tobacco consumption. A critical bias also exists in relation to assessment of their own general health, as highlighted by Figure 11.



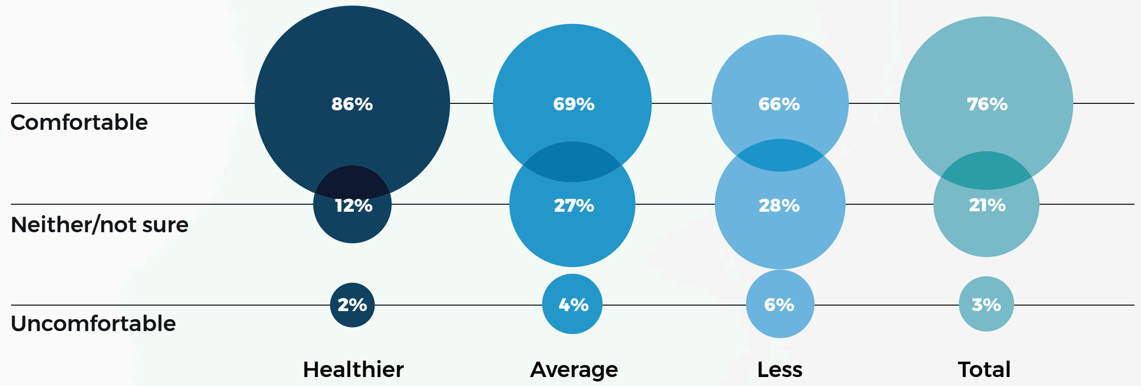
Q: How healthy do you perceive yourself to be in comparison to the average person of your age?

Fig 11: Perceived health v average

It is clear that these self-perceptions do not correspond to reality. Even allowing for sampling bias, one would expect a more even division between those perceiving themselves to be healthier than average and those to be less healthy than average. In all probability this misperception by those who are, in fact, less healthy than average is not a deliberate attempt to deceive but a reflection of the fact that most asymptomatic individuals lack an objective measure by which to compare their own health with others.

Nevertheless, we see a correlation between respondents' perceived health status and their degree of comfort in answering health questions (see Figure 12). 86% of those who see themselves as healthier than average are content to answer health questions compared to a little over two-thirds of those assessing themselves to be of average health or worse.

These differences have an understandable logic in that those with greater confidence in their health may have little or no medical history to disclose and will have few doubts about their acceptability at the most competitive price. On the other hand, the greater reticence of those who are less certain of their health status could be attributed to a degree of concern at the terms of their acceptance.



Q: How comfortable would you feel about answering an insurer's questions on your health via the following channels?

Fig 12: Comfortable answering health questions

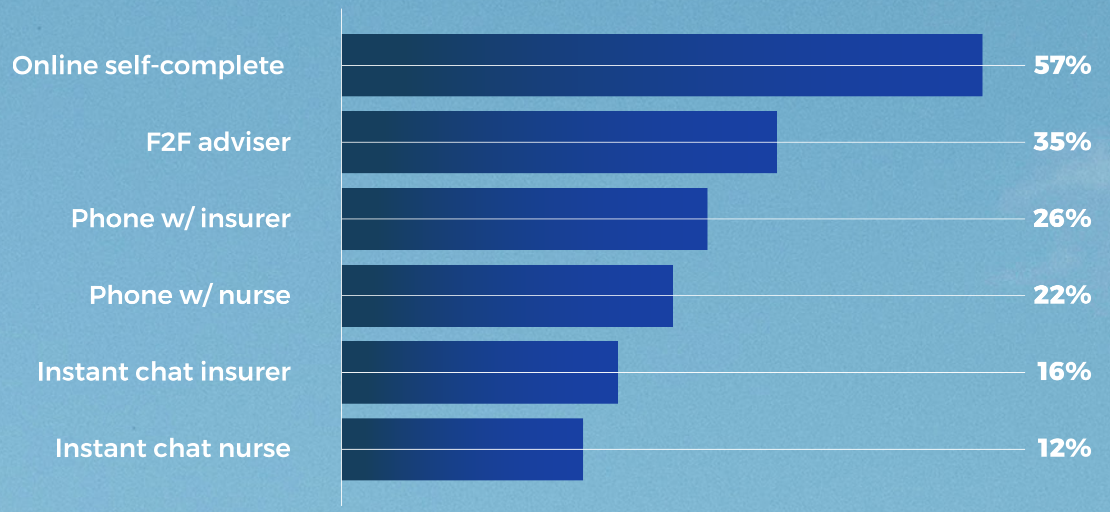
However, this correlation between people's health perceptions and their willingness to answer health questions is worth examining in the light of new initiatives that insurers are currently undertaking on wearables and wellness and which might be expected to lead to greater segmentation in pricing.

We might expect that consumers believing themselves to be healthier than average will be more willing to accept a fitness-based underwriting and pricing model, in exchange for gains through premium saving. On the other hand, those identifying themselves to be average or worse than average health (58%) will have less motivation to engage in such initiatives. They may prefer to stay blissfully disconnected from the fitness data exchange initiated by the insurer – even though this may be, in the longer term, in their best interests. The challenge for insurers will be to awaken a health consciousness in those customers, without being intrusive.

ONLINE: DIFFERENT SEGMENTS, DIFFERENT VIRTUES

The appeal of the online channel for collecting health question responses is well understood. It is efficient for insurers and convenient for many consumers. Notably it is the lead channel for all demographic segments, not just Millennials.

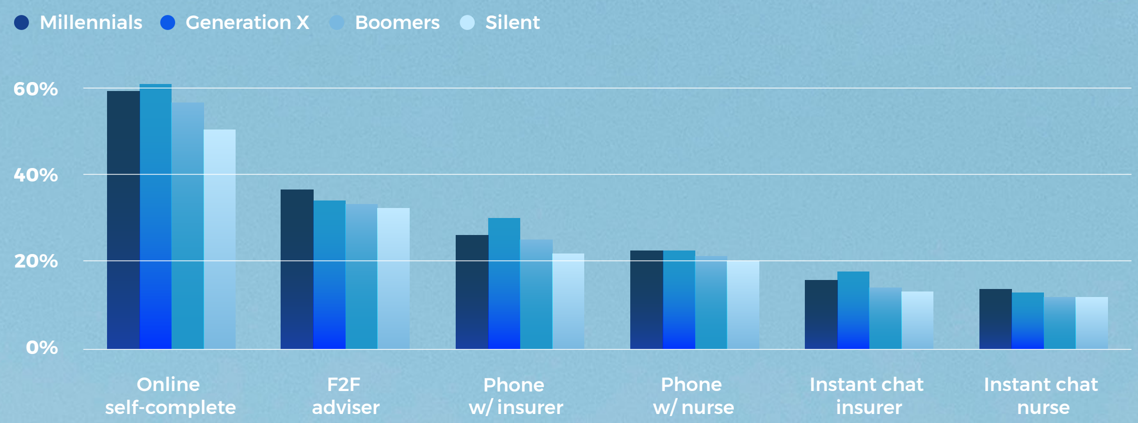
The importance of an O2O channel approach to consumers discussed in Theme 1 is evident here too. Despite the importance of face-to-face channels for purchase, when it comes to self-completing health questions, the most preferred channel for respondents is online.



Q: How would you prefer to answer health questions?

Fig 13: Preferred channel for health questions, multi

That said, the online channel is not dominant. Its popularity does not exclude the use of other channels, both traditional channels and new channels such as instant chat which have consistent niche usage. There is a spectrum of channels utilised to a material extent by consumers, with very few respondents (3%) uncomfortable with all nominated health question channels. Insurers which provide consumers with broad channel options for engagement maximise the potential to get questions answered.



Q: How would you prefer to answer health questions?

Fig 14: Preference for answering health questions, multi

The relatively even adoption of non-online channels across different ages is remarkable – in no channel outside of online is the difference in preference more than 8% across all segments. This indicates that multiple engagement channels are desirable and viable for the foreseeable future. Additionally, relatively few consumers with a preference for non-online would actually decline to use online – only 11% of those who prefer the face-to-face adviser channel would be uncomfortable with online self-completion.

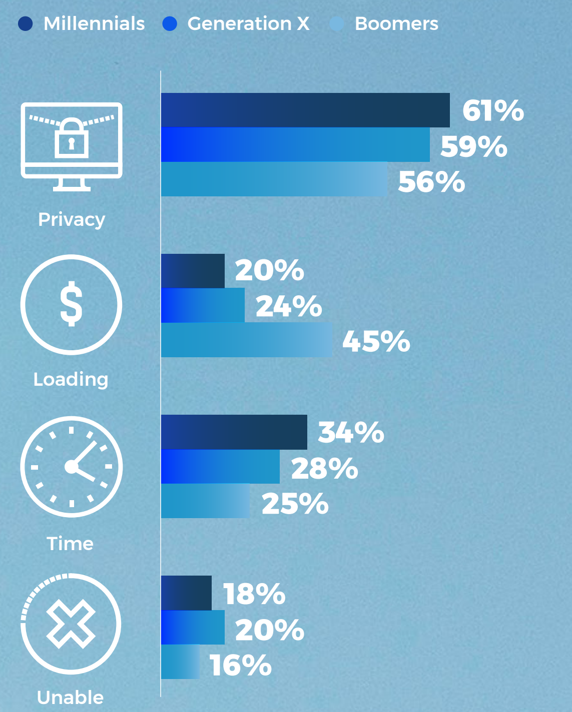
Given the personal nature of health questions – particularly those relating to sexual history – a degree of discomfort in responding to questions is only to be expected, quite apart from the less healthy perhaps not wishing to be identified as such.

For those who are concerned about answering health questions, the key concerns are:

- Loss of privacy.
- Risk of loadings being applied.
- Time required to complete.
- Unable to answer or inability to understand medical terms.

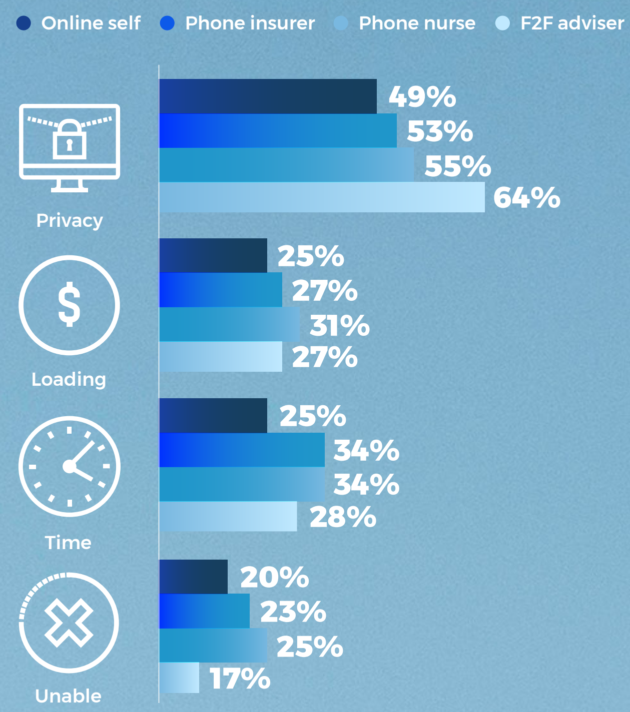
These concerns are relatively consistent across all emerging markets and demographics, the main driver of attitudes being self-assessed health status as indicated by Figure 16.

Even when segmented by health status, concerns about privacy are the lead factor and relatively consistent across status. Differences are starkly evident in terms of the risk of loadings – those self-assessing as less healthy have some awareness of the potential insurance consequences. Those self-assessing as healthier, who are also uncomfortable with answering health questions (only 12%) have relatively few concerns about loadings but resent the time consumption to prove their status.



Q: How would you prefer to answer health questions?

Fig 15: Reasons for being uncomfortable with health questions, multi



Q: How would you prefer to answer health questions?

Fig 16: Reasons for being uncomfortable with health questions by channel usage, multi

It's not realistic to expect that all concerns can be successfully addressed. However, they can be reduced, and the online channel is the most effective way of doing so.

The potential for comfort gains are strongest in relation to privacy concerns when the channel for answering health questions switches from face-to-face adviser to online self-completion. There are also smaller privacy comforts to be gained migrating from phone channels to online, and across non-privacy comfort areas.

Looking at specific countries, consumers are broadly happy to answer questions, but with considerable variation by country and question category, again indicating the importance of flexibility.

Colour scale by % respondents

0-20% · 20-40% · 40-60% · 60-80% · 80-100%

	CAN	USA	FRA	DEU	ESP	GBR	AUS	JAP	KOR	CHN	IND	IDN	MYS	CHL	MEX	ZAF
Height & weight	68%	68%	58%	61%	71%	64%	65%	63%	47%	62%	48%	70%	65%	74%	74%	82%
Smoking	74%	74%	59%	68%	69%	67%	69%	67%	42%	54%	41%	61%	52%	76%	68%	81%
Exercise	68%	68%	58%	49%	68%	67%	65%	59%	53%	63%	50%	63%	62%	71%	69%	82%
Alcohol	70%	70%	56%	61%	70%	73%	72%	65%	47%	54%	45%	50%	48%	72%	70%	82%
Family history	69%	69%	57%	48%	63%	74%	67%	46%	44%	46%	56%	61%	55%	73%	74%	83%
Past med history	67%	67%	60%	61%	64%	71%	64%	53%	43%	47%	51%	67%	56%	64%	65%	78%
Occ-related	55%	55%	43%	44%	54%	54%	53%	33%	30%	42%	35%	32%	39%	61%	58%	70%
STDs	51%	51%	39%	36%	49%	50%	50%	27%	12%	16%	24%	28%	26%	52%	54%	63%

Q: Which, if any, of the following aspects of your health would you be willing to answer an insurer's questions about?

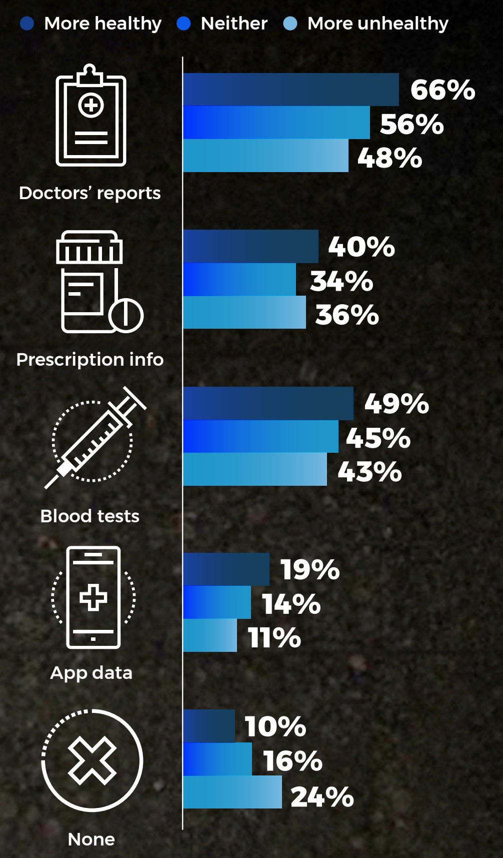
Fig 17: Willingness to answer health questions/share information by country

Notable national attitudes to certain questions include:

- France, South Korea, China, Indonesia and Malaysia show below average willingness to complete health questions.
- South Africa shows above average willingness, indicating awareness of relatively high incidence of STDs in particular.
- Questions relating to occupation and especially STDs are problematic across virtually all countries.
- Alcohol and tobacco questions are resisted in some countries, with resistance to alcohol questions slightly stronger than smoking.

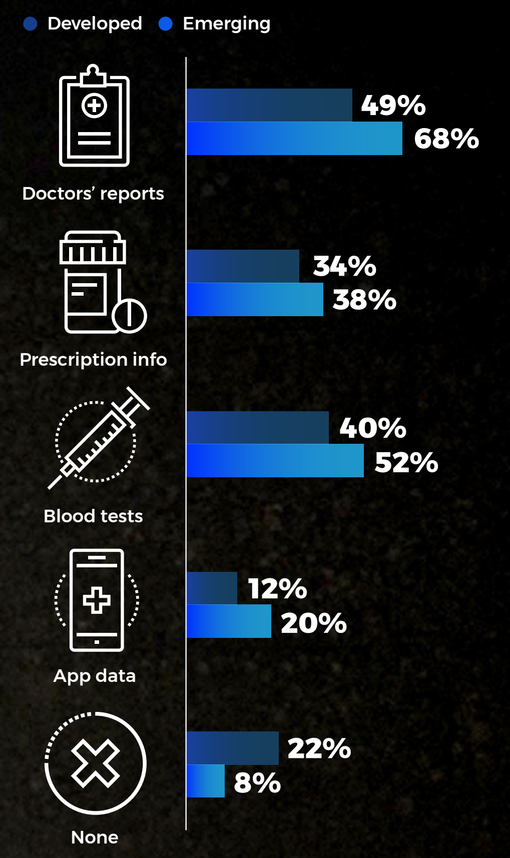
It can also be seen that, in addition to the channel by which consumers are willing to share data, the type of data that consumers are willing to share is influenced by their own perceived health status.

Figure 18 shows that healthier consumers are more likely to share doctors' reports than those who consider themselves less healthy, at 66% and 48% respectively. This skews the available medical data towards the healthier consumers in society, rather than the less healthy – the very group of consumers who stand to gain most from the sharing of health data and the lifestyle changes that would arise from it.



Q: Which of the following, would you be happy to allow your insurer to see, in order to answer fewer questions about your health?

Fig 18: Willing to provide specific information



Q: Which of the following, would you be happy to allow your insurer to see, in order to answer fewer questions about your health?

Fig 19: Willing to provide the following by market type

Willingness to provide this data is skewed towards the healthier and younger. Emerging market consumers are more obliging than developed market consumers – they are significantly more likely to be willing to provide doctors' reports, blood tests and app data. In fact, for emerging markets, only 8% of consumers are not prepared to provide any of this data at all.

For developed markets, the reluctance to provide any data is much higher at 22%. As with the propensity to answer questions, an unwillingness to provide any data can be very loosely read as an indicator of below average health, providing useful information to insurers even in the absence of data sharing.

ReMark

HELPING CONSUMERS MAKE HEALTHIER LIFE CHOICES

Many consumers use New Year's resolutions to commit to healthier life choices – more exercise, better diet, stopping smoking. But resolutions are easy to make and easy to break. The life insurance purchase – and renewal – journey as part of a product ecosystem can provide prompts which create a financial incentive for the consumer to follow through on positive life changes.

The preponderance of online research and information gathering by consumers makes it an ideal environment for insurers to show the beneficial effects – both in terms of premiums and health – of making and sticking with better life decisions. Educating the consumer about the choices available to them can be done at different stages including:

- Before the collection of consumer information, as part of the insurer's proposition or in the form of case studies of typical consumers.
- During or after the collection of purchase-related information, to show the effect of changing behaviours.
- Post-purchase, including in combination with wearable technology. This has the potential to be particularly effective in delivering a near-term benefit for positive changes in behaviour, rewarding and reinforcing such changes via regular repricing.

MOMENTUM FOR CHANGE IS GROWING

Early movers are already showing a willingness to be bold in pursuit of competitive advantage, ceasing traditional life insurance underwriting in favour of interactive policies that track fitness and health data through wearables and smartphones. Customers are offered rewards for healthy behaviours such as exercising or buying nutritious foods and have the option of spending less on premiums by achieving certain exercise and fitness targets.

The challenge is to deliver this in a system which engages and empowers the consumer, rather than presenting it as paternalistic, hectoring, or intrusive. Not all consumers will embrace it. Not all consumers are looking for lifestyle mentoring from their insurance provider. But as this study shows, a significant cohort is sufficiently engaged and willing to provide the data needed to make such a system work.

Insurers need to make that system easy and rewarding to use. It requires multiple components – UX design which makes interaction with the insurer easy, behavioural insights to incentivise positive life changes, and wearables technology to provide a data-stream to enable ongoing recognition of consumer behaviours.

Innovative systems are already emerging – redefining underwriting and already demonstrating the advantages to be gained. From selfie-generated insurance quote engines to more sophisticated models of biological age which recognise and reward responsible behaviour, insurtech thinking is helping to redraw the boundaries of participation, partnership and protection.

Biological Age Models (BAM) offer incentive for consumer and insurer alike. Consumers benefit from personal health intelligence to learn how the simplest form of exercise (i.e. steps) can have a strong effect on their mortality risk, real-time coaching on diet, exercise, sleep and stress management based on simple activity data – and are rewarded for taking responsibility for their personal health management.

And insurers benefit from continuous risk assessment from a simple dataset – dynamic underwriting that minimises risk, facilitates competitive pricing, speeds the purchase cycle and enhances the customer experience.

Creatively-driven approaches like BAM present a new way of thinking about underwriting risk, and a new way for insurers to help consumers pursue healthier life choices.

THEME THREE

WELLNESS IS NEXT TO HAPPINESS

IMPLICATIONS

- Millennials are different after all – at least in developed markets and at least for now – in their prioritisation of happiness over traditional life goals. They are, as yet, less inclined to buy insurance and need to be appealed to with benefits which help them live well.
- Wellness and loyalty programs are a key gateway to all segments, but especially Millennials, which broadens the benefits of insurance and rebuilds and extends relevance.
- Wearable devices are both next-gen fashion and ubiquitous tracking band and – even allowing for overstatement of use – interest is rising, with high levels of willingness to share data in exchange for benefits such as regular repricing.

RISING TO THE CHALLENGE

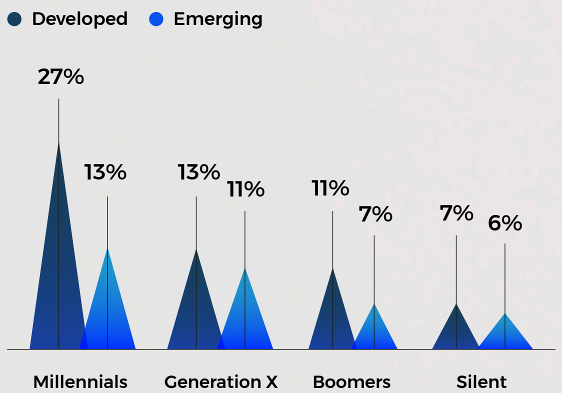
There's something different about developed market Millennials. Or is there? Will they just turn into their Boomer or Gen X parents in time?

What we can see is that the priorities of developed market Millennials are different. Whether because of strong social safety nets, later and lower marriage rates, later and falling home ownership rates, they are also (whether by causation or correlation) more focused on happiness than financial goals.

This makes developed market Millennials a particular challenge for insurers as the traditional drivers of insurance consideration, fear and aspiration lose their effectiveness.

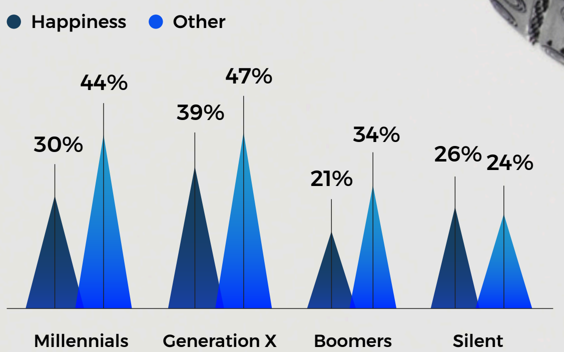
As Figure 20 indicates, it's notable that this is a developed market phenomenon for Millennials. The prioritisation of happiness over traditional life goals of wealth, health and family is low and consistent for all other demographic segments in both developed and emerging markets.

It seems there is something different about developed market Millennials after all – an important anomaly, given that happiness and insurance seem to most to be strange bedfellows, as highlighted in Figure 21.



Q: Which of the following do you value the most?

Fig 20: % citing happiness as most valued goal



Q: Which of the following do you value the most?

Fig 21: Importance of life insurance by focus on happiness in developed markets

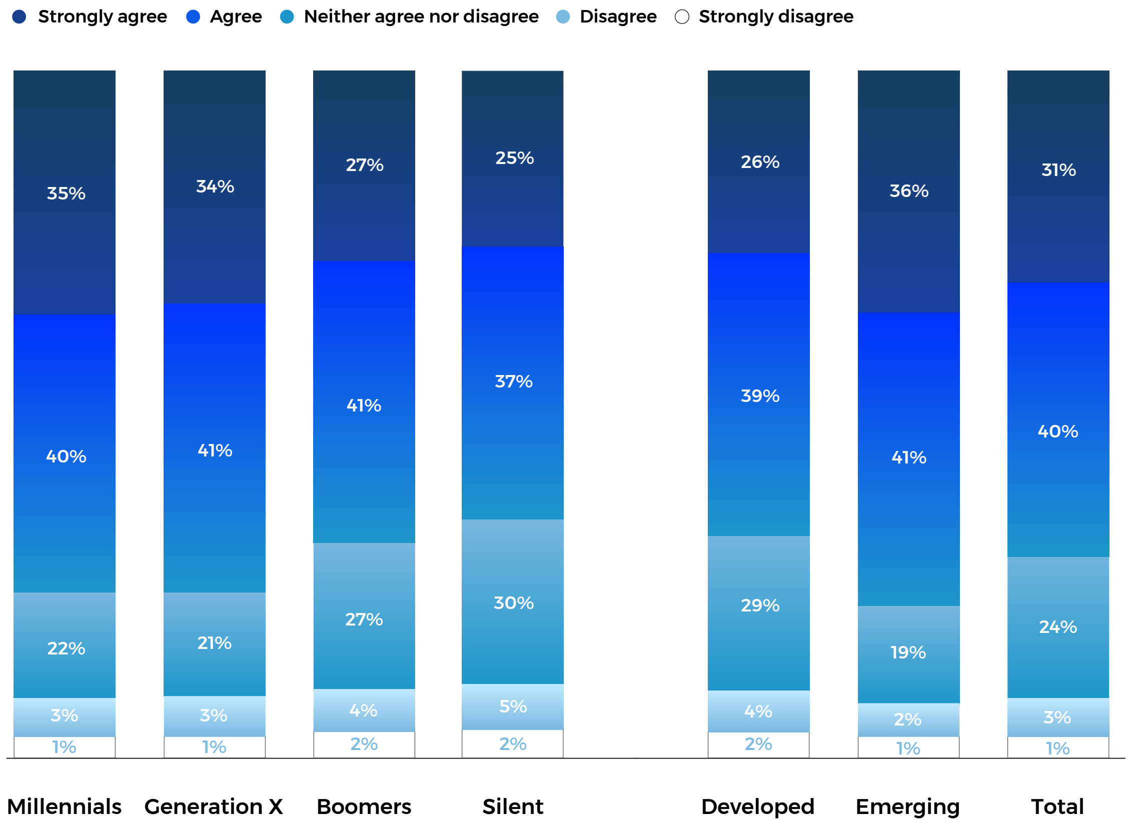
In previous generations, this has not been a significant issue because the proportion of consumers in this happiness seeking segment has historically averaged only 10%. But with 27% of developed market Millennials seeking happiness, this takes on a whole new character. If sustained as they age, insurers could face a significant fall in demand just as the developed market Millennials enter their peak protection purchasing years.

As tempting as it may be to hope that their preference for happiness is a folly of youth, it would be more prudent to assume that it will be an enduring characteristic which will continue, or at least echo, as they get older.

What is unequivocal is that life is becoming less risky (advances in medicine and risk prevention, lower crime in many societies, etc.) and insurers are less able to trade on such fears – and should extend their propositions by creating positive lived experiences for their policyholders.

A POSITIVE NARRATIVE

Loyalty and wellness programs are clear opportunities to engage consumers in a positive way, to connect relevant products and services into the flow of their lives. And such a strategy has appeal beyond the developed markets Millennial cohort. There is broad support across all demographics for insurers to do more to support quality of life, to extend their proposition beyond the traditional focus on death benefits. This is applicable to both developed and emerging markets, as Figure 22 demonstrates.



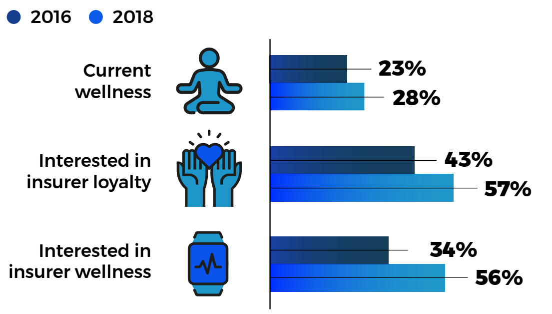
Q: Life insurers are increasingly focusing on keeping people healthy during their lives rather than focusing on their deaths. To what extent do you support this shift in approach?

Fig 22: Support for shift in insurer focus to keeping people healthy

Interest and participation in wellness and loyalty schemes are growing. They're not for everyone of course, but even understanding who is and who is not interested creates valuable insights for insurers.

A wellness scheme is defined as a program which rewards a healthier lifestyle, such as discounts on products or services. A loyalty scheme offers benefits or discounts from companies partnered with a life insurer.

Participation in wellness programs is already significant and perhaps higher than might be expected. It has also grown significantly in a short space of time. But as Figure 23 shows, there is substantial scope for further expansion.



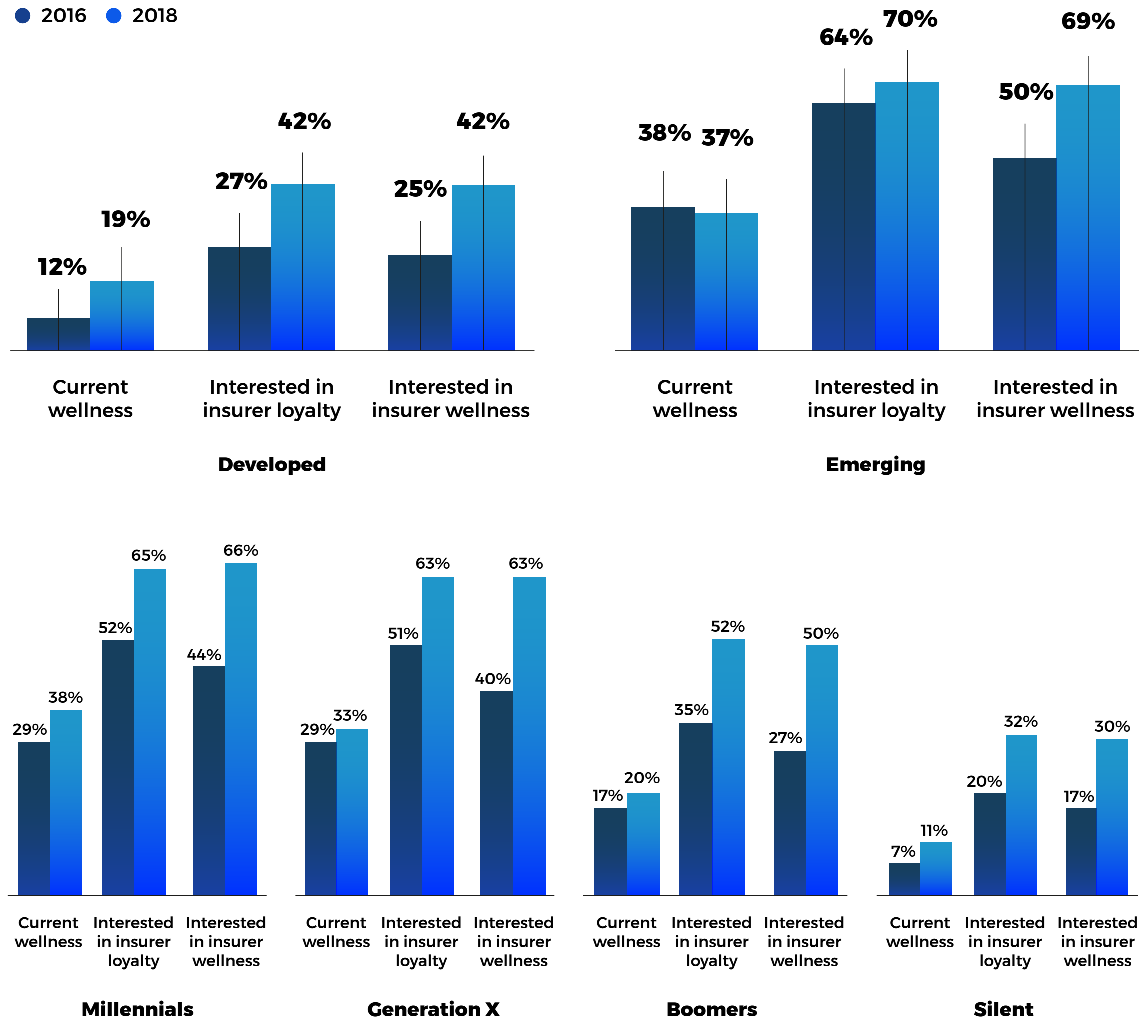
Q: A wellness program is a scheme which rewards you for living a healthier lifestyle (e.g. by offering you discounts on products and services). Are you currently a member of a wellness program?

Q: Would you be interested in joining a wellness program run by a life insurance company which would give discounts on your life insurance premiums and discounts on healthy living (e.g. gym membership)?

Fig 23: Global wellness penetration and interest – % respondents

There are significant differences between developed and emerging markets when it comes to interest in wellness and loyalty schemes, but some common messages emerge from Figure 24.

- Penetration of wellness schemes is much higher in emerging markets but is catching up in developed markets.
- Interest in wellness and loyalty schemes in both developed and emerging markets has grown since 2016.
- Expansion of interest indicates the potential for penetration to double from their respective bases.



Q: Life insurers are increasingly focusing on keeping people healthy during their lives rather than focusing on their deaths. To what extent do you support this shift in approach?

Fig 24: Support for shift in insurer focus to keeping people healthy

The demographic view supports the potential for wellness penetration beyond the Millennial cohort.

- Millennial engagement with and interest in wellness programs is already significant, still rising, and has an encouraging growth outlook.
- Gen X participation and interest levels are nearly as high, and exhibit similar growth potential.
- A large increase in Boomer interest levels is indicative of a proposition which plays well across most age segments.

Wellness and loyalty schemes are clearly more than just a gateway to the Millennial segment, as attractive as this is. Being relevant to a large segment of the market means that an initiative targeted at Millennials can be leveraged into a much larger opportunity.

So, what are "younger" consumers – defined here as Millennials and Gen X given their similar interest levels in wellness and loyalty – interested in?

	Millennials	Generation X	Boomers	Silent
Healthy food	78%	76%	66%	55%
Gym	70%	63%	47%	31%
Supplements	63%	62%	47%	30%
Food shopping	82%	79%	76%	71%
Plane tickets	74%	69%	57%	49%
Cinema tickets	72%	67%	52%	37%
Clothes shopping	78%	73%	63%	50%

Q: Please assess the following in terms of their appeal to you.

Fig 25: Attractiveness of benefits – % rating attractive or very attractive

The benefits of interest to all generations are broad and remarkably similar, encompassing health and exercise, experiences, travel and shopping. This offers a wide range of options for insurers considering schemes.

The attractiveness of any given benefit declines with age, although at very different rates, and interest remains at significant levels through the Silent generation. The rate of decline ranges from minimal in the case of food shopping (an enduringly popular benefit which we also saw in 2017) to rapid decline in appeal in the case of gym membership, indicating the need to target different benefits at different demographic segments.

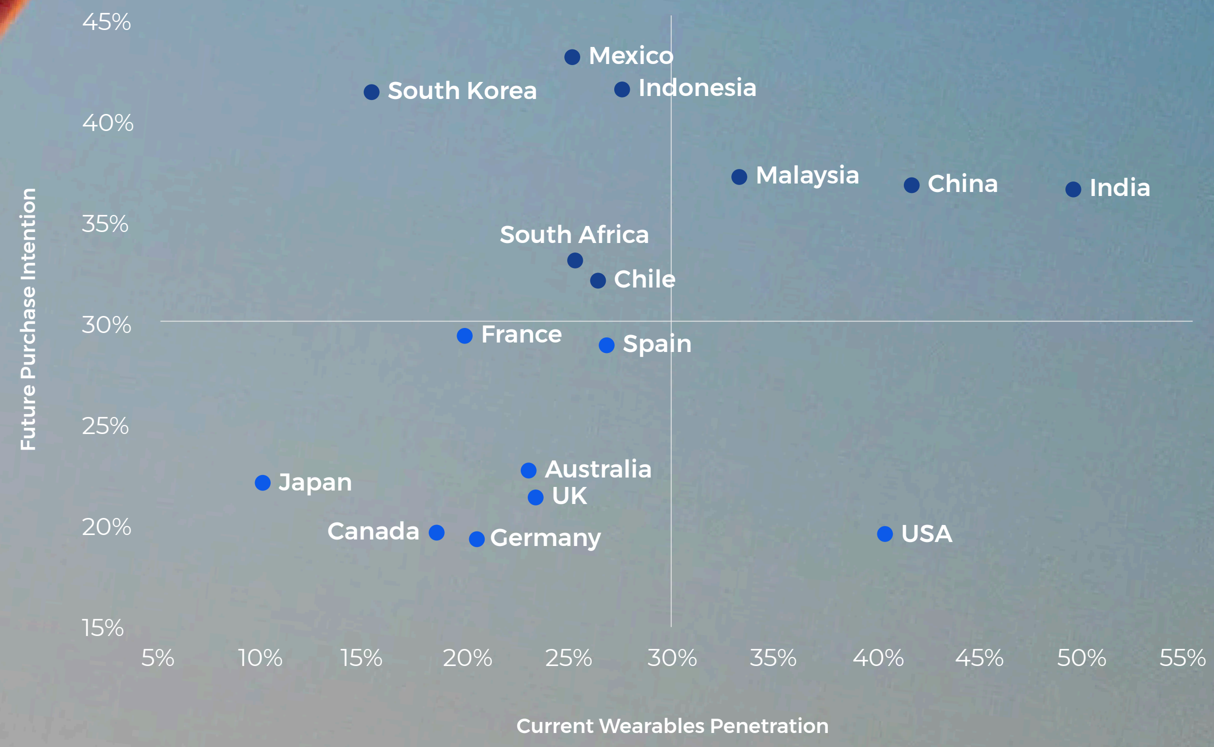
WEARING IT WELL

Wearables play well into the interests of both consumers and insurers. Consumers get to measure the progress of exercise, and are recognised and rewarded for responsible behaviour.

Insurers want responsible customers and – ideally – access to current or even real-time data from customer wearables. The challenge is understanding how to align these interests so that insurers achieve improvements in customer risk profile and insights, in a way which consumers will accept.

Insurers are at least taking advantage of an incoming tide. Current wearables penetration averages 29%, up from 20% in 2016. With future purchasing intent of another 30%, this indicates potential future ownership of around 60%.

There is significant variation by country, as indicated in Figure 26. Current penetration rates are clustered in the 20-30% range but extend from a low of 10% in Japan to 40% for the US and China, and nearly 50% in India where wearables uptake is enabled by cheap technology.



Q: Do you own a wearable device which gives info on exercise etc. (even if you don't currently use it) e.g. a Fitbit, Apple Watch or smart watch?

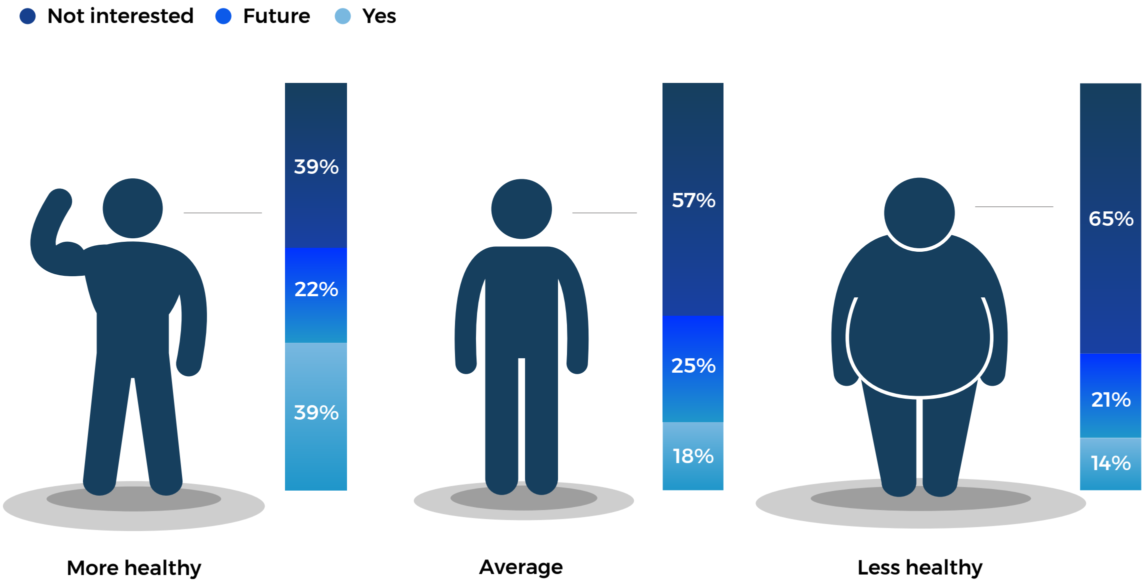
Fig 26: Current ownership & future momentum of wearables by country

Wearables country markets are segmented into high penetration / low growth (US), low penetration / low growth (most developed markets), and low-high penetration / high growth (most emerging markets). However, adding future purchase intentions indicates the potential for wearables penetration to increase to over 50% in most countries.

The dynamics of wearables are different in developed and emerging markets. In developed markets, wearables have high engagement and future intentions with Millennials and Gen X, with interest falling steeply thereafter. In emerging markets, interest also declines but at a more gradual rate, partly a function of the more affordable devices available in some emerging markets.

Just as the reluctance to answer questions and provide data can help to counterbalance the inevitable bias at play in self-assessment, so the interest or lack thereof in wearables provides insight into a consumer's true health status.

Most consumers self-assessing as healthier currently use wearables or intend to do so – only a minority are not interested. Those self-assessing as average health – many of whom are likely to be less healthy – have much lower rates of wearable use. Indeed, as Figure 27 indicates, the wearables profiles of those self-assessing as average health and less healthy are remarkably similar.



Q: Do you own a wearable device which gives info on exercise etc. (even if you don't currently use it) e.g. a Fitbit, Apple Watch or smart watch?

Fig 27: Current ownership & future momentum of wearables by perceived health – developed markets

What can insurers do to encourage adoption amongst non-users?

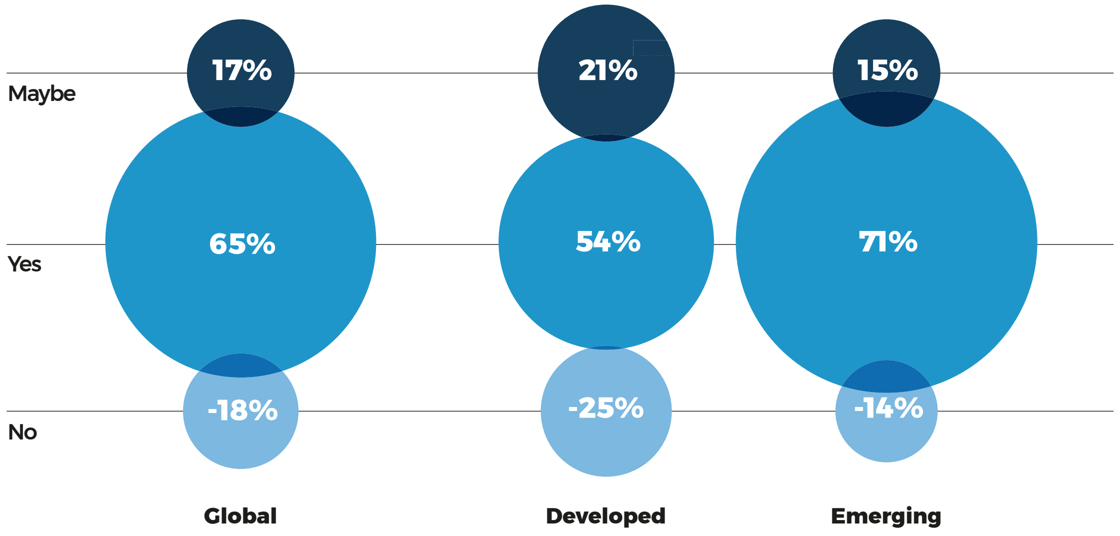
- Around half of non-users (tilted to emerging markets) may be persuaded to accept a wearable if provided free by the insurer and / or a gym.
- This is slightly more effective than offering non-users a cash incentive. Offering additional financial incentives potentially reduces take-up compared to standalone free wearable offers.

Of course, this says nothing about ongoing use or even keeping the wearable charged. A wearable with a dead battery sitting in a drawer is a write-off.

Preparedness to use and continue using wearables signals information. There is even some potential for the usage of wearables to be a sufficient criterion for acceptance, given the disparity of usage between those self-assessing as healthier vs average and less healthy. However, in isolation, given the degree of mis-reporting, that would mean in the first instance accepting significant numbers of consumers who are actually less healthy.

For this to make sense it would likely require additional data from the consumer – and the less healthy are also reluctant to answer health questions. Fortunately, as Figure 28 shows, wearables users are an obliging segment when it comes to the willingness to share data from their wearable with insurers – if offered an incentive such as a regular update of premiums.

Relatively few wearables users refuse to share data with their insurer, and this group is skewed to the developed market Silent Generation segment.



Q: If an insurer were able to monitor your wearable data and update your policy price frequently based on your wearable device data, would you like to try this feature?

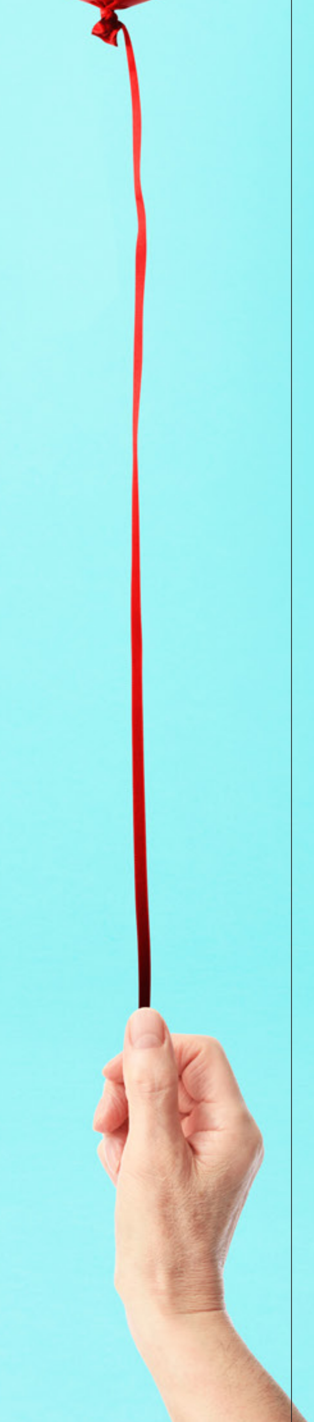
Fig 28: Willingness to share wearable data

Insurers need to be realistic about the type of data they are likely to obtain. Even from a willing consumer, there is limited likelihood of rich activity and diet data, but a high likelihood of basic activity data.

However, the combination of wearables use, preparedness to share data, and inventive use of the data likely to be obtained offers significant possibilities in terms of more accurately identifying consumer health at application and subsequent confirmation. Further, the application of regular repricing based on wearables data suggests that both the renewal process and lapse rate experience may well be improved.

THEME FOUR

CLAIMS – THE HEART OF THE MATTER



IMPLICATIONS

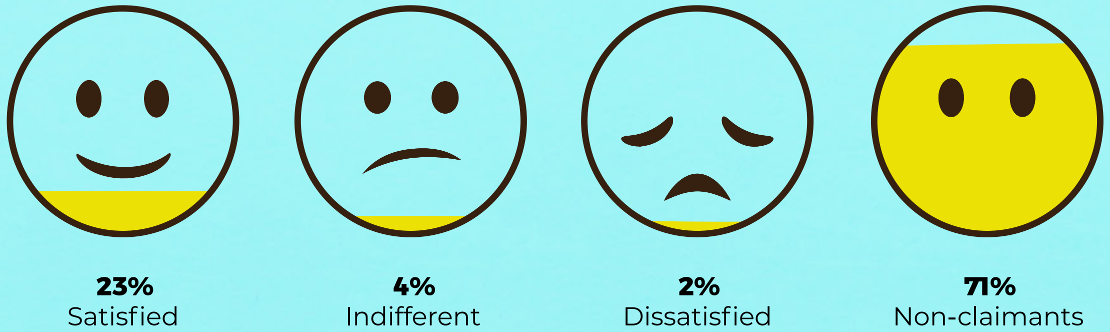
- Overall consumer satisfaction with the claims experience is 77%. The dissatisfied voices cite duration and complexity as the biggest issues.
- Trust in auto-claims technologies is high and rising, even amongst those dissatisfied with past claims experiences.
- It's still important to assist consumers to read their policy document (and to provide it via multiple channels and in an easily understood way) – those who did not read it at all are much more likely to have an unsatisfactory claims experience.

EMOTIONAL INTELLIGENCE REQUIRED

Claims are when the rubber hits the road, where the entire ecosystem of complexity boils down to a simple, personal need – for the policy to deliver on the promise. It's where UX becomes real lived experience, the customer's experience.

Overall satisfaction rates in Figure 29 are encouraging, suggesting that insurers are getting decisions right more often than not. Of the 23% of our sample who have made a claim, 77% were satisfied with their claims experience. Just under 30% of the sample had made a claim on their life policies at some time. Given the low frequency of death or critical illness incidence, it is reasonable to assume a large proportion of those claims refer to maturity value or policy cash value related claims.

Of the claimants who were not satisfied, most were indifferent – neither satisfied nor dissatisfied (16% of claimants, 4% of the sample) – while a small proportion were dissatisfied (7% of claimants, 2% of the sample).

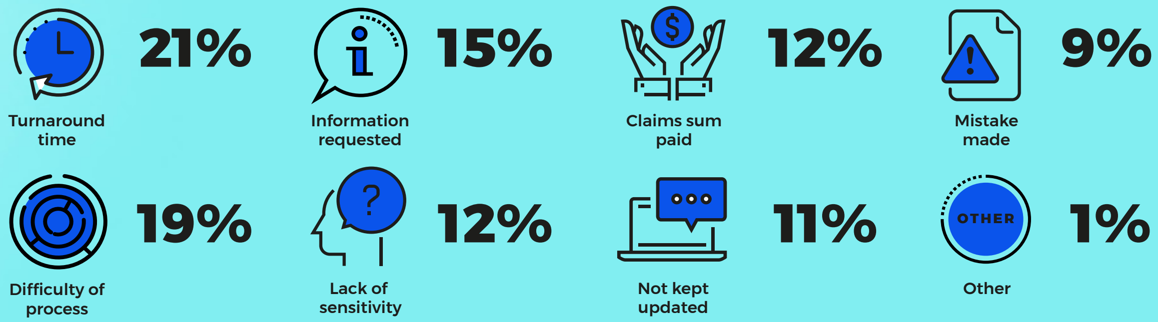


Q: How satisfied were you with the process for claiming on your life insurance?

Fig 29: Claimants and satisfaction

Even though the dissatisfied are a small proportion of claimants, there is a larger segment which is unlikely to be brand advocates, representing a significant opportunity to improve customer satisfaction.

With this broader set of less-than-satisfied claimants in mind, it is interesting to note that adverse claims decisions are not the key drivers of dissatisfaction. Rather, the satisfaction deficit is a result of the claims process, as indicated by Figure 30.



Q: What were the biggest issues with the process for claiming on your life insurance?

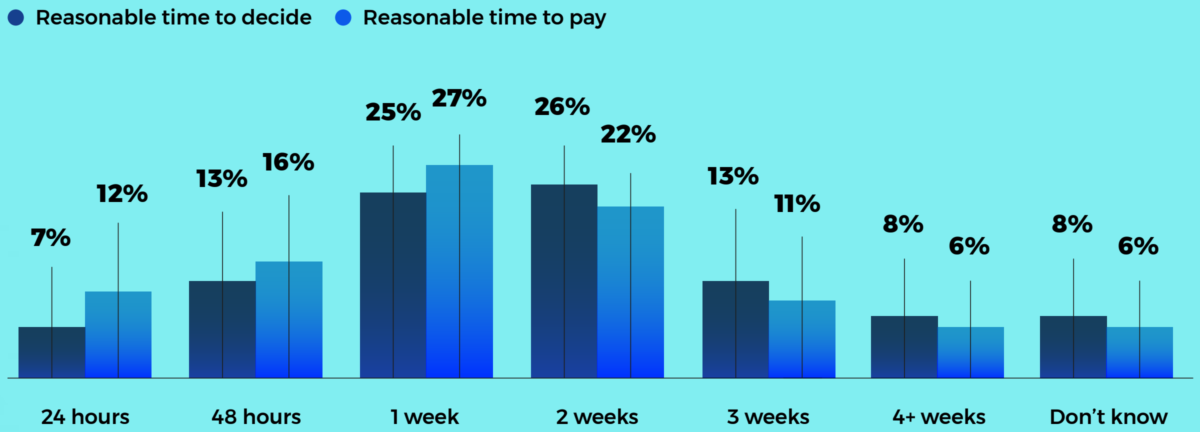
Fig 30: Reasons for unsatisfactory claims experience

Most of the problems relate to the claims journey – an encouraging finding in the sense that, from the consumer perspective, the claims process is generally getting to the right answer. Whether that is the right answer from the insurer perspective is a different question.

- Complexity and onerous inputs
- Time involved to complete process and payment
- Errors
- Communication
- Sensitivity to customer's personal situation

Each of these problem areas lends themselves to codification via technology. Indeed, a well-designed UX which simplifies complexity and allows for personalisation will be essential to achieve significant improvements in time, error rates and communication preferences.

But, how long is too long?



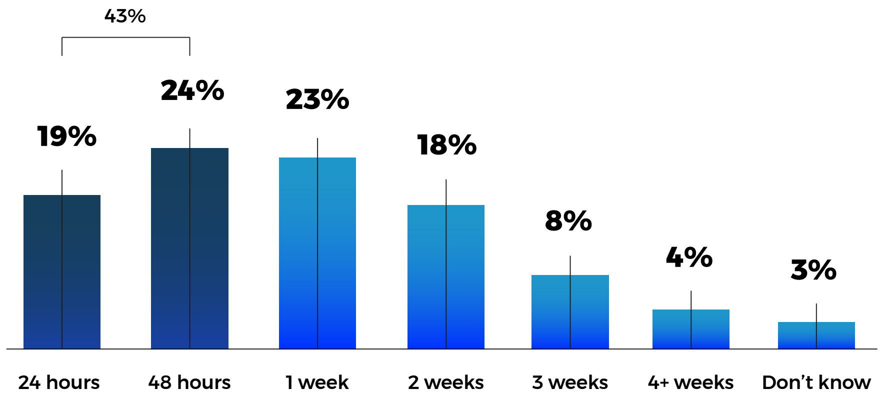
Q: What length of time is reasonable for an insurer to review your life insurance claim and reach their decision?
Q: How long is acceptable for an insurer to take to pay out, once the decision has been made?

Fig 31: Reasonable time to decide on claim ... and then to pay once decided

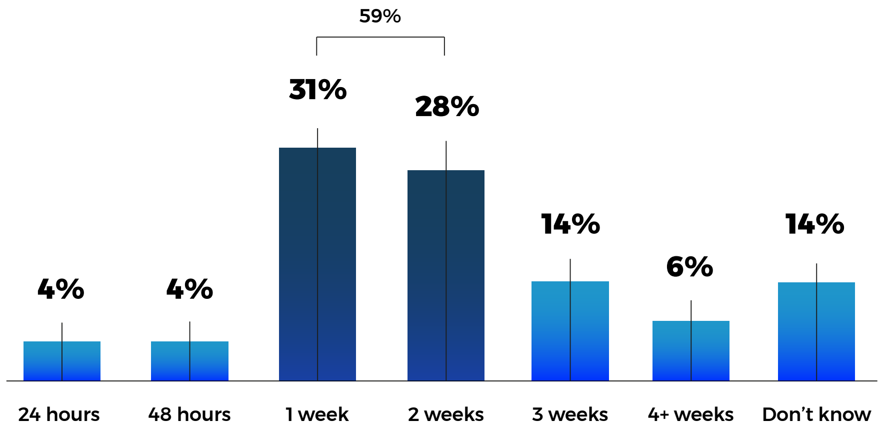
Globally, there is little equivocation over the time allowed for a claims decision – over 50% of policyholders expect claims to be decided in a week. And once a claim is decided, expectations rise – nearly 30% expect payment within 48 hours and 77% within two weeks.

There are significant segment differences, although national differences appear to be more important than demographic. In this context, Millennials do not appear to deserve their reputation for impatience, with timing expectations largely in line with the average.

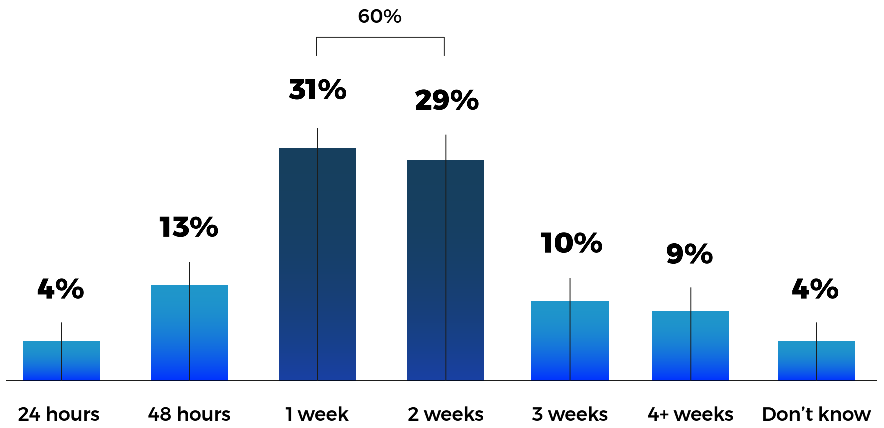
National expectations of note include South Africa, where nearly half of consumers expect decisions within 48 hours, to the slightly more reasonable than average Japan, where 1-2 weeks is the yardstick of 55-60% of consumers for each of decision and payment.



South Africa



Japan



China

Q: What length of time is reasonable for an insurer to review your life insurance claim and reach their decision?

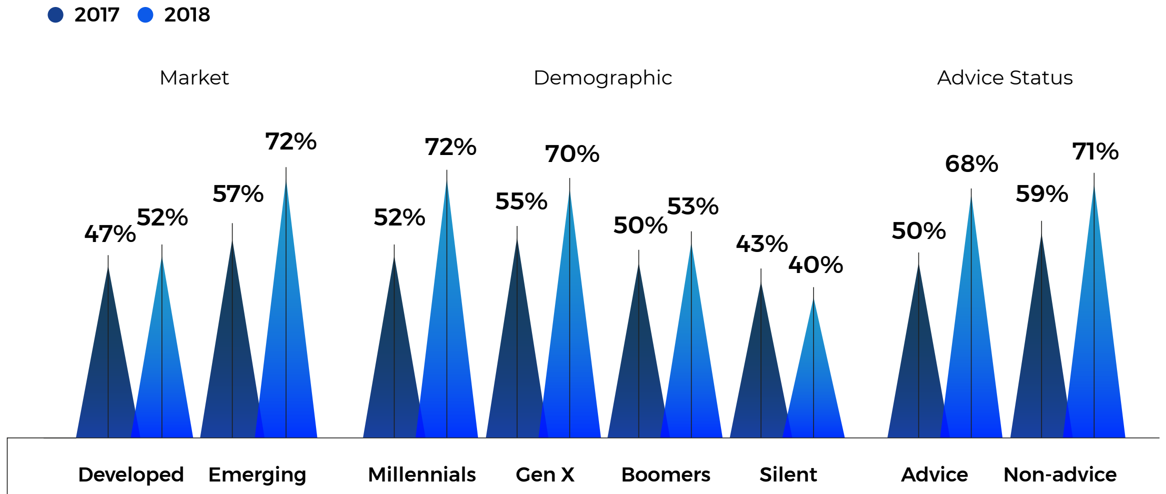
Fig 32: South Africans expect quick decisions, Japanese and Chinese consumers are (slightly) more patient than average

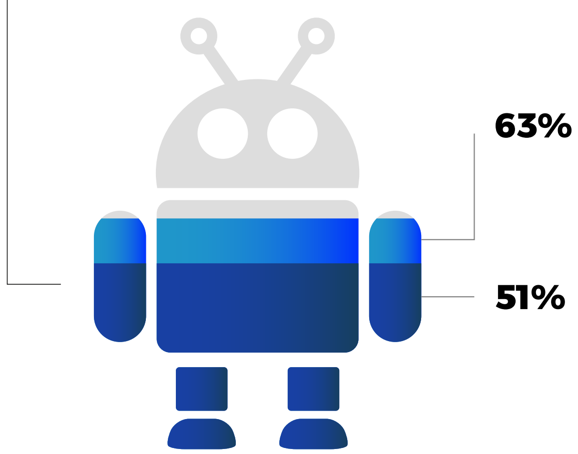
THE ROBO-ASSESSOR WILL SEE YOU IMMEDIATELY

It is clear that improving the speed and efficiency of the claims process is the key to improving overall claims satisfaction and generating brand advocacy.

However, to deliver for those customers with expectations of very rapid decisions and payment, it is equally clear that technology is the only way of doing so at scale and in a consistent and cost-efficient manner.

That said, the potential efficiencies will only be unlocked when consumers have enough trust in auto-claims processes to use them. Figure 33 provides good news in this regard. Trust in auto-claims is significant and rising.





Total

Q: If you made a claim on your life insurance, to what extent would you trust an automated service to accurately assess your claim?

Fig 33: Trust in auto-claims

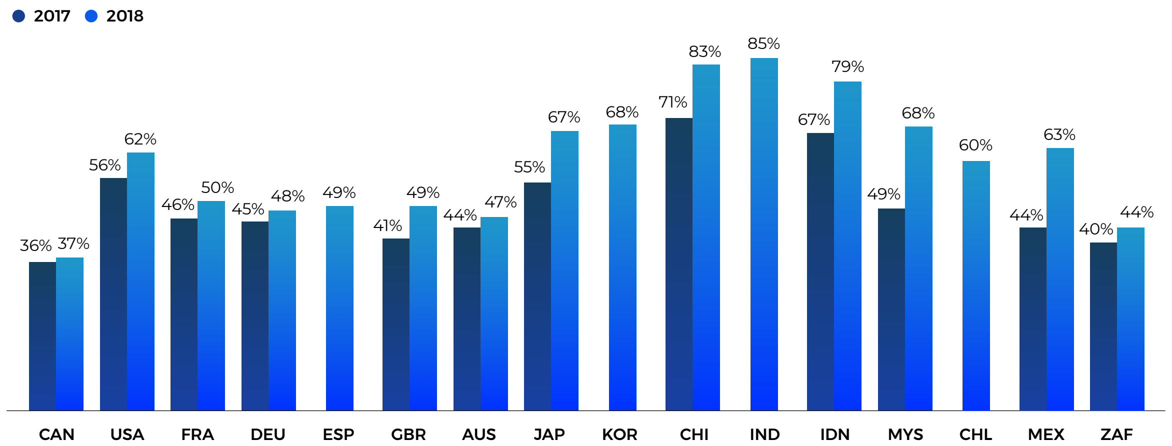
At 63% globally, the rise in auto-claims trust is approaching the point where it can be used as the default pathway. This is especially the case in emerging markets where the level of trust in auto-claims has risen rapidly to over 70%.

However, significant variations between segments highlight the importance of offering an O2O experience when it comes to claims too. Trust in developed markets is rising more slowly, and while Millennials and Gen X are avid supporters, Boomers and Silents are at least as inclined to stick with traditional claims channels.

An important observation is that advised customers are as receptive to auto-claims technologies as non-advised customers. It's therefore important that insurers with advised channels push auto-claims technology down the channel and encourage and educate advisers in making it available to their customers.

As with auto-advice, deploying self-service technologies to advised customers should not be seen as a threat to the adviser. If anything, the threat is that customers will defect to easier-to-deal-with providers if these technologies are not made available to them. For the adviser, auto-claims services can be made a valued part of their offer, allowing customers to populate the basics of a claim, leaving the adviser to review it. This reduces the time they spend on lower value parts of the process and speeds up the overall experience, while still allowing them to add value where it matters.

There are significant regional differences in auto-claims trust levels, as shown in Figure 34. It is strongest in Asian emerging markets, followed by the Americas (although Canada is an exception with the lowest country scores).

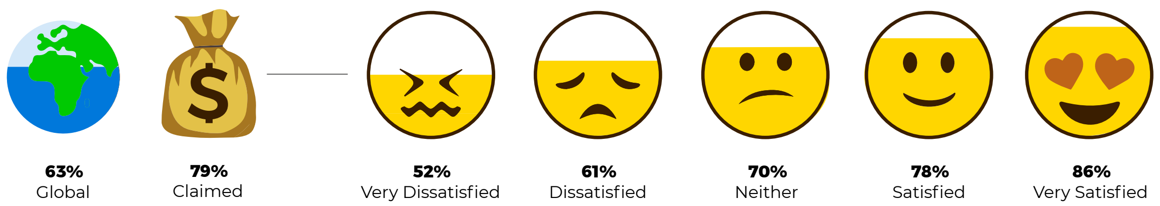


Q: If you made a claim on your life insurance, to what extent would you trust an automated service to accurately assess your claim?

Fig 34: Trust in auto-claims by country

Lagging but gradually improving in terms of trust levels are the European developed markets, Australia (somewhat surprising given its rapid take-up of other self-service technologies) and South Africa.

Auto-claims services have acceptance even when the most recent claim satisfaction level was negative. Figure 35 shows that for those who have claimed, the level of trust in claims is an even higher 79%.



Q: How satisfied were you with the process for claiming on your life insurance?

Fig 35: Trust in auto-claims by claim satisfaction

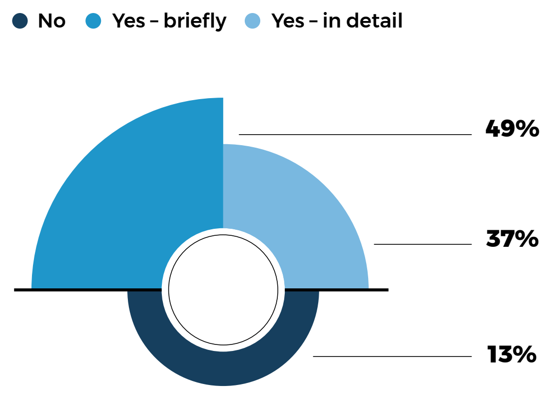
Remarkably, there is majority trust for auto-claims services across all segments of recent claims satisfaction. Those who had a good experience last time appear largely happy to accept that the technology-coded version of their previous experience will also be positive. Those who had an indifferent or poor experience last time are also more likely to trust auto-claims than not, perhaps welcoming the opportunity to remove a subjective human element which might have worked against them last time.

IT'S NOT ALL ABOUT TECHNOLOGY

While speed and process are the biggest satisfaction issues, and auto-claims and other technologies present an obvious solution, these are neither the whole problem nor the whole answer. Dig a little deeper, and the gaps between intangible policy and consumer expectation throw a sharp focus on the human side of the insurance equation.

Expectations must be set initially to avoid later disappointment. This is something the insurer should be able to determine (or at least influence) by communicating what the claims experience looks like – either at the point of purchase or at the initial claim contact. Failing to do so means that consumers will either set their own expectations, or another influencer will, neither of which is necessarily helpful to the insurer.

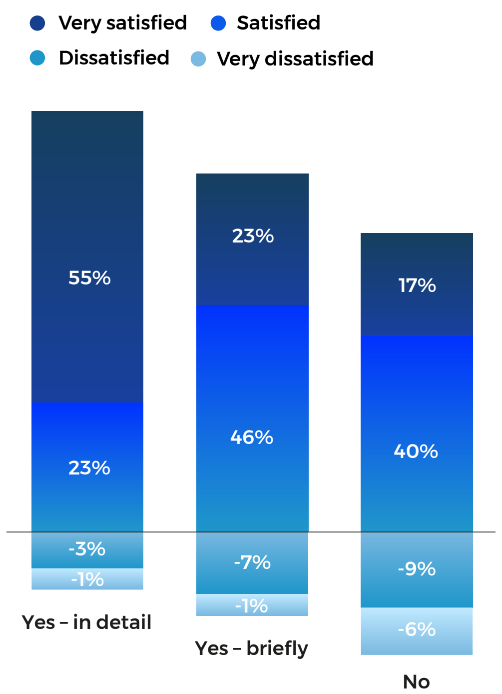
Typically, communication is in the form of a policy claims document, whether printed or online. Figure 36 illustrates that most policyholders say they have read their policy claims document either in detail or briefly – although it may be reasonable to expect these figures are overstated by potential embarrassment in admitting this might not have been done.



Q: Have you read your policy documents to understand what claims your life insurer will accept and reject?

Fig 36: Have you read your policy claims document?

Even if reading scores are overstated, they remain important because there is a strong correlation between having "read" the claims document and the level of claims satisfaction, highlighted in Figure 37.



Q: How satisfied were you with the process for claiming on your life insurance?

Fig 37: Have you read your policy claims document?

UNDERSTANDING MAKES THE DIFFERENCE

The critical observation is that the vast majority of the most dissatisfied customers admitted to not having read the policy claims document at all. Those who had read it only briefly – which might be a glance or a flick through (if it occurred at all) – are twice as likely to be dissatisfied as those who had read it in full.

Customers who maintained they had read their policy claims document were significantly more satisfied with their claim outcome. Simply put, informed customers are happier customers.

Nannyish conclusion though it may be, it's important that insurers get their customers to read their policy claims document. Of course, if consumers are unexcited by the purchase of life insurance, they tend to be even less enthusiastic about reading policy documents.

But as previously noted, it's important for the insurer to persist so it is they who set the expectations. Shorter policy documents can improve reading and digestion to help set realistic claims expectations and improve satisfaction. And, if it's great content, shared on the customer's preferred channel, it is much more likely to be consumed.

CONCLUSION

We live on technological time. For the insurance industry, the past five years have seen significant digital transformation, as a backward glance at our consumer study series demonstrates.

From first quote to policy fulfilment, pathways to purchase have been automated, customer journeys mapped and modelled, and payment gateways perfected as the industry has caught up with culture.

In 2014, social media was not a sales channel. Today, in some markets, it is the only channel one needs.

Four years ago, we also stressed the value of predicting propensity to buy and lapse. Since then, we've developed lifetime analytical models to gain a more complete understanding of customer behaviour.

And in 2015, wearables was a nascent phenomenon. Today, the Apple Watch is uber-fashion, Samsung is upping its wearables game, and insurers are exploring exciting opportunities to transform relationships with engaged, aspirational consumers.

The rate and complexity of change, in the short period since our first global consumer study, underlines the need for speed, collaboration and creativity. Time is now of the essence – be it the milliseconds of response times online or the time between decision and payment of claims.

DATA, DEVICES AND DESIRE

Digital transforms expectations and experience. Wearables and next generation health monitoring devices have the potential to reframe the insurer-customer relationship, making possible dynamic propositions of partnership in personal health management. Enabling services, rather than death benefits, become the driving factor.

Wellness programs make tangible the promise of protection through prevention first strategies, and the associated willingness to share data opens new avenues to engagement. The challenge is to sustain that engagement and secure the data stream on which dynamic propositions depend.

Creativity counts throughout the customer journey to stoke and sustain desire. For dynamic underwriting to flourish, it will take creativity to conceive long-term engagement strategies that will sustain partnerships of value. Messaging must chime with the desire for lifestyle-based protection – acknowledging, rewarding and encouraging positive behavioural change.

Engagement means joining customers on their journey. It is about tapping into interests and serving those interests to become a valued part of consumers' efforts to get fit, stay fit, and protect the lives they love. The benefits cut both ways.

STAYING RELEVANT MEANS STAYING HUMAN

Whilst automation is the key to customer engagement, one should not forget that its purpose is to serve one interest – the human being.

Emotional intelligence is important because the more advanced we become, the more human we need to be. When the crunch comes, communication matters, empathy counts and understanding, on all sides, sets realistic expectations.

The relationship between consumers and technology is simple. Consumers love their devices, and want reasons to use them. Dining, dating, doting and driving – mobile engagement defies boundaries. Few activities are undertaken without it and fewer still are impervious to it.

The machine age *is* here. Speed matters. Ease of use matters. The consumer wants – and the insurer needs – the best of what humans and technology can offer them.

ReMark is a global insurance marketing consultancy. We present a single proposition with a mandate to invest further in customer-led distribution for insurers. We use our unparalleled knowledge of insurers coupled with deep customer insights to develop and support distribution strategies that align internal operating effectiveness with superior customer experiences.

Operating business models from B2B, B2B2C and D2C, our distribution, marketing, underwriting, product and claims solutions are all supported by market-leading technology enablers, lifetime data analytics and campaign finance solutions.

A SCOR Group company, we operate in an ecosystem of expertise throughout the value chain in a diverse range of markets, including Bancassurance, Life & Health, Takaful, Banking and Affinity groups.

The Art & Science of Risk

This study aims to add to the industry debate, to spark conversation that helps reshape the insurance marketplace. If you'd like to dig deeper and learn more about our global consumer insights, read the full series at remarkgroup.com

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