GCS2017

Life is a Rollercoaster

Regeneration — a healthier ride for the global life insurance industry

ReMark

CONTENTS

This is ReMark's fourth Global Consumer Study (GCS). It is based on a consistent sample of 8,000 insurance consumers across 14 markets. 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.

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EXECUTIVE SUMMARY

KEY THEMES

1. A CHANGE OF ATTITUDE – THE SILENT MILLENNIAL

There can be no denying that we have arrived at a point of inflection at which life insurance is fundamentally challenged. Beliefs and values are shifting and the chronology of customers' lives looks very different today. To remain relevant, insurers need to understand the shifting sands of contemporary triggers and align behind consumer beliefs – because they inform attitudes and, by influencing attitudes, we can change behaviour.

2. INFLUENCE ATTITUDE, CHANGE BEHAVIOUR

Certain fundamentals unite the generations and offer a way in for insurers. Health is the new wealth. It is undeniable that health captures the contemporary consumer's attention regardless of generation. It has become *the* contemporary asset worth protecting. To generate sustainable growth, insurers must prioritise health – and look beyond the niche of the "healthy wealthy".

3. ENABLE A BEHAVIOUR, AUTOMATE A SOLUTION

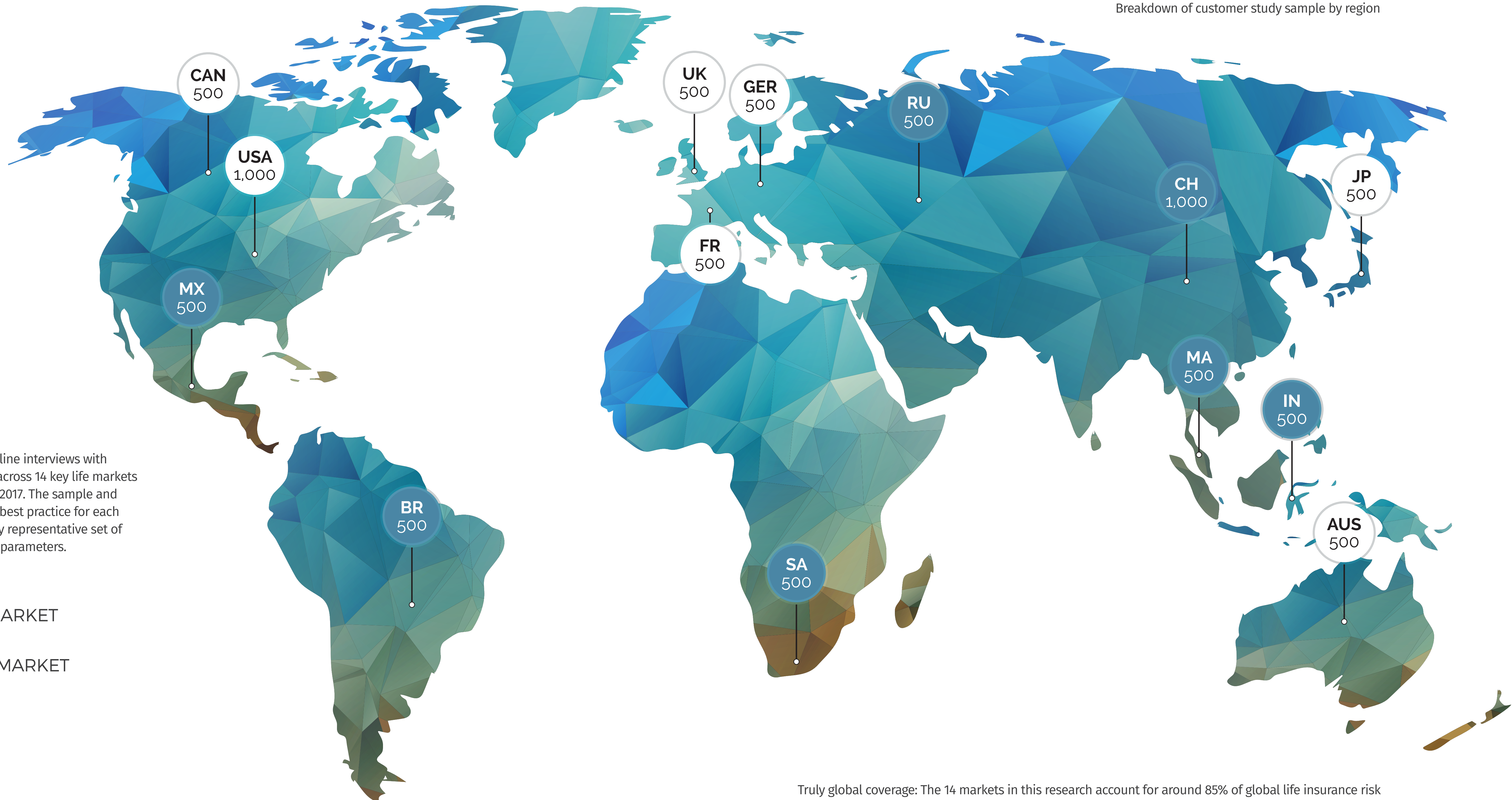
Wellness propositions are replete with the potential to influence attitude and change behaviour, but automation must serve the customer's actual experience. When it comes to data sharing, trust is a must. Reshaping the insurance proposition to bring the customer into the conversation depends upon the successful convergence of automation and advice – the only way to convince the customer of the value of the data exchange.

4. FREEDOM TO CHOOSE

Context of needs, value and affordability is changing. This demands flexibility in contemporary product development and presentation. There needs to be just enough choice to make customers feel empowered but not so much that it becomes a cognitive burden. Positively reframing options in an empowering way is key and messaging needs to chime with the desire for lifestyle-based protection, encouraging and rewarding positive behavioural change.

ABOUT THIS RESEARCH

Breakdown of customer study sample by region



This research is based on online interviews with 8,000 insurance consumers across 14 key life markets with fieldwork conducted in 2017. The sample and methodology complies with best practice for each market based on a nationally representative set of demographic and economic parameters.

EMERGING MARKET

DEVELOPED MARKET

Truly global coverage: The 14 markets in this research account for around 85% of global life insurance risk premiums and approximately 80% of global GDP.

LIFE IS A ROLLERCOASTER

Through all apparent lenses, it is difficult to see anything in the social culture of developed markets today that favours life insurance. Bluntly, is it relevant? Even its former role as an efficient savings vehicle is questionable. As a consequence, the entire value proposition in developed markets appears to be floundering.

We continue to see much written about customer-centric propositions, but our data indicates a widening gap between industry intentions and customer perceptions. Unless the value proposition is genuinely resuscitated and insurers start looking at things differently, the future of life insurance does not look promising. For an industry replete with well-educated mathematics and statistics professionals, there appears to be something horribly wrong with the analytical framework, the willingness to experiment or, more damningly, the courage to act.

But is perceptual change upon us? Looking at things differently begins by examining the attitudes and preferences of the contemporary customer – as they are, not as we would like them to be. The life insurance industry lacks the currency to instil beliefs and values but it should expect to understand and influence customer behaviour in order to stimulate demand.

To this end, we have elected to cast a generational lens across the data this year because of the enormous influence historic and cultural contexts have on attitudes towards life insurance. All generations are experiencing rapid change, and traditional trigger points are being recast.

Politically and economically, uncertainty defines the times. Older generations hark back to the rosy glow of a golden age, the middle-aged are torn between nostalgia for simpler times and a curious embrace of new technology, while the younger generation are chasing their tails in pursuit of an ever more complex definition of success. It is no wonder that, against this backdrop, the traditional notion of life insurance is struggling to find resonance with the public at large.

While contemporary customers have, by and large, similar lifestyle commitments as preceding generations – focusing on their careers, settling down with a partner and having a family – we are generally more capricious. Many of these commitments come later in life and not all are lifelong or life defining. This has obvious implications for the life insurance industry. It is not that death benefits are irrelevant, but the proposition in its current form, and the way it is presented, needs to be contemporised.

The accelerant of the prevailing instability is technology, today's "arms race". Automation catalyses change and presents new challenges for insurers. But by enabling the industry to evolve and adapt, automation is likely to be the industry's saviour rather than its nemesis.

In this context, health presents an opportunity for growth. A preoccupation with health is shared by all generations – health is effectively the new wealth. With today's technological capabilities and the API economy, the integration of life and health insurance services is not just feasible, but inevitable – and welcome. It is a path to sustainable customer engagement, offering the unprecedented opportunity to influence attitudes and change behaviour.

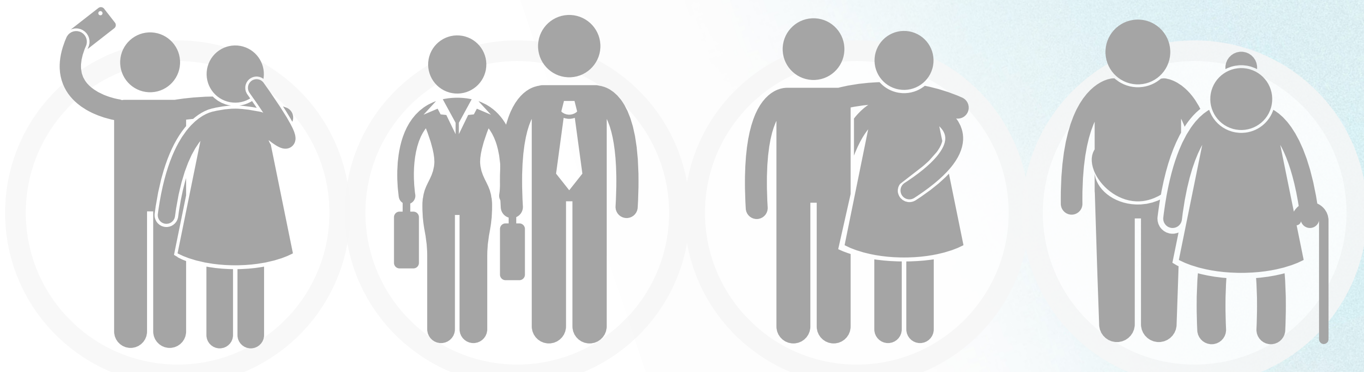
Life, in its traditional guise, is dying. To stay relevant, insurers need to reimagine the proposition entirely. Rather than merely stylising life insurance, the industry must start offering broader, life*style* propositions. The mantra may well become *Life is dead — long live Health!*

THEME ONE

A CHANGE OF ATTITUDE – THE SILENT MILLENNIAL

Beliefs and values are shifting. While it is not an insurer's place to challenge or change beliefs, it is absolutely necessary to understand and align behind them – because beliefs inform attitude and attitude can be influenced. Attitude is the predisposition to act – by influencing attitude, we *can* change behaviour. Beliefs, attitudes and values all feed into behaviour. Real behavioural change has the potential to reshape beliefs.

GENERATIONAL GROUPS



MILLENNIALS (Born after 1985) | GENERATION X (Born between 1970 & 1984) | BOOMERS (Born between 1950 & 1969) | SILENT GENERATION (Born before 1950)

The demographic and cultural displacements in which we operate are determining a very different consumer psychology. Values are in flux. The pre-eminence of traditional Western values is declining while Eastern cultural values are emerging more assertively. Certain catechisms still count, others no longer do. Many others are being newly written. Increasing life expectancy not only poses economic challenges, but has fostered very different behaviours amongst contemporary consumers.

The convergence of these powerful forces make it a very exciting time to be doing this research. There is no denying that we have arrived at a point of inflection.

THE MILLENNIAL HUMP

A generational challenge confronts the industry: penetration of life insurance amongst Millennials is not compensating for the shrinking base of Generation X and Boomers. And that matters. In America alone, Millennials overtook the Boomers as the largest generation[1] and now constitute 35% of the US workforce[2].

With the first Millennials now in their mid-30s, they are reaching a life stage where responsibility and earning power are coalescing to encourage a more comprehensive financial awareness. But this is not yet reflected in life insurance sales. It is crucial that the industry learns how to cater to a generation whose lifestyles challenge the entire value proposition of traditional life insurance.

OLD BEFORE THEIR TIME

As the generational breakdown of biggest financial concerns indicates, there is a pervading sense of instability amongst the Millennials surveyed, as connoted by "uncertain future", "worried" and "crisis". Anxiety is clearly a defining characteristic – for instance, they are the only generation to mention "terrorism" in their responses. Terrorism is hardly a new phenomenon, but its increasingly pervasive presence changes the way we think about it.

Figure 1: Biggest financial concern, Millennials

[1] Pew Research Centre, *Millennials overtake Baby Boomers as America's largest generation*
[2] AT Kearney, *Who are the global Millennials?*

That anxiety is not theirs alone. It is shared by our oldest respondents. Obvious differences aside ("death" and "burial"), the Silent generation express similar concerns – "debt", "overspending", "inflation" and "insufficient money". This correlation is perhaps not surprising given the role of context in shaping attitudes. After all, these two generations were forged in similar climates of uncertainty and instability, in contrast to the prosperous times enjoyed by the Boomers and Generation X.

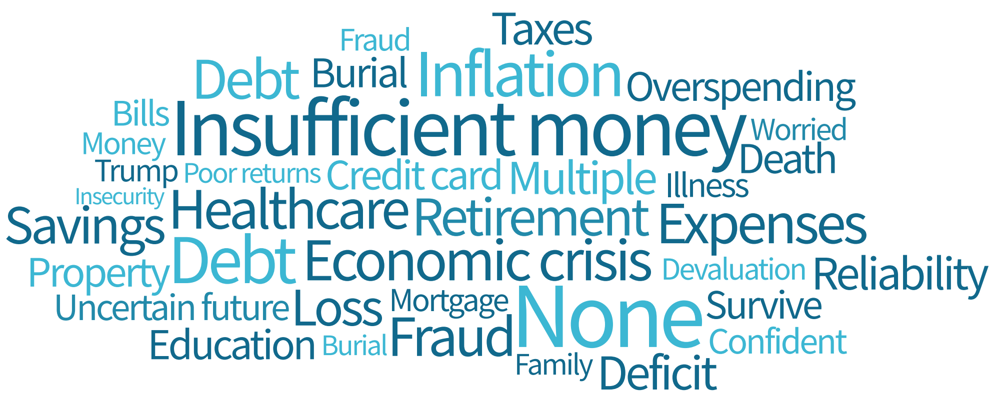


Figure 2: Biggest financial concern, Silents

The similarity between the concerns of Millennials and Silents epitomises how attitudes can defy the strict chronology of age. While we have chosen to set this year's findings against a generational backdrop, it would be remiss to do so without a caveat. The generational lens offers a wide vision, but by no means a precise one. As far as this report is concerned, these groups should not be viewed as homogenous, but with a certain fluidity – while they serve to draw up broad themes, they are no substitute for rigorous granular profiling.

Demand-oriented challenges are further illuminated by looking at our survey responses by market. Overall response regarding the importance of life insurance is surprisingly low in developed markets (UK 51%, Germany 50%, France 53%) considering the challenges to the established welfare state and the certainty of the notion of being "looked after". This observation arguably chimes with the psyche of dependent generations like the Millennials and the Silents. For many developed market Millennials, there are actually two providers that they might consider being able to "fall back on" – the state and their wealthier Boomer parents.

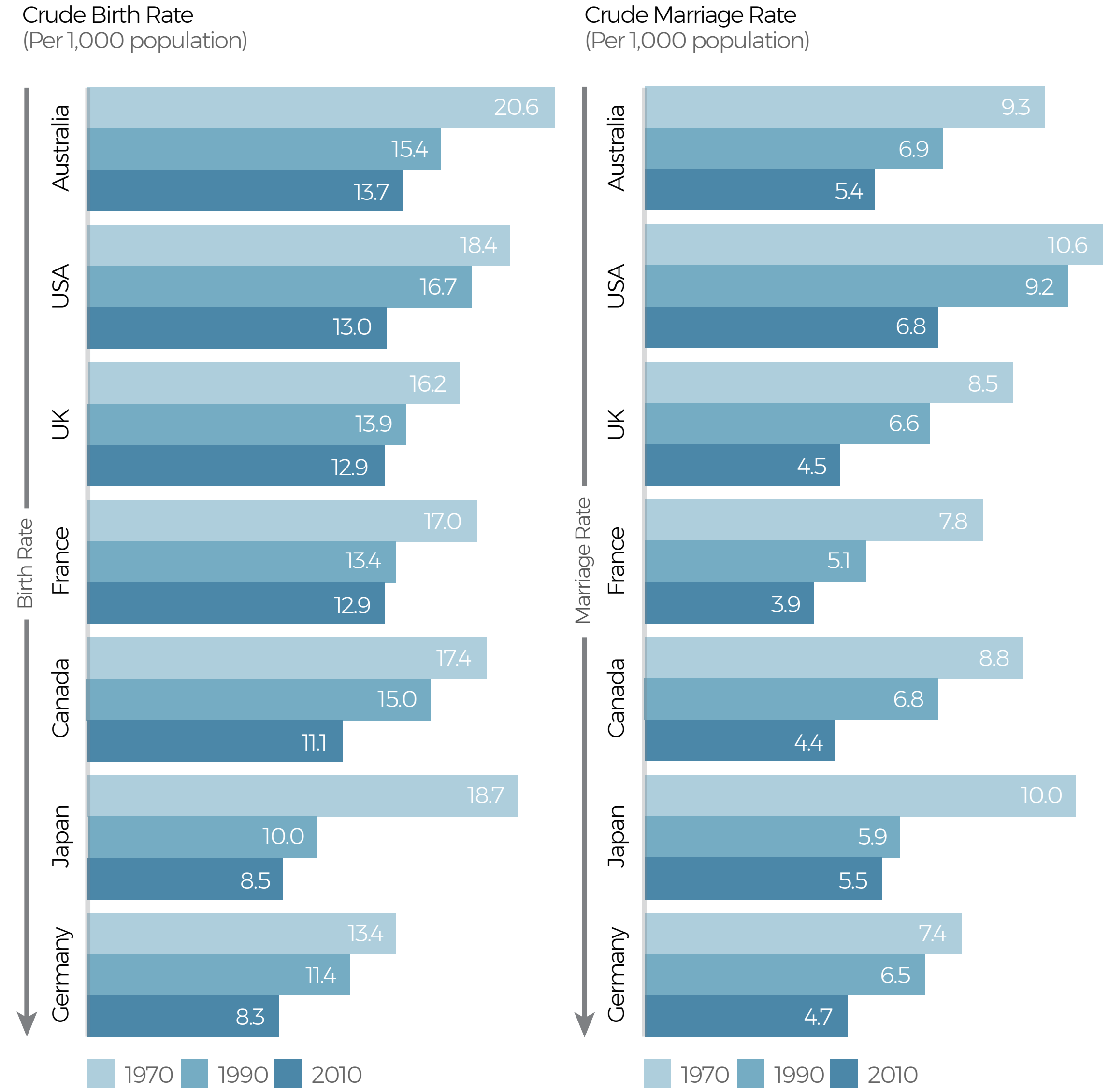
With these perceived safety nets to rely on, the traditional sense of personal financial accountability seems to be morphing into "financial co-dependency" together with an erosion of the primacy of ownership. This is not an individual failing – people still want to be financially responsible, but their options are limited by changing patterns of employment, low wage growth and low interest rates. In such unsettled economic circumstances, it is challenging to take a long-term perspective and this weakens personal financial accountability.

But it is not all disheartening news. A very encouraging 71% of Millennials in our study rate life insurance as quite or very important, surpassing even the Boomers at 60%. These positive estimations, however, are not reflected in sales. What is going wrong between word and deed, and how can the industry address the chasm?

THE SHIFTING SANDS OF MILLENNIAL TRIGGERS

Engaging an upcoming generation in this era of seismic cultural change poses a colossal challenge for policymakers and industry alike. However, it is particularly acute for an industry that has based its pitch on what are becoming outmoded household structures.

Millennials have grown up under far more diversified family models than their antecedents. Many more young people now define themselves through work and education rather than family ambitions. Indeed, the US Census Bureau found that over half of all Americans do not see marriage or children as important steps to becoming an adult, yet over 90% "believe that finishing school and being gainfully employed are important milestones of adulthood". Confirming this attitude, the number of young female "homemakers" fell from 43% to 14% between 1975 and 2016[3]. What is clear is that marriage and children come later for Millennials, if at all (Figures 3 & 4).



Source: The World Bank; OECD Family Database

Figure 3: Marriage and birth rates over time, selected developed markets

[3] USA Today, *Millennials differ from other generations in almost every regard. Here's the data.*

SHIFTING TRIGGER POINTS

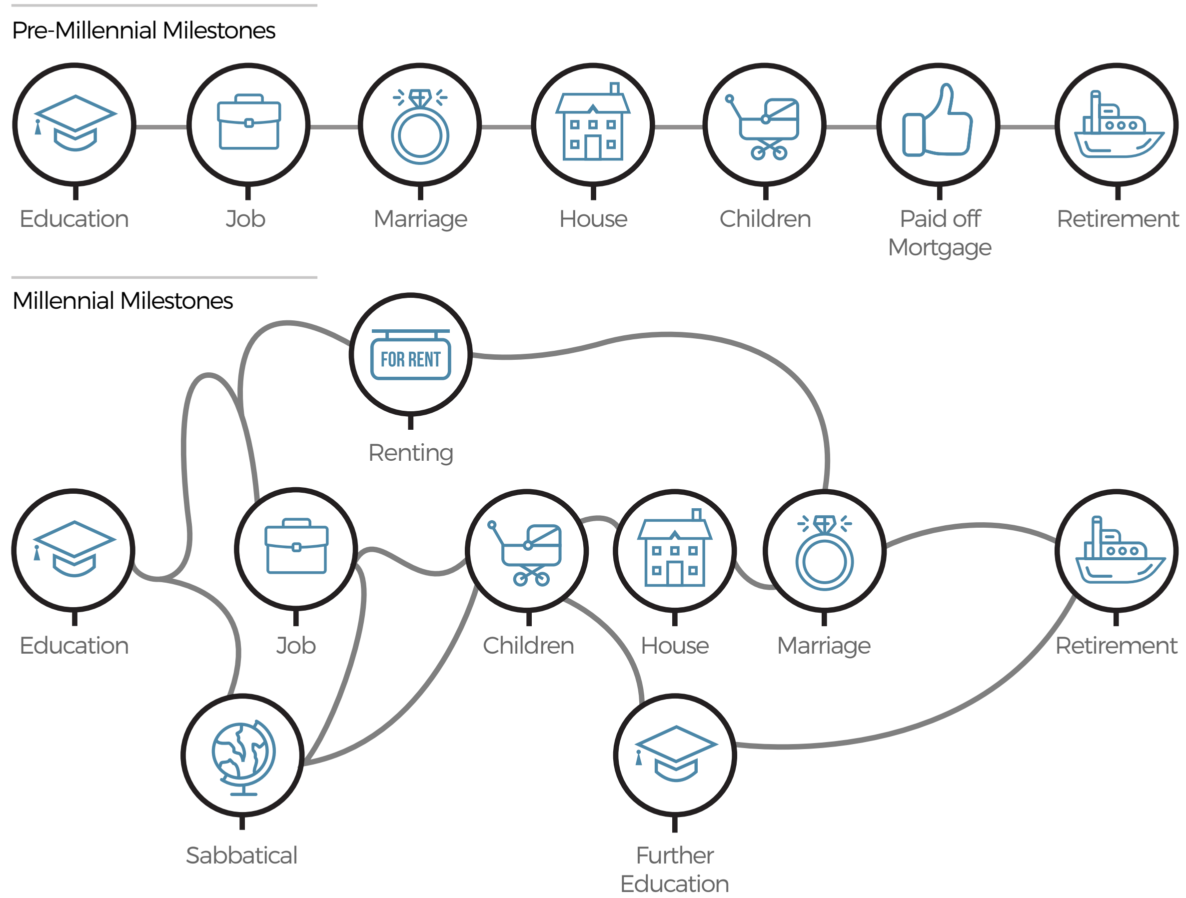


Figure 4: Shifting trigger points

FROM DESIRE TO FEAR

Shifting trigger points are only part of the generational story. Underlying Millennial motivations to buy life insurance differ fundamentally from those of previous generations. As we have already suggested, context influences attitude. For example, the Generation X perspective on protection tends to be linked to positive life events such as property purchase, marriage or children, reflecting the relatively auspicious era during their formative years.

By contrast, Millennials in developed markets are facing a great deal of uncertainty and are motivated by fear of redundancy, debt or illness more so than any other generation (Figure 5). Motivations have flipped from a desire for security to a fear of insecurity. The attitudinal differences are intuitive given that the global financial crisis is a defining reference point for Millennials, hardening attitudes towards financial institutions.

Add to that mistrust shifting employment patterns and associated anxiety around job prospects, and it is not surprising that affordability is a real concern for developed market Millennials. The price to value ratio is just not convincing. Context of affordability and value judgements is changing and, globally, 45% of people who do not own life insurance say it is because they cannot afford it.

So different is the lifestyle for Millennials that new economic terms – the *gig* and *sharing* economies – have been coined, tags for a generation that *uses* rather than *buys* and *rents* rather than *owns*. In this short-term economy, long-term considerations like traditional life insurance are losing traction.

Reframing these negative drivers through positive messaging adds another dimension to the challenge of marketing life insurance to a generation with altered incidence and duration of discrete life events and a general anxiety about their financial circumstances. However, as we will see in Theme Two, the primacy of health as a future reason to buy is symptomatic of a radical trend shaping contemporary consumer attitudes – across generations.

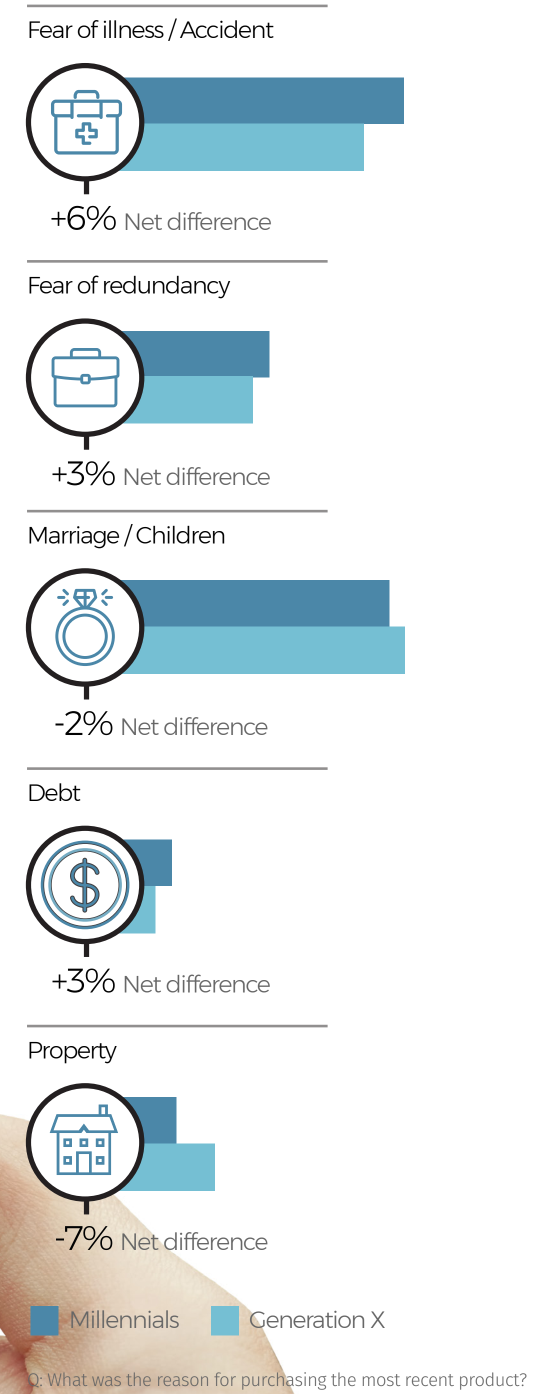


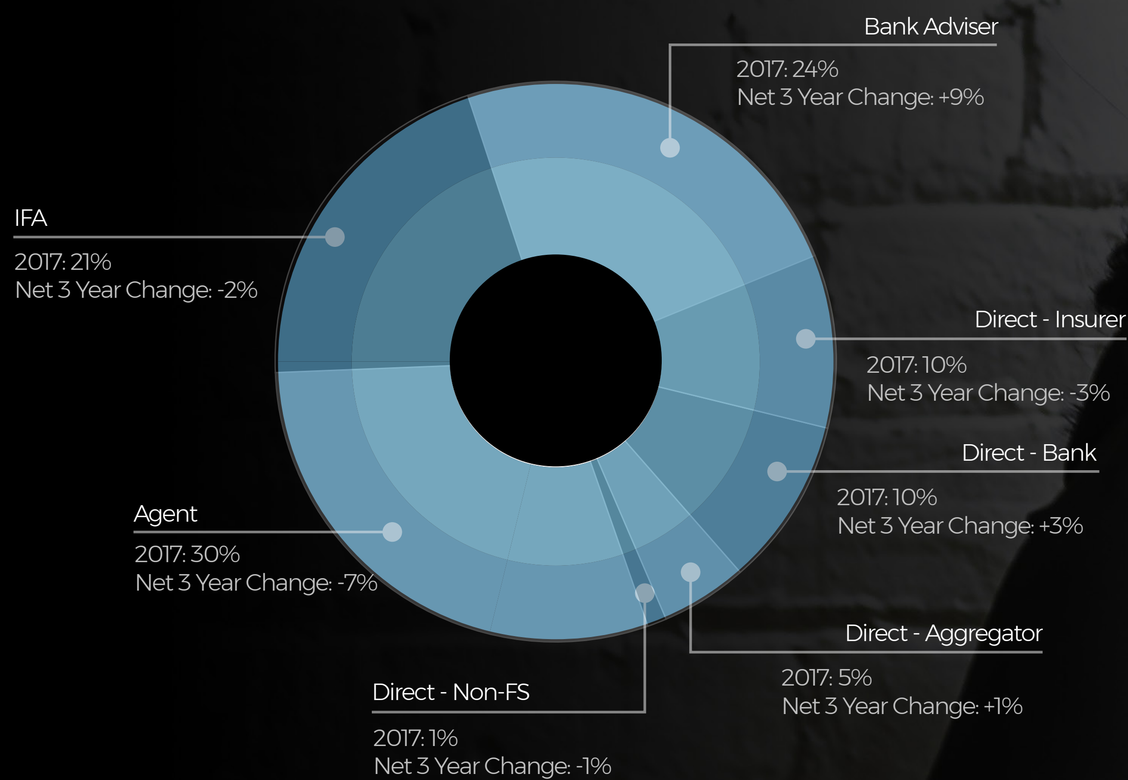
Figure 5: Drivers of life insurance purchase, Millennials versus Generation X in developed markets

PRODUCT DISCONNECT BETWEEN PREFERENCE AND PERSUASION

There is also material variation in product and channel preferences by generation. For example, Millennials are much more likely to choose Savings, Critical Illness and Income Protection products rather than Term which reinforces the shift in mentality from life cover to cover for living.

These disconnects are not limited to product choice. Customer and industry channel preferences are diverging with yet more discrepancies becoming apparent. In many markets, banks are scaling back protection offers post-GFC to focus on core business just as we see a growing desire from Millennials to arrange cover via their local bank branch (Figure 6). In addition, only 30% of Millennials would opt for a website as their source of information, no different from Generation X and not that far ahead of the Boomers' 23%.

However, most significantly, demand to buy via online aggregators remains niche beyond specific markets such as the UK and Germany, which is surprising considering both the general focus on price and the tendency to ascribe digital native Millennials with tech-first preferences. Could the industry be underestimating the importance of a human touchpoint which, in an increasingly digital world, appears to be more important than ever? All cohorts, engaged or disengaged, could still benefit from a human point of contact. Whatever, whenever and wherever Millennials are choosing, the industry is not listening.



Q: Which channel did you mainly use to arrange this (most recent) purchase?

Figure 6: Channel usage, Millennials

IMPLICATIONS

ATTITUDINAL DATA IS KEY

The results of our survey, supported by wider demographic trends, demonstrate that trigger points are less discrete, more complex and of varying chronology. Confronted by the fluid life cycle of a typical Millennial, gathering and leveraging attitudinal and behavioural data is more important than ever. Behavioural insights and granular customer profiling now form the basis of business competition – they are absolutely vital if life insurers are to achieve their customer-first objectives.

THE SILENT MILLENNIAL

Due to lifestyle and economic pressures, there is an underlying conservatism in Millennial channel choice that should result in opportunities if the industry is listening.

THEME TWO

INFLUENCE ATTITUDE, CHANGE BEHAVIOUR

The observations in Theme One are sobering for the thoughtful. Is it really possible that life insurance is becoming increasingly incongruous and passé? Maybe. Yet amidst the complexity of the "economy of one", certain fundamentals unite the generations and offer a way in for insurance companies.

As family structures fragment into diverse models and traditional responsibilities are being reshaped, health takes centre stage. For it is undeniable that health captures the contemporary consumer's attention regardless of generation. There is an argument to be made that the store set by health and appearance has effected a sort of reification of health – it has become *the* contemporary asset worth protecting. Could the re-imagining of life insurance with health leading the way point to a brighter future for the industry?

Our research shows that this prioritisation of health is attitudinal rather than chronological. 30% of Boomers, 33% of Gen X and 32% of Millennials all cite health issues as a motivation for future policy purchase. Clearly, health matters across the generations, but for each the rationale and orientation differ. For instance, the pervading sense of Millennial uncertainty means fitness goals are one way to exert control. For many Millennials, health has become *the* status symbol – an aspirational goal available to all.

HEALTH IS THE NEW WEALTH

This has led to health and wellness being flagged as the hottest area of investment in AI by market intelligence platform CB Insights[1]. And there is clearly change afoot when the technology giants begin circling, as Figure 7 illustrates. This is happening in parallel with a shift in focus and new ideals in healthcare favouring prevention and patient outcomes.

Figure 7: Interest & investment in health

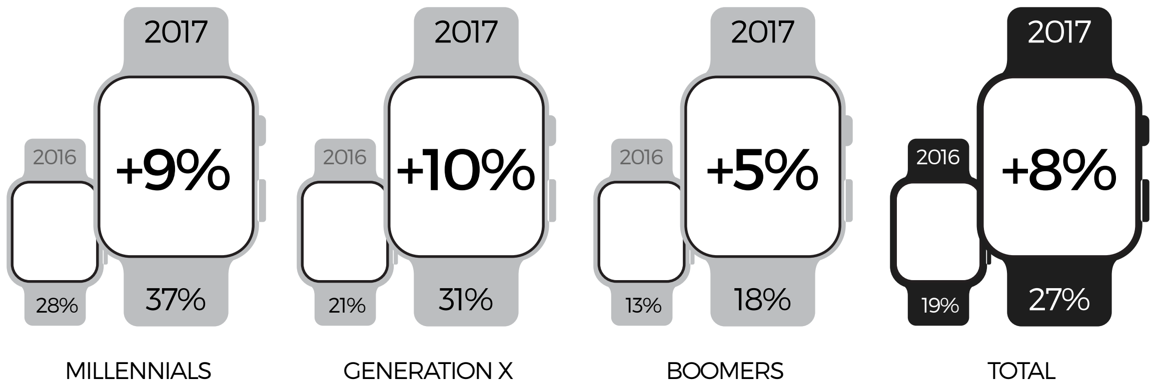
The continued exponential growth in wearable adoption across all generations observed in our research is further indication of the ongoing societal obsession with healthy living. Last year we found greatest demand for wearables in South Africa and Emerging Asia, but limited support universally for wearables amongst less healthy customers. This year we observe a material increase in wearable adoption across all generations in both developed and emerging markets. Figure 8 shows a 42% increase since last year in customers who now own a wearable device.

This cross-generational growth contests the aspersions that have been cast on the viability of the personal wearables market. Most commentators remain positive – the worldwide wearables market reached a new all-time high as shipments reached 33.9 million units in the fourth quarter of 2016, growing 16.9% year over year[2] – and any negative press is often qualified with recognition of the strong interest shown by the Millennial cohort[3]. Indeed, our survey finds that Millennials lead the way in uptake of wearables, with 37% owning a device.

[1] CB Insights, *The State of Artificial Intelligence*

[2] IDC, *Wearables aren't dead, they're just shifting focus as the market grows 16.9% in the fourth quarter*

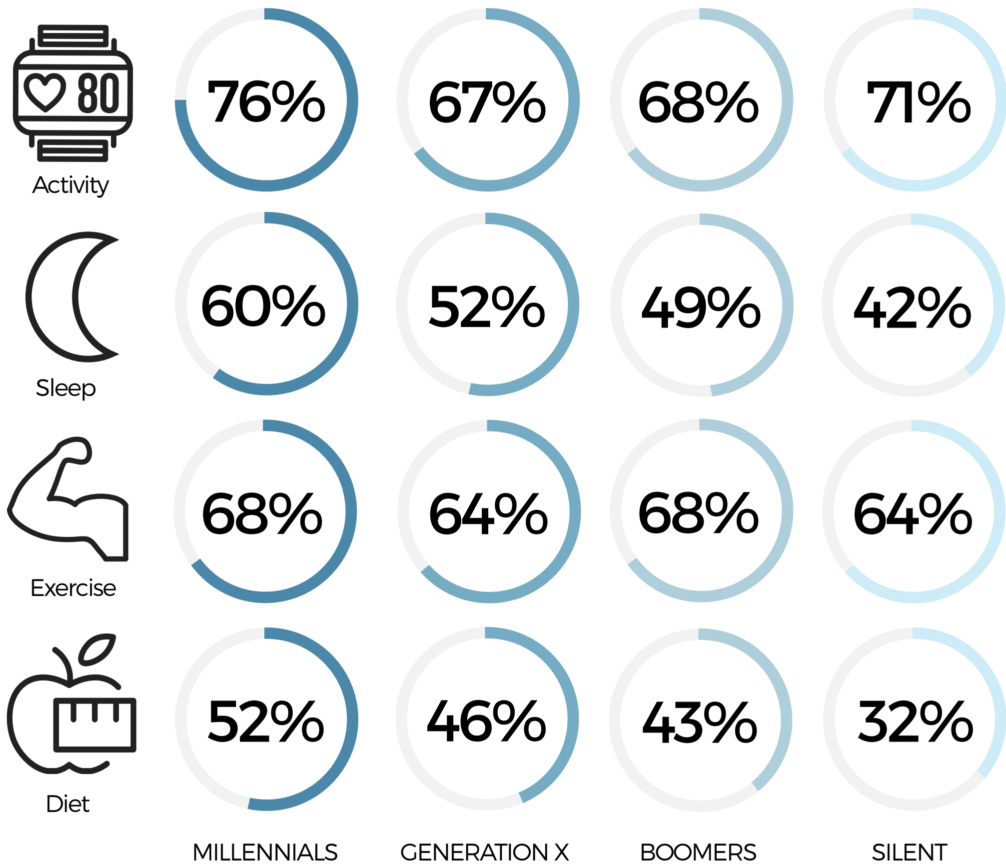
[3] See, for example, article by TechCrunch which states that 30% of those between 18 and 34 will be wearable users in 2017, a figure that is 17.6% higher than the overall population (see bibliography).



Q: Do you have a wearable which gives you information on your exercise/food intake/sleeping pattern etc.?

Figure 8: Year-on-year wearable usage by generation

Whilst the business model of wearables is still being shaped – with large players (e.g. Jawbone) already pulling out to consolidate their efforts on niche clinical or athletic applications – underlying consumer demand is established and continues to grow. This is in direct contrast to the situation in which the insurance industry finds itself, where the model is fixed and customer demand is falling. As the technology improves and unique use cases become more apparent, so too will uptake. Bear in mind, current levels of smartphone adoption would have been unthinkable in the mid-1990s when they were first invented.

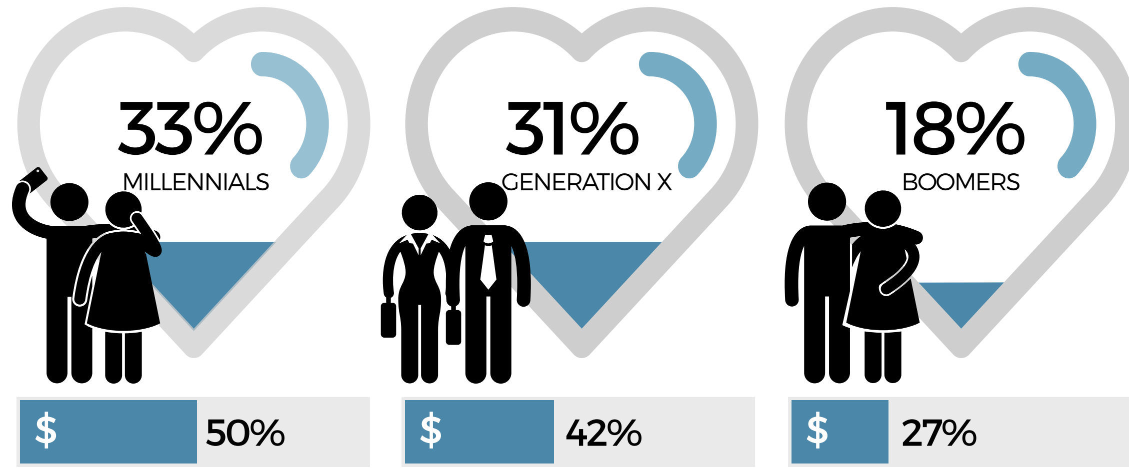


Q: If you would consider buying it, which of the following would you be interested in using it for?

Figure 9: Reasons for using wearables, future users

POSITIVE EXPLOITATION

Millennials are likely to fully exploit their devices, inputting health and exercise data rather than simply monitoring activity (Figure 9). The frequent and active engagement with wearables by this younger cohort is promising for insurers looking to succeed in this space. Most encouragingly of all, this indicates that Millennials are the most open and predisposed to accepting support to adjust lifestyle-related attitudes. By fostering a healthier attitude and changing daily habits incrementally, long-term behavioural change can be achieved.



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

Q: Would you be willing to pay a monthly fee to be a member of a scheme with attractive rewards?

Figure 10: Wellness programme adoption by generation and willingness to buy

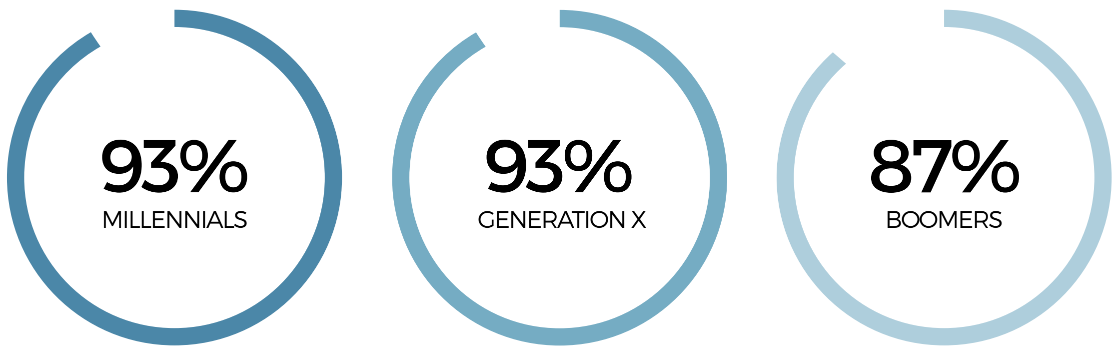
The most obvious indicator that the customer perceives real value is their willingness to pay for a service. Not only are Millennials committed to wellness and enthusiastic about wearables, but half of those surveyed would actually pay a monthly fee for an incentivised scheme (Figure 10). A generational breakdown of the data shows that the attitude of an emerging market Boomer looks a lot like a developed market Millennial, with willingness to pay at 43% and 40% respectively. This is yet another example of how market context can skew age as a proxy for attitude, as was evidenced earlier by the aligned financial anxieties of Millennial and Silent cohorts.

PARTNERING FOR CHANGE

Without the right attitude, wearables alone have questionable long-term value. It all hinges on an encompassing proposition and the customer benefits resulting from the data aggregated. Most insurers recognise that artificial intelligence is not just science fiction. In reality, most appear to have done very little about it. Faced with the monumental task of adapting to a world over which cognitive computing reigns, health programmes – and their requisite real-time behavioural data – offer a *ticket to ride*.

Such programmes represent the most strategic avenue for insurers to gather the data necessary to give them a fighting chance to engage sustainably and to innovate meaningfully. Failure to act now will expose insurers to the risk of being left behind when AI tools reach full sophistication and remould the rules of customer engagement in ways which will forever be one step ahead of the industry's imagination.

Customer belief in the impact a wearable device can have on behaviour and lifestyle is highly encouraging, as evidenced in Figure 11. But to sustain engagement, customers need meaningful outcomes – they do not want simple data playback or just another screen to refresh. This means more holistic and contextual insights must be distilled from the data aggregated. The customer must receive the right support at the right time – it's about the "quantified" self rather than the "quackified" self. Engaging customers in an informed and relevant way makes them less likely to default during the crucial first policy year when lapse rates are usually highest.



Q: Do you think wearing the device causes any of the following? > Alters your behaviour > Improves your lifestyle

Figure 11: Wearables' influence on customer behaviour by generation

Indeed, ReMark's partnership with e-health platform Umanlife demonstrates the exciting potential for such health-based engagement to foster sustainable behavioural change amongst customers – and transform the insurer-customer relationship. Our data scientists found a notable influence on weight, cholesterol level, blood pressure, and activity levels (Figure 12), while the connected scales are the most common connected device used on the Umanlife platform. Since weight is popularly linked to appearance as much as to health, this underscores consumer desire for tangible qualitative outcomes resulting from improved quantitative metrics.

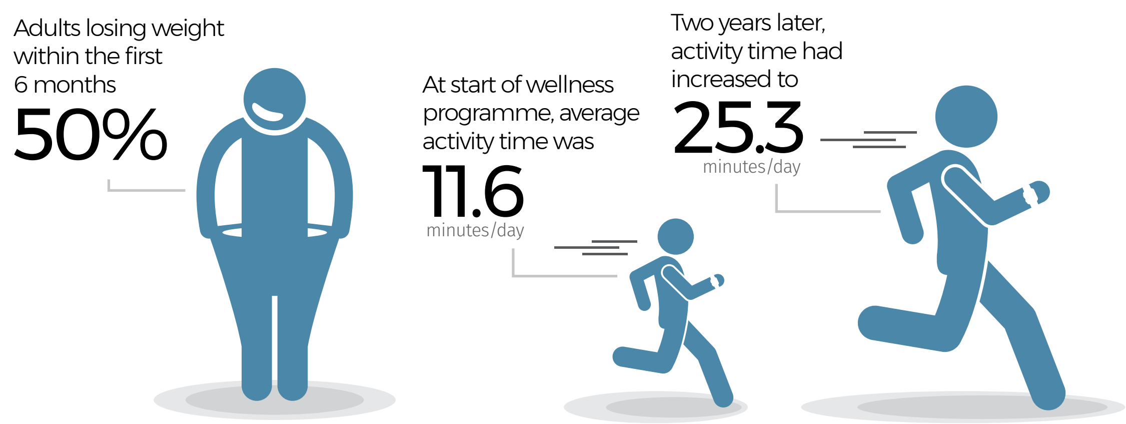


Figure 12: Umanlife case study

This experience data validates our mantra that the value lies not in the device itself, but in the phenomenon. But of course, the platform is the gateway. As an effective data aggregator, the platform is the key to provide the insurer with live data to model which in turn allows recommendations to be personalised for each customer. Figure 13 sets out customer willingness to share data as part of an incentivised wellness scheme. Any doubts about the effectiveness of health as a growth strategy are assuaged by the fact that customers are almost twice as likely to share wearable data as financial data.

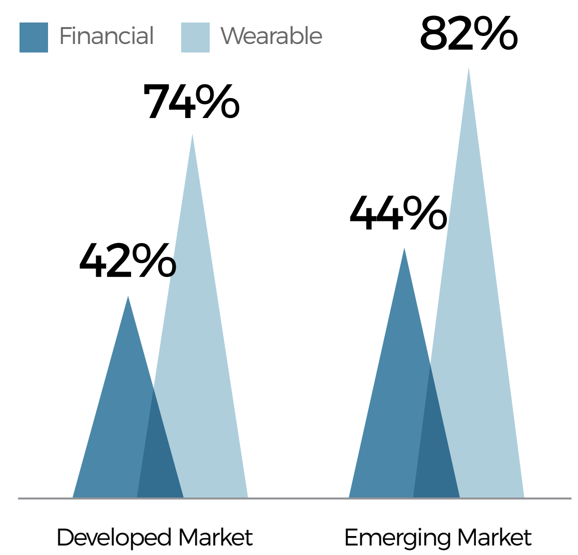


Figure 13: Willingness to share data as part of a wearable proposition for premium discounts

Q: Would you be interested in providing the below information if it helped you receive a better rate on your insurance?
Q: Would you be willing to share the information from your device with your life insurer, in order to get a discount on your life insurance premiums?

DATA – A FLUID EXCHANGE OF VALUE

If data is the new currency, then live data is the gold standard. The data flows created by wearable sensors herald the promise of a whole new dimension to life underwriting. The industry is already engaged in conversation about the potential of continuous underwriting. However, data privacy remains a crucial issue and very few insurers have exploited the potential benefits laid out in Figures 11 and 13. This is a missed opportunity for both customer and insurer, especially considering real-time lifestyle data is an avenue to price risks better, not just to offer discounts.

The main reason for not wanting to share data, cited by 38% of those surveyed, was the concern that the life insurer might share or sell an individual's data to a third party. On further probing, however, most people cannot articulate a valid reason why this is such a cause for concern, which suggests it is a *System 1* rather than a considered, *System 2*-derived response. As we have emphasised year after year, the emotional aspect of consumer behaviour cannot be wished away.

Recognising this, insurers need to prove to customers that there is an attractive "for me" aspect to be gained through sharing data. Customers may never be truly happy about sharing their data[4], but there is always a subconscious value-based judgement made regarding who to share data with. Facebook is an obvious example. The opportunity cost is considered too great for most Millennials not to subscribe, with 41% of them using it every day[5]. For insurers, embedding rewards and discounts within the insurance and wellness proposition is key. While customers cannot expect to receive these if they do not keep to their side of the bargain, there needs to be an initial incentive for signing up in order to build affinity and encourage longer-term commitment.

[4] See *The Trade-off Fallacy*, Turow, Hennessey & Draper
[5] See Survey: *41% of Millennials use Facebook every day*, Adweek

I AM PRIVATE PROPERTY

Another strategy to alleviate privacy-related reluctance is to engage and empower the individual by allowing them to own their data. The Umanlife platform, with its various health modules, is just one example of bringing the customer into the conversation about their own health. Human API, the world's first real-time, consumer-controlled health data network has recently partnered with LexisNexis Risk Solutions to put the customer in charge of their own data[6]. Could such innovations, where privacy and transparency go hand in hand, pave the way for the incorporation of genomic data into the insurance equation? The ethical debates that raises are another matter altogether[7].

HEALTH DIVERSITY – EQUITY V ELITISM

Currently the majority of insurers exploring the health space are chasing a tiny minority, the "healthy wealthy". In last year's report, we signalled the value of engaging the less healthy with the concomitant potential to deliver significantly better claims outcomes. With that value yet to be tapped, this year we delve a little deeper to explore this contrarian approach.

It is important to be realistic. The majority of people neither exercise religiously nor always eat healthily. According to a worldwide study published in medical journal The Lancet, obesity has become a bigger problem than world hunger[8]. Clearly, for a wellness programme to have widespread appeal it is very important not to alienate people. Indeed, a paternalistic, "pre-emption approach" often has an adverse effect on social behaviour[9]. Offering a vape to smokers might be more effective than berating them to quit – and definitely a more realistic incentive than a smart watch!

An excellent example of the potential of targeting beyond the healthy elite is South African insurer AllLife, who in 2005 developed a comprehensive life insurance proposition for those living with HIV. To maintain their cover, customers have to take regular blood tests and antiretroviral medication. By helping the customer to cope with their condition and insuring lives previously considered uninsurable, AllLife's initiative has contributed to the de-stigmatisation of HIV – a social impact which goes well beyond the scope of simple cover.

Buoyed by this success, they have recently announced the launch of diabetes cover in the UK, underwritten by Royal London. This has effectively opened up a market in which no other insurer has an offering as comprehensive. It may initially be viewed as niche, but the market is sizeable – an estimated 4 million people are living with diabetes in the UK[10], whilst in China there are an estimated 388 million adults with prediabetes[11]. And for these types of products, the potential for wearable application to monitor customer conditions is enormous.

Each generation has a different definition of and orientation towards health, but to each it is fundamental. For the health of the industry, capitalising on the nuances of generational attitudes is vital. This means understanding values in order to create products for different lifestyles and messaging that speaks to different attitudes. Since attitudes feed into behaviours, insurers have the unprecedented opportunity to bring about long-term behavioural change.

[6] CB Insights, *Q&A: LexisNexis' Elliot Wallace on new Datasets in Life Insurance Underwriting*
[7] See for example the discussion in *The Future of Insurance*, Raconteur, 2017, p4, p6
[8] The Sydney Morning Herald, *Obesity a bigger problem than world hunger*
[9] For more on the "pre-emption approach", see *Biopolitical technologies of prevention*, Diprose R
[10] The Global Diabetes Community, *Diabetes Prevalence*
[11] Wang L et al., *Prevalence and Ethnic Pattern of Diabetes and Prediabetes in China in 2013*

IMPLICATIONS

QUALITATIVE METRICS ARE NECESSARY FOR LONG-TERM ENGAGEMENT

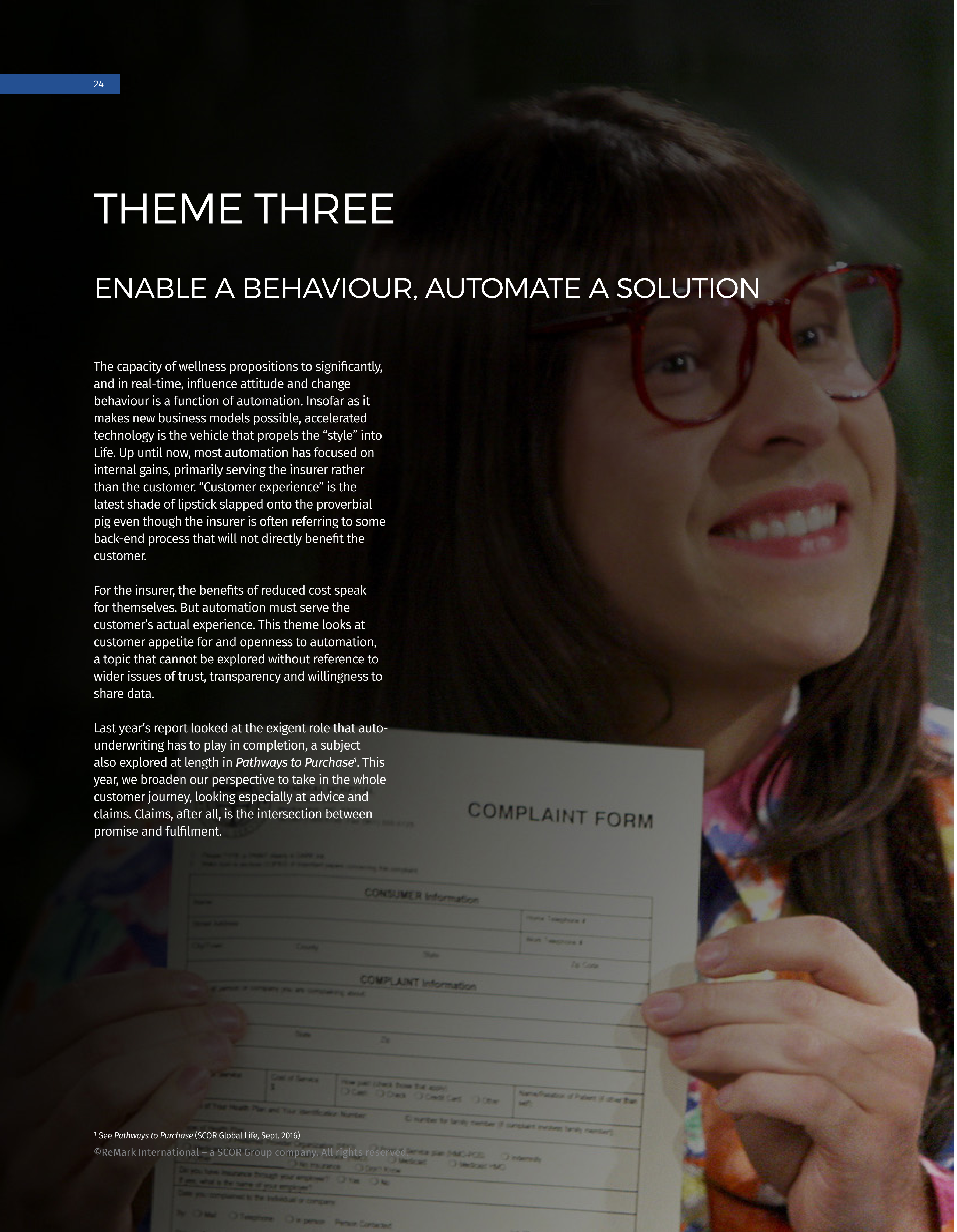
In order to leverage the contemporary health obsession phenomenon, particularly amongst engaged Millennials, it is important to draw personalised, holistic insights from the data aggregated, however it may be provided. Lifestyle information and tailored advice help the customer to achieve the health goals that matter to them, safe in the knowledge that cover is available should their health fail. Embedding this engagement in the daily habits of the customer naturally fosters the plausibility of a longer-term partnership between insurer and insured. By diversifying into lifestyle advice, the insurer-customer relationship becomes dynamic, with life services the focus rather than life insurance.

EMBEDDING AND EMPOWERING

Data privacy remains an issue. To convince customers of a value-based exchange, insurers need to embed incentivisation into wellness programmes. For example, BUPA health insurance offers discounts at sportswear brand Adidas. Stretching the offer to encompass non-insurance products by leveraging lifestyle brands turns a grudge purchase into a policy that pays for itself in terms of the services offered. But incentivisation only partly addresses data sharing concerns; empowering the customer to own and control access to their data will help foster more positive attitudes.

INCLUSIVE TARGETING

Rather than going after the healthy, wealthy minority, there is value and the potential for greater social impact in targeting the less healthy and those living with chronic conditions. The incorporation of clinical sensors into the monitoring of health fundamentally recasts the insurer-customer relationship as more of a partnership, with ongoing lifestyle services on offer. It is no great leap of the imagination to understand just how transformative this could be for the industry's tarnished image.



THEME THREE

ENABLE A BEHAVIOUR, AUTOMATE A SOLUTION

The capacity of wellness propositions to significantly, and in real-time, influence attitude and change behaviour is a function of automation. Insofar as it makes new business models possible, accelerated technology is the vehicle that propels the “style” into Life. Up until now, most automation has focused on internal gains, primarily serving the insurer rather than the customer. “Customer experience” is the latest shade of lipstick slapped onto the proverbial pig even though the insurer is often referring to some back-end process that will not directly benefit the customer.

For the insurer, the benefits of reduced cost speak for themselves. But automation must serve the customer’s actual experience. This theme looks at customer appetite for and openness to automation, a topic that cannot be explored without reference to wider issues of trust, transparency and willingness to share data.

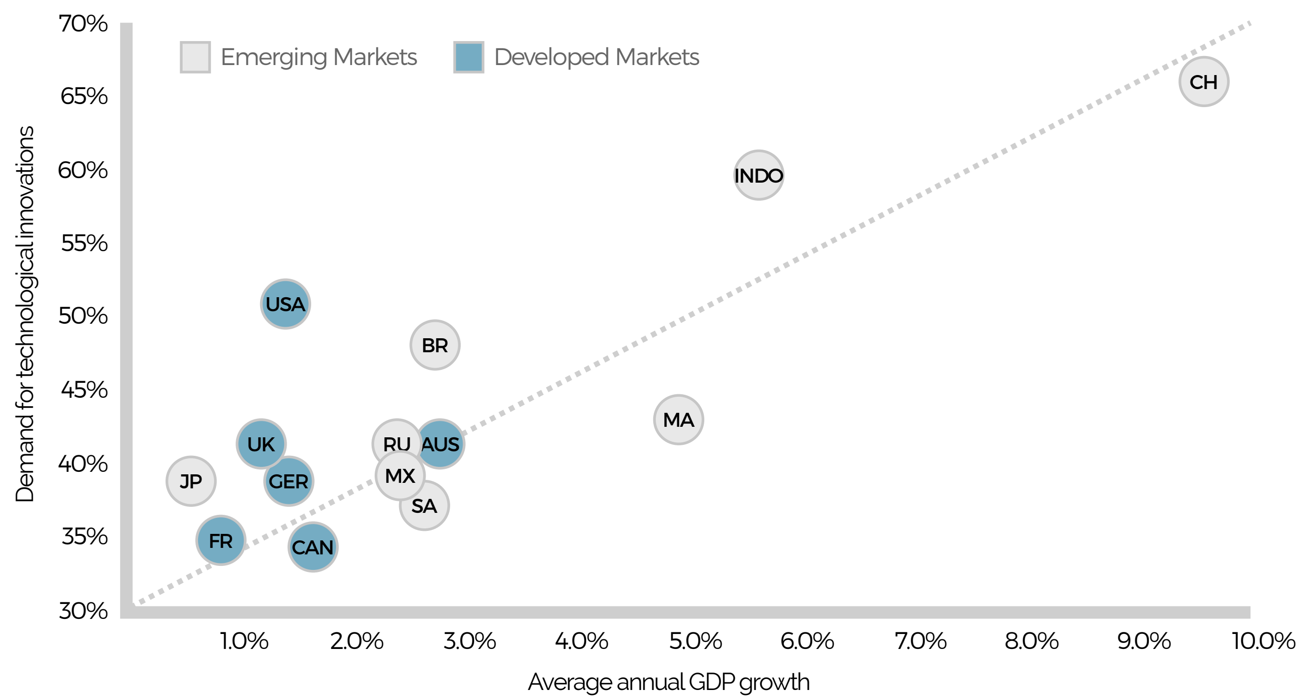
Last year’s report looked at the exigent role that auto-underwriting has to play in completion, a subject also explored at length in *Pathways to Purchase*[1]. This year, we broaden our perspective to take in the whole customer journey, looking especially at advice and claims. Claims, after all, is the intersection between promise and fulfilment.

[1] See *Pathways to Purchase* (SCOR Global Life, Sept. 2016)

ATTITUDES TO AUTOMATION – GROWTH BEFORE AGE

To discuss attitudes to automation in this context is to refer to the confluence of two centres of mistrust – technology and the insurance industry. Bringing the two together has the potential to multiply the trust deficit. To slow down and even reverse this accelerated mistrust, insurers must tread with caution. Entering into partnerships with more trusted, non-insurance platforms and providers is an ever more fashionable approach, often shortening time to market and managing cost and risk. It calls for carefully considered solutions that break down the benefits of automation, beyond a superficial celebration of tech as a panacea.

It would be easy to assume that generational contexts shape customer attitudes to technology, automation and privacy – for instance, that Millennials are naturally supportive of technological change. However, this would be yet another simplistic assumption akin to that identified in Theme One which ascribes tech-first channel preferences to Millennials. Our analysis reveals that attitudes to automation and privacy are more strongly correlated to historic GDP growth rates in each market than to generational cohorts (see Figure 14).



Q: Would you trust an automated advice service more or less than a human financial adviser?
Q: Would you trust an automated claims service more or less than a human financial adviser?

Figure 14: Correlation between economic growth and demand for technology innovations

High-growth emerging markets have a stronger positive perception of technology as would be expected given its links to wealth and job creation. In developed markets, by contrast, customers tend to associate technology with uncertainty and job insecurity, resulting in a more cautious attitude. Japan, for example, has the highest potential for automation globally, according to research by Harvard Business Review[2]. Fear of redundancy, therefore, could explain why the world leader in robotics is so anti-automation.

[2] Harvard Business Review, *The countries most (and least) likely to be affected by automation*

SHARING IN TRUST

It is no coincidence that comprehensively regulated markets, such as Germany, have the lowest apparent consumer demand for automation – effective regulation comforts the customer, supporting trust in the transparency and impartiality of human advice. By contrast, looser regulation means automated solutions are often considered a more trusted alternative to human advice. Cross-referencing our survey data with global transparency scores consolidates the trend of "the West against the rest" (Figure 15). Transparency scores are so low for the likes of Russia, Mexico and Malaysia that removing the human element in favour of automation can only improve the trust issue.

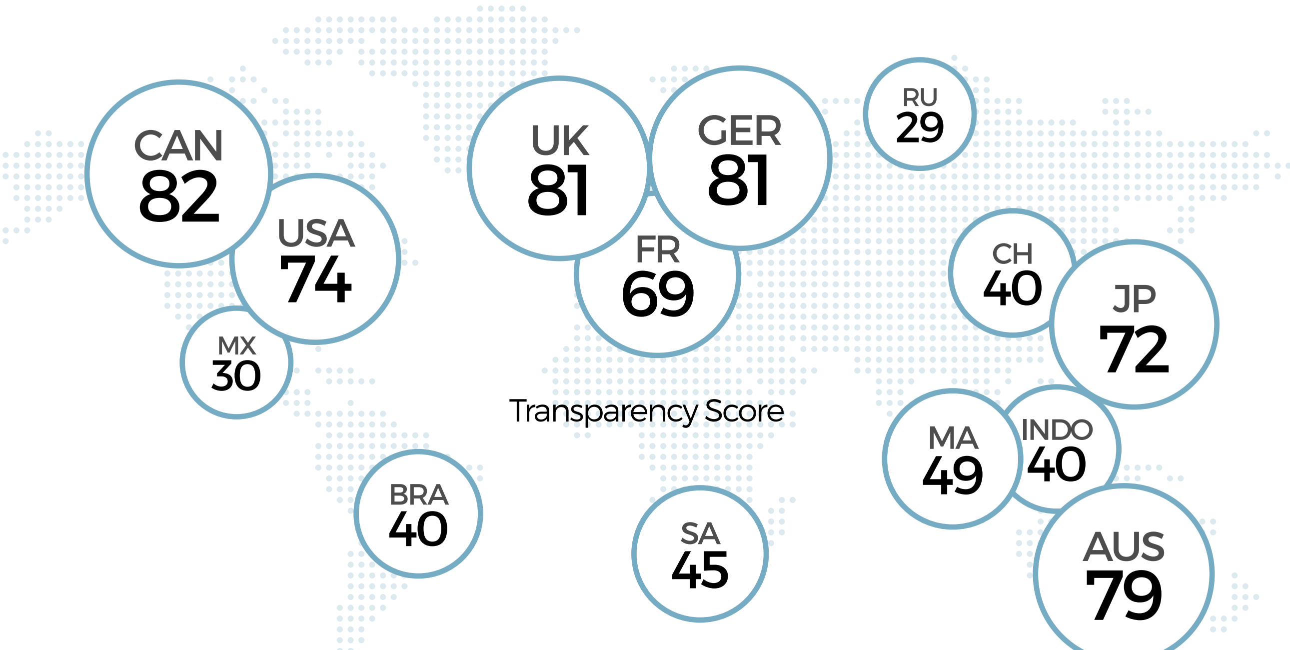
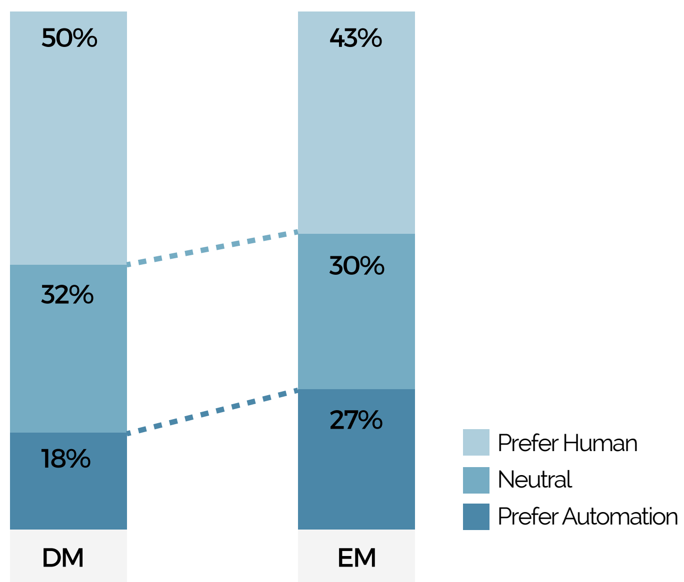


Figure 15: Transparency International – Corruption Perceptions Index

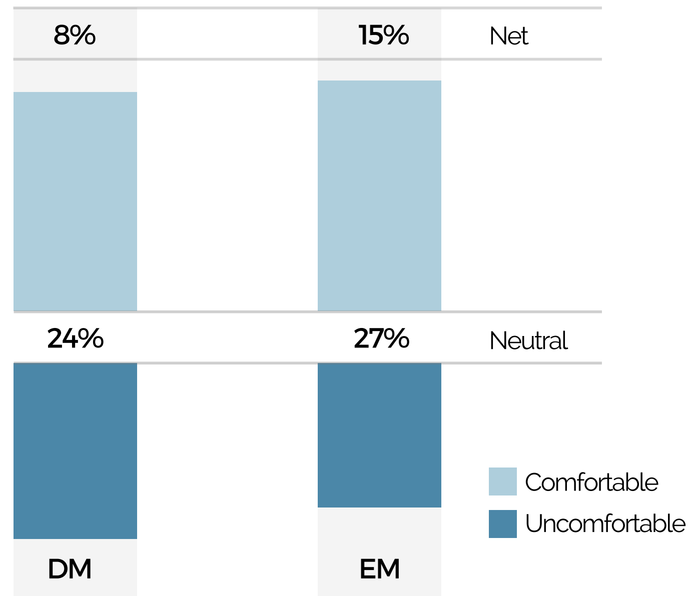
As well as being more open to considering automated advice (Figure 16), emerging markets are also more willing to share financial data (Figure 17). Lack of regulation and an atmosphere of mistrust help to explain the openness to automated advice. As for attitudes to sharing data, the media-driven malaise around hacking in developed markets ensures that privacy is at the forefront of the collective awareness – and suspicion prevails[3]. Ransomware attacks (e.g. the WannaCry virus which affected over 150 countries) will only fuel the existing lack of trust.



Q: Would you trust an automated advice service more or less than a human financial adviser?

Figure 16: Customer attitudes towards advice automation, developed versus emerging markets

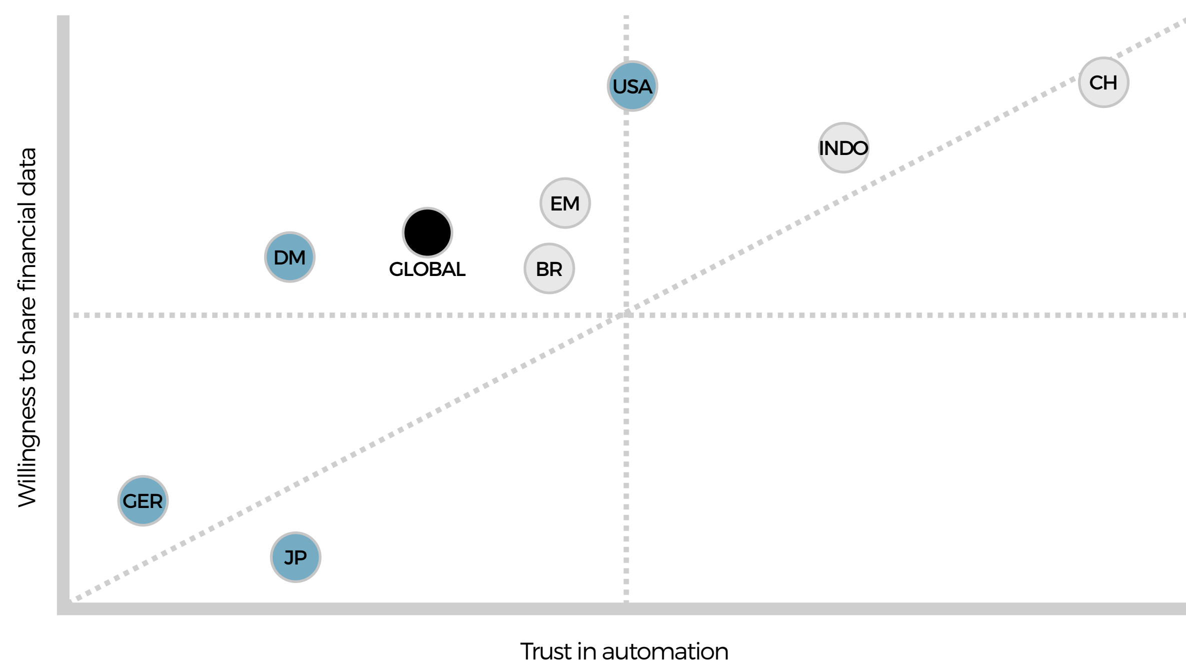
[3] For insight into divergent attitudes on privacy between Germany and America, refer to Germany's cryptic debate on data and privacy, U.S. News.



Q: How comfortable would you be sharing the following type (financial) of data with a life insurance company?

Figure 17: Customer willingness to share financial data, developed versus emerging markets

There is one notable exception to the general market dichotomy. The US, long regarded as one of the world's most developed economies, is more aligned with emerging market attitudes, bucking the trend of its developed market peers (Figure 18). This finding is intuitive: as the global home of technology innovation, Silicon Valley has exported the benefits of these innovations to the world. By contrast, in markets such as Germany and Japan, where more conservative attitudes prevail, insurers need to work harder to drive tech-enabled innovation.



Q: How comfortable would you be sharing the following type (financial) of data with a life insurance company?

Figure 18: Automation versus willingness to share data, selected markets

SOLUTIONS FOR A DIVERSITY OF DRIVERS

Despite this, across all markets, our findings favour a certain level of automation around financial advice and claims. The drivers of adoption, however, are different. In developed markets, affordability is a primary reason for not seeking advice (see Figure 19) and there is an expectation that automated advice will reduce costs. In emerging markets, on the other hand, our research suggests that customers have concerns about the reliability of advisers, which may be a result of a less regulated environment.

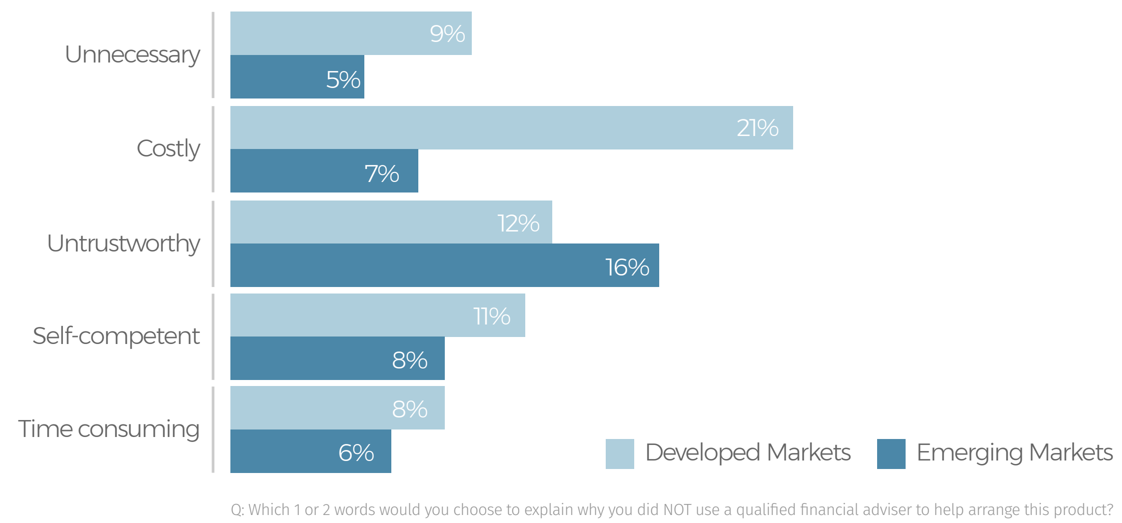


Figure 19: Reasons for not using an adviser, developed versus emerging markets, for customers who prefer automation

However, human advice and an automated customer journey are not mutually exclusive. While automation of administration and data sharing makes sense, the deployment of automation should not entirely negate the human component – most customers prefer access to human support should they want it. Automation can ease trust and affordability issues in both emerging and developed markets, yet only a tiny minority think an adviser is absolutely unnecessary (Figure 19). While pure digital journeys may be efficient, traditional channels cannot be relegated to the dustbin of history if volume requirements are to be met. This calls for a hybrid approach, with the customer being the ultimate arbiter.

LOUDLY CLAIMING ADVISER VALUE

The results of our survey indicate an interesting area where adviser value is clearly understated – at claim. Having discussed the value of guidance during the buying process in our 2015 Global Consumer Study, this year we look at the value of guidance during the claims process.

Paying claims in many respects *is* the contract between the insurer and the customer. Given how critical this is, it is worthwhile looking beyond a singular focus on the drivers of new business. While headline customer feedback on claims is generally positive (Figure 20), a meaningful 10% of claimants in our study complained that their claim had been rejected. Unfortunately, dissatisfied customers shout loudest and are more likely to vent their frustration on social media. Obviously, the challenge for the industry is to market positive outcomes and create customer advocates to counter this minority of dissatisfied customers.

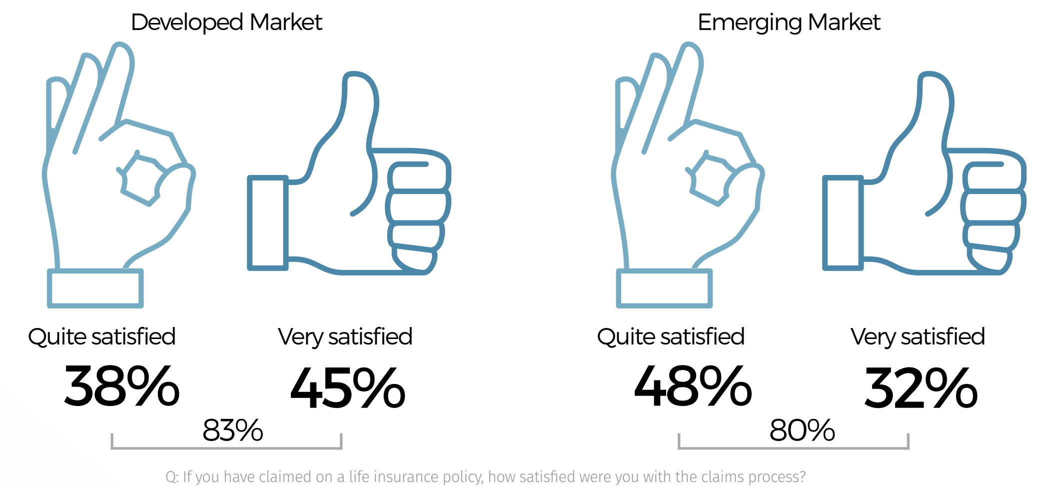


Figure 20: Satisfaction with claims process

Furthermore, time taken to pay is the most frequent frustration across all channels and markets (Figure 21). Unsurprisingly for a generation trained to expect instant gratification, this issue is most acute amongst the albeit small number of Millennials who have claimed on their policy. More optimistically, the frustration with time taken reinforces the argument for a more automated service. Automation would also ease some of the other claims frustrations — for example, it may remove the perception that a human is making an arbitrary judgement. Certainly, the necessary process reviews preceding an effective tech deployment should ameliorate any difficulty in the application process. What will need more care is any adjudication element to the automation. Customer concerns around sensitivity, understanding and empathy are unlikely to be addressed by automation.

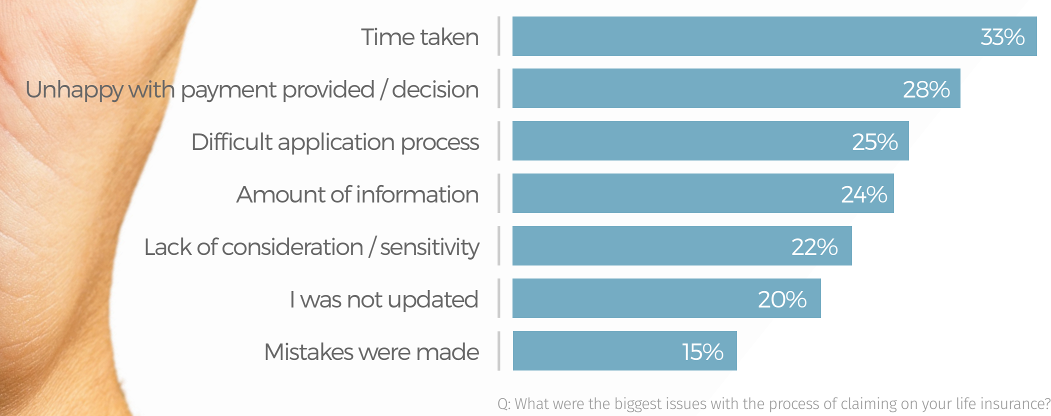
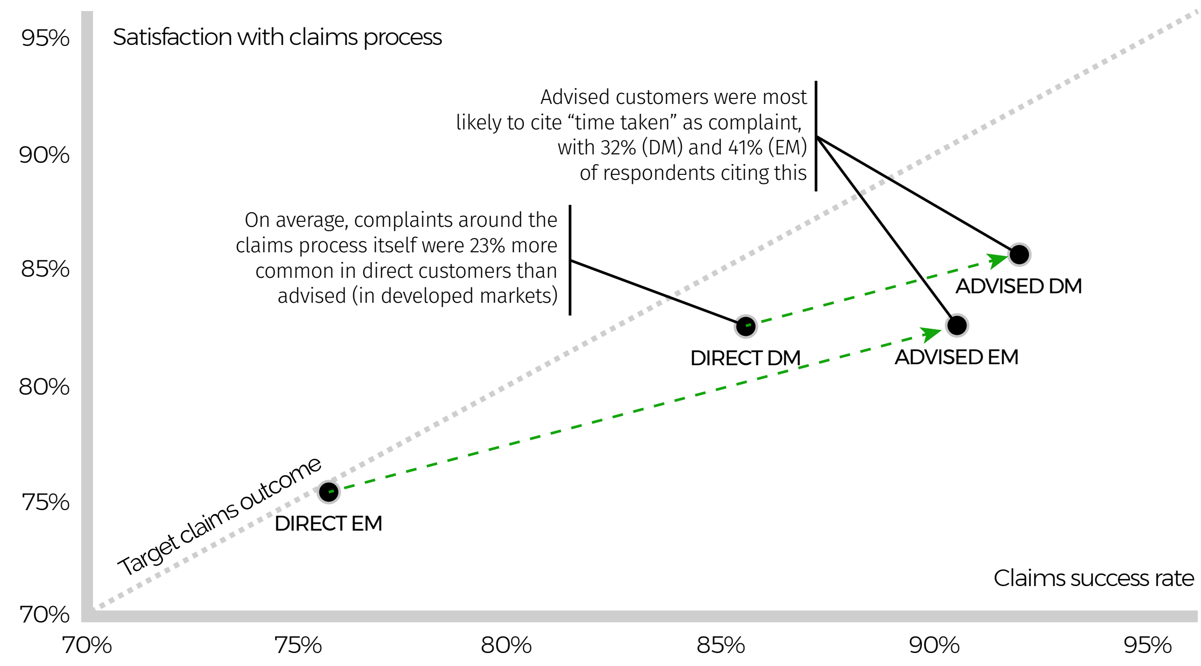


Figure 21: Issues with the claims process

Figure 22 highlights that claims satisfaction and success rates are higher if the customer has been advised. The significantly lower claims success rates on direct channels in emerging markets signal a serious regulatory challenge for the industry as products are clearly either being mis-sold and/or (more likely) misunderstood – and re-emphasises the case for underwriting upfront rather than at the point of claim. Despite this demonstration of adviser value in both developed and emerging markets, only a tiny minority of customers mention the adviser's role in claims as the primary reason they seek advice. Yet advisers remove much of the friction and stress, fighting hard for payouts and managing customer expectations upfront and around when to claim.

Better communication of these benefits could bolster prevailing views of adviser value.



Q: Have you ever claimed on a life insurance policy?
Q: If you have claimed on a life insurance policy, how satisfied were you with the claims process?

Figure 22: Claims paid versus satisfaction with the claims process, by region and channel

HERE COME THE ROBOTS

Automation reduces costs for the insurer and makes processes quicker and less tedious for the customer. However, all-out automation is not yet the smartest way to engage consumers. In a recent Accenture report, 61% of consumers said they would still want human advice for complex financial products[4]. "Phygital" interaction – a seamless blend of human and artificial intelligence – offers the right fusion to help insurers meet the challenge of contemporary customer expectations. Examples of hybrid human and auto advice models abound; even Betterment, conceived as a robo-advice platform, now offers human advisers[5].

As we recognised last year, some customers are never going to be happy. This is inevitable in the sensitive business of life insurance. What we can do, however, is work to address *systemic* customer unhappiness.

[4] Accenture, *Seven out of ten consumers globally welcome robo-advice*
[5] MarketWatch, *Robo advisers are picking up human advisers for clients*

I AM DATA

Besides delivering experiences which meet customer expectations at a lower cost and with greater efficiency, new touchpoints along the whole insurance chain pave the way for exponential improvement. If claims, advice and underwriting are all accelerated by better use of technology, data can be captured at every point in the customer journey. This omnipresent insight provides greater scope for ever more joined-up behavioural modelling, enabling more seamless and personalised lifestyle services and propositions.

IMPLICATIONS

ADVICE GUIDES CHOICE

Life insurance is not high on a consumer's list of competing priorities, but there are ways to ensure a proposition stands out as the obvious choice. One is to focus on the architecture of the product structure and presentation, which we examine in more detail in Theme Four. Another is to better communicate the value-add of the adviser in guiding the customer to the choice that is right for them.

AUTOMATION AND TRADITIONAL ADVICE ARE FRIEND, NOT FOE

Automation and human advice can work together for a better customer experience. For complex financial decisions, customers still overwhelmingly rely on human support. An HSBC report found that people are twice as likely to trust a robot heart surgeon than they would a robot bank clerk[6]. As a consequence, automation will be most effectively applied when conceived and considered as part of an advised process.

MESSAGING AND PARTNERING FOR TRUST

Trust-focused messaging needs to be adapted for different markets and generational segments to realise the promise of technology. Entering into partnerships with trusted, non-insurance platforms is a means of earning customer trust. As we will see in the following theme, flexibility as a core part of the product structure also works to ease doubt, and automation enables this flexibility.

[6] 14% of customers would trust a robot to perform heart surgery while only 7% would trust a robot to open a bank savings account. See *"Rise of the technophobe – education key to tech adoption, says HSBC"*, The Financial Brand.

THEME FOUR

FREEDOM TO CHOOSE

Our final theme explores customer choice and demand for product features. Last year's report elucidated the crucial difference between value and cost – the prevalence of the citation "expensive" in our customer feedback is a reflection of poor customer perceptions of the value of life insurance, especially in developed markets. 2016's "crisis of value" naturally extends into this year's challenge of understanding what the various generational cohorts *actually* value. With the emergence of *Generation Rent* – who borrow rather than buy and value experiences over assets – context of needs, value and hence affordability is changing.

THE CONSEQUENCES OF COMMODITISATION

Regulatory change, coupled with the growing trend of disintermediation, has commoditised personal insurance lines in developed markets. The reductive practice of price-based comparison (e.g. online aggregators) has exacerbated the situation where price stands alone as the key differentiator. Unbundling life products can strip out the value and service components, with the resulting commoditisation reminiscent of airline price wars. A not dissimilar trend is occurring in the life industry where aggressive pricing has led industry experts to envisage a dismal future which revolves entirely around price[1].

VALUE IS IN THE EYE OF THE BEHOLDER

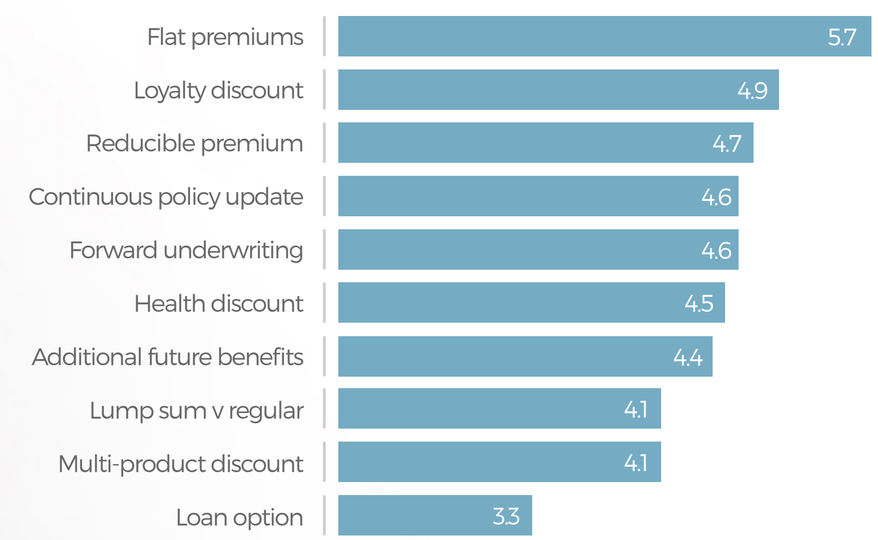
Asked to rank a range of product features, customer preferences align with this biopsy of commoditisation. There is limited demand for specific features and an underlying concern that customers are overpaying for bells and whistles. This certainly demands closer examination in future studies.

As evidenced by Figures 23 and 24, demand for flat premiums is consistently the most desired product feature across markets and generations. Once again, market and channel context informs attitudes; for instance, demand for flat premiums is highest in Australia, a market with a history of stepped premium payments being the norm. Consequently, both Millennials and Boomers value this feature more in Australia than the developed market average.

[1] Raconteur, *Future of Insurance 2016*

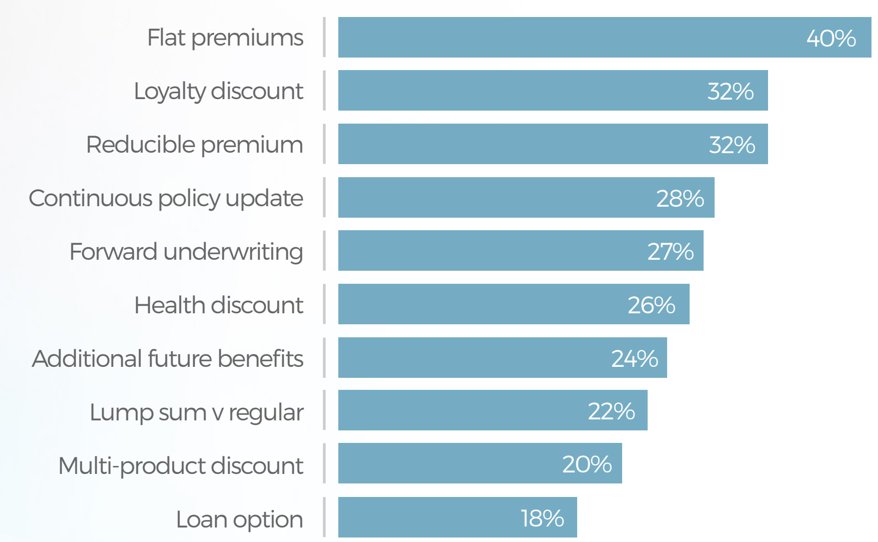
Beyond this interest in fixed premiums, customer demand for other features is underwhelming. Those surveyed rated all features below 6 out of 10 on average in terms of desirability (Figure 23). And when it comes to paying for extra features, even where desirability was relatively high, response is even more tepid (Figure 24).

A surface reading of these findings would suggest that life insurers should focus on price at the expense of product innovation. However, as we saw in last year's report, customers tend to conflate perceptions of cost and value – "expensive" is as likely to be a value judgement as it is an affordability issue. Just as advisers must demonstrate their value to customers, so insurers must better demonstrate the benefits of their product features. To communicate real value, the reductive cycle of aggressive pricing needs to be broken.



Q: Which of the following life insurance product features would you want most in your life insurance cover?

Figure 23: Demand for life insurance product features



Q: For which of these features would you pay a higher premium?

Figure 24: Willingness to pay a price premium

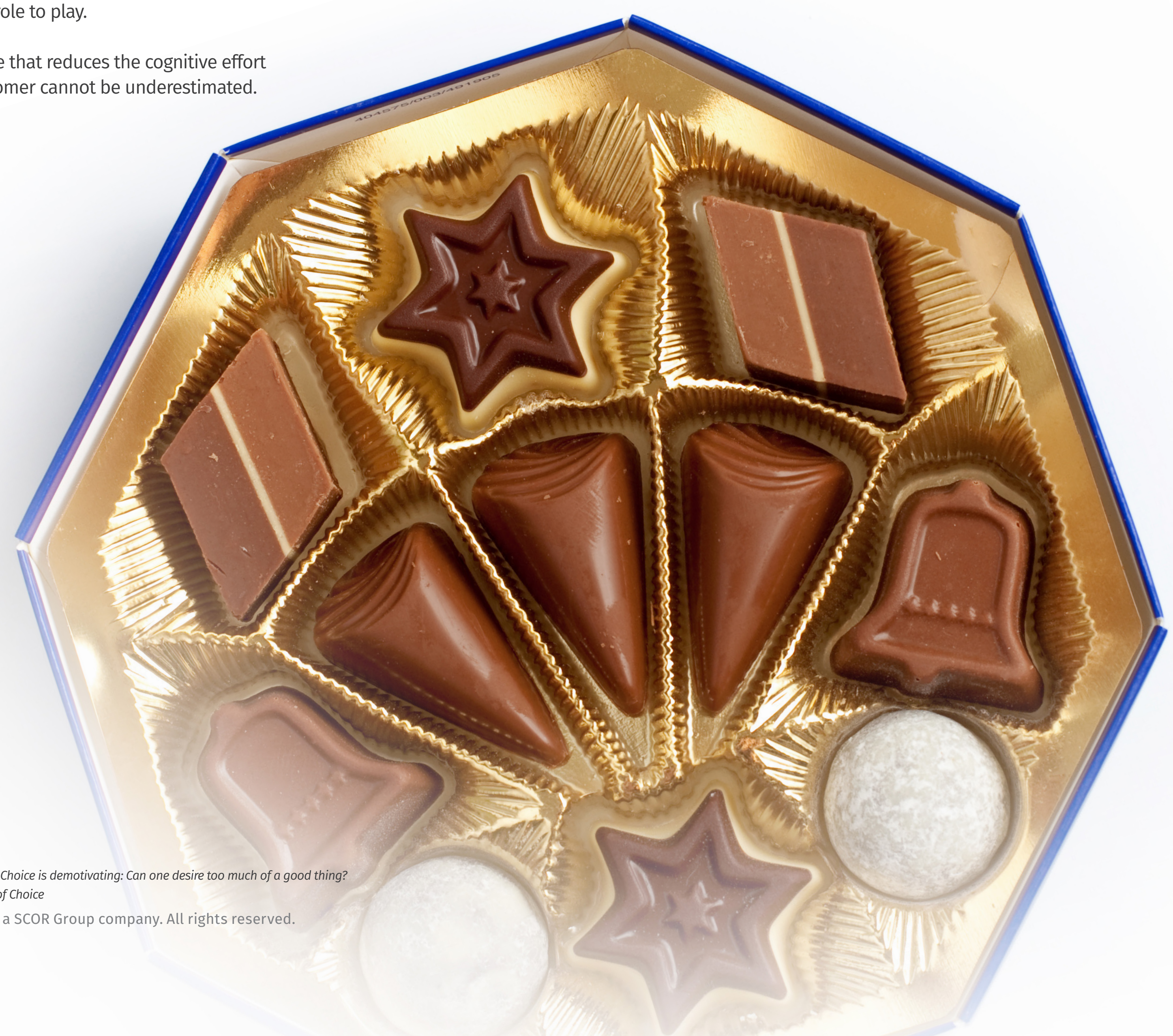
REDUCING THE COGNITIVE BURDEN – LEARNING TO FEEL

Messaging which presents a policy as the cheapest is ultimately unsustainable. To differentiate, insurers need to underline the benefits of specific features, whether they are add-ons or already embedded in the product, in order to enhance value perceptions. To positively reframe options in an empowering way, the choice architecture is key. This means it is vital to strike the balance between a tailored, relevant offering and what behavioural economists refer to as "choice overload".

The more complex the options presented to an individual, the more likely heuristics are to kick in and act as mental shortcut[2]. Rather than shackling customers with too much choice, insurers need to make their products and propositions the easy, most relevant choice by design. There needs to be just enough choice to make customers feel empowered, but not so much that it becomes a cognitive burden, in other words a "tyranny of choice"[3]. It is clear that advice has a critical role to play.

The value of a service that reduces the cognitive effort required by the customer cannot be underestimated. For example, almost a third of customers would pay a higher premium for continuous policy updates. Looking at the features for which people in our survey would be most willing to pay more, a theme emerges. Loyalty and health discounts, continuous policy updates, additional future benefits – inherent to all of these is flexibility. Not only do customers understand that there will be changes to their product, a considerable proportion are actually willing to pay for these changes.

Flexibility as an integral part of the product is more valuable to customers than the up- and cross-selling of different features – even if "free" – and eases the decision process required to enter into a long-term arrangement. As we touched on in the previous theme, it is automation that facilitates this flexibility.



[2] Iyengar, S. & Lepper, M., *When Choice is demotivating: Can one desire too much of a good thing?*
[3] Schwartz, Barry, *The Paradox of Choice*

LOYALTY ROYALTIES AND HEALTH AS WEALTH

Flat premiums aside, there is significant generational variation in preferred product features. Millennials are notably more interested in health discounts and continuous policy updates while Generation X and Boomers value loyalty discounts and forward underwriting.

These differences are intuitive, and indicate good understanding on the part of the customer of the features which complement their life stage. Boomers have a track record of reciprocated loyalty with their employers, such as long service in return for defined benefit pensions. Millennials, on the other hand, are much more likely to have portfolio careers, switching between employers and even industries with greater frequency. These disparities dictate that while the core offering can be the same, differentiation around the edges can satisfy varying generational preferences. Such differentiation hinges upon the effective interplay of channel and platform economics.

As far as health is concerned, Millennials and Boomers appear to have very distinct definitions. Boomers define health traditionally as the absence of illness; for Millennials, it is far more than this, encompassing a much broader definition of mental wellbeing and fulfilment – it is a way of living. The lifestyle could be likened, amongst its core affiliates, to a modern "religion", replete with its catechism of hashtags such as *#eatclean* and *#cardio* – and the gym as a contemporary place of worship. Although not all Millennials subscribe to this cult, the definition of health has undeniably shifted from a negative one (the absence of illness) to a positive one (a way of life). Understanding and embracing this attitude towards health and embedding it firmly within their product offering will help insurers find a path to relevance.

This change presents a welcome paradox; generational trends have shifted life insurance triggers from positive events (marriage, children, property purchase) to negative motivators (fear of debt, illness, redundancy). In this context, life insurers are presented with the unprecedented opportunity to move away from negative messaging, to the positive business of encouraging and rewarding behavioural change. The savings people make from daily commitment to healthier habits can mean the insurance part pays for itself. It's somewhat ironic that from ReMark's origins of offering "free" Accidental Death insurance, we are now looking at "free" life insurance. In a world of scarcity, we shared risk; in today's world of abundance, we have the opportunity to share value.

IMPLICATIONS

THE CHOICE BETWEEN EMPOWERING AND OVERWHELMING

The advice proposition and choice architecture become key in the marketing of product options and features i.e. how a product is structured, and how it is presented. One approach may be to provide a limited set of default options, but offer the customer the option of considering other preferences if desired[4]. If that sounds easy to do, why are most failing to do so effectively?

FROM RISK TO REWARD

Millennials and the "wealthy well" amongst Generation X define health in a positive way, and healthy living is often a characteristic of contemporary, cosmopolitan life. The insurer needs to evolve from negative risk management to explore a positive way of rewarding and fostering a healthy lifestyle while at the same time being a trusted benefactor in times of need.

LET THEM EAT CHOICE

A packaged approach can make pricing opaque for the customer. To fight the image of the insurer as wilfully perplexing the customer with complex policy terms and conditions, it should be transparent what price is deducted when a specific feature is rejected and vice versa. This aids the customer's understanding while also providing the insurer with a clearer indication of what customers like and don't like – insight which can be applied to adapt future propositions.

BEYOND JARGON

To complement pricing transparency, customer messaging should be geared towards better explaining the value of a product rather than merely relaying industry jargon. Does the average customer even understand what continuous policy update actually means, for example? Through more customer-friendly explanations, there is an opportunity here for the insurer to bring the customer into the conversation and make features like this a choice. It is a touchpoint where the adviser can engage the customer in a discussion about value, reinforcing the adviser's effectiveness.

VARIETY IS THE SPICE OF LIFE

Customers demand flexibility as an inherent part of contemporary products, and are open to future fluctuations and features depending on their experience. This supports an insurance of the future where rating is enhanced to include attitudinal and behavioural elements rather than a customer buying an immutable policy that they stick with for decades. Continuous underwriting is certainly drumming up industry interest; the ability to reconfigure policies in response to a customer's actual behaviour, chimes with the desire for lifestyle-based protection.

[4] Johnson, E.J. et al., *Beyond nudges: Tools of a choice architecture*

CONCLUSION

THE COURAGE TO DARE

Countless articles continue to herald a wave of disruption for the financial services sector. But there is an argument to be made that the earthquake has already hit. The digitisation of the customer journey was that quake.

The real threat, as with all quakes, is the aftershock. For the insurance industry, already weakened foundations are threatened by a tsunami of heightened customer expectations, fuelled by mobile technology, cognitive computing and an API economy.

The culture has shifted. We are now in the post-disruption lag period, when deep seated change actually takes place. In other words, when industry catches up with culture.

The life industry must address the challenge of adapting to a Millennial mindset. This means taking a forensic approach to behavioural and attitudinal data in order to understand and act upon today's customer life stage journey, the chronology and constitution of which vary markedly from previous generations.

So what is the future of Life in a world where life insurance is no longer a rite of passage?

Seen through an attitudinal lens, protection for healthy lifestyles would appear to be the most promising answer for insurers seeking customer engagement. E-health solutions enable daily engagement and present a platform for products to be woven into daily life with relevant advice to make tangible the promise of protection – through prevention first.

Automation enables these broader health and wellness propositions, but success hinges upon the sharing of data. Trust remains an issue and customers are yet to be 100% convinced of the value of the data exchange. To demonstrate that this is a mutually beneficial exchange, the right alchemy of human and artificial intelligence is required.

THE THRILL OF THE RIDE

With customers now firmly in the driving seat, insurers that fail to respond adequately will be left in the dirt. To complement the nature of wellness propositions, flexibility must become an inherent part of the product architecture. This dynamic model points to a future where desired behaviours are rewarded, and the term "life" insurance adopts a much truer meaning.

Life insurance in its traditional, linear, lump-sum guise is fast becoming irrelevant. Today, customers are attracted to benefits for living. Nothing short of a re-imagination of life services is required. And this must be forged in the crucible of customer demand. Because attitudes matter. Attitudes change. And a new attitude to life insurance is coming of age.

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ReMark	Velogica	rehalto
ReMark, the world leader in alternative and direct distribution.	Velogica and its state-of-the-art global underwriting solutions suite.	Rehalto, European pioneers in workplace wellbeing.

SCOR Global Distribution Solutions presents 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, data analytics and financial solutions.

We operate throughout the value chain and in a diverse range of market segments, including Bancassurance, traditional Life & Health, Takaful, Banking and Affinity groups.

This report has been produced to add to the industry debate and generate conversation to help reshape the insurance marketplace.

If you would like to talk to us about the insights in this research, we are keen to hear from you.

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Global Consumer Study 2017