You can't always get what you want

Generating a perception of need for life insurance across the globe.

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Last year we challenged the industry to see products and services through the eyes of its customers.

This year we challenge the industry to rebuild the trust that has been eroded between the insurer and the customer.

ReMark
Maximum Value Creation

Contents

This year's Global Consumer Study (GCS) is all about trust – the lack of it, the need for it and the importance of better engagement in fostering it.

Our research finds that innovative, even counter-intuitive, messaging and a genuine commitment to enhanced, more frequent engagement are crucial to repair the eroded trust between the insurer and the customer.

The industry would be deluding itself if it were to assume that customers see life insurance, in commercial terms, as a *want*; the contract between provider and customer has historically been based on a mutual, if grudging, understanding of *need*. For the industry to survive, it must address poor customer perceptions of value – customers should be encouraged not just to appreciate, but to *feel* that need.

This year's study raised some surprising findings on brand. We have chosen not to treat brand as a theme since our results call for yet further probing – our research is, after all, a cumulative, living process. However, as brand is emblematic of the proposition, it is intimately bound up with trust and thus perfect fodder for our Epilogue.

The four themes of this study present complementary opportunities to enhance customer engagement and build trust – from automated underwriting to wellness and wearables.

Executive Summary

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This is ReMark's third Global Consumer Study (GCS) and is presented with insights from Cass Business School. 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.

Key Themes

1. A crisis of value and a deficit of trust

Our research finds a deep level of cynicism about insurance. Even where this is absent, there is a lack of conviction in its relevance. Fixing this is a long term project involving investment in value propositions, incentives and brands. We contend that the industry must assume greater responsibility for transparent and innovative communication with its customers – for trust to exist, it must be mutually engendered.

2. The value of experience

This research highlights a bigger theme about the lack of customer understanding of insurance in general, and underwriting in particular. Failure to implement and communicate the benefits of effective automation will leave the industry susceptible to disruption. We explore opportunities to build customer understanding – and trust – through better marketing, education and engagement strategies.

3. The product paradox – needing to want; wanting to need

Our research finds that purchasing behaviour does not align with customer prioritisation and value perceptions. There is room for product innovation in the disconnects between customer expectations and their actual experience. While it is true that customers can't always get what they want, they also often do not actually know what they want.

4. Wearing wellness on our sleeve

The key insight from our research into the mix of wearable and wellness initiatives is that this type of product innovation can drive significantly higher engagement, improve customer experience and enhance product economics. While these results are not uniform across demographics and regions, targeted, well-executed innovation is already proving itself in this space. Wearable devices can ultimately support a revolution of insurer propositions rather than merely being the customer selection tools of today.

The brief Epilogue outlines our most interesting findings on brand. In short, brand is inextricably bound up with trust.

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

About this research

This research is based on online interviews with 8,000 insurance consumers across 14 key life markets with fieldwork conducted in 2016. The sample and methodology complies with best practice for each market based on a nationally representative set of demographic and economic parameters.

Breakdown of customer study sample by region

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.

Key Themes

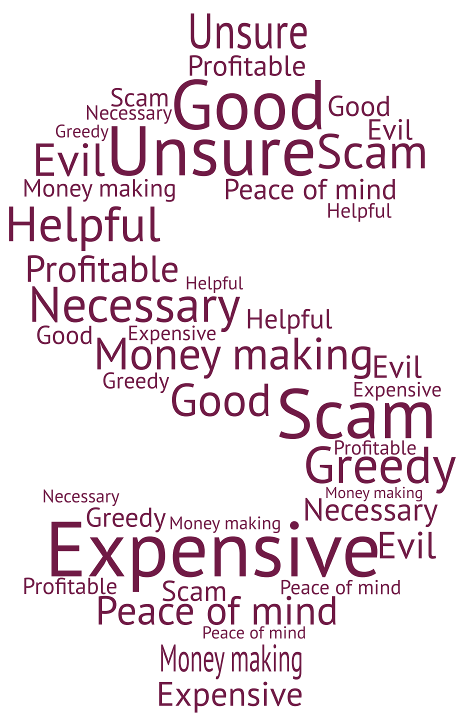
Theme One: A crisis of value and a deficit of trust

Identifying insurance as a "need" alone will not persuade the majority of customers of the value of the existing proposition

You can't always get what you want recognises that, while most customers will probably never *want* life insurance, the industry must work harder to make customers feel the *need* for protection. This year's study explores prevailing customer perceptions of life insurance – there remains significant distance to cover if the industry is to convince customers of the value, ergo the necessity, of the proposition.

What is clear is that industry-generated demand creation efforts, such as the relentless emphasis on protection gaps, simply have not resonated with customers in a way that has driven desired sales. Our research indicates that trying to force the issue in this way has probably had the corollary effect of eroding "trust" in the life insurance proposition.

Figure 1: Customer one-word descriptions of life insurers, developed markets



Issue 1: The trust deficit in developed markets

As results of previous studies have shown, measuring consumer trust can be unreliable due to the subjective nature of the response. Consequentially, this year, we elected to use weighted visualisations in an attempt to draw instinctive and immediate reactions.

And the results from developed markets are challenging to say the least.

What this exercise demonstrates is that there are undeniable "trust issues." The core problem seems less a lack of trust in the institution and more a lack of trust in the proposition. Understanding this nuance is key if the industry is to overcome the issue. For, without conviction and confidence in the promise underpinning a life insurance policy, there is little hope of establishing a perceived need for protection. The prominence of the word "expensive" in Figure 1 is an illustrative example of prevailing consumer perceptions of value, or rather lack thereof. This has obvious implications from both a new business and a customer retention perspective.

Of even greater concern, are the frequently cited pejoratives, such as "scam" and "money-making", indicating a more acute disconnect between provider intention and customer perception. To correct this, a multi-pronged effort is required to convince the customer of a meaningful need for protection, not least by communicating a sense of value and relevance so notably absent from many current product demand-creation attempts. It is simply not enough to rely on a rationed logic of need.

And here we see an immediate dichotomy between developed and developing markets. The level of mistrust is considerably more pronounced in developed markets versus the relatively positive citations in emerging markets (Figure 2).

Figure 2: Customer one-word descriptions of life insurers, emerging markets

The negative results in developed markets are primarily (but not exclusively) linked to the following factors:

- Higher customer awareness of life insurance negatives such as distributor costs and mis-selling (e.g. PPI scandals in the UK)
- Higher service expectations formed by experience with other consumer services driven by the API economy (e.g. Uber and Airbnb)
- Lower customer demand for life insurance due to larger state safety nets
- Higher levels of aggregated savings which are perceived to act as a back-stop in periods of financial dislocation

All of the above is amplified through social and other media platforms in a manner which was unknown in the past.

In the "age of indignation" when vilifying financial institutions makes for easy virtue-signalling, some of these trends may seem hard to reverse. In response, however, it is essential to defend the virtue of the industry in novel ways via the same channels through which it is being attacked. Failure to do so challenges the future of life insurers in developed markets, especially in an environment where no industry is immune from disruption.

While customer dissatisfaction is not limited to the life insurance industry – adjacent financial services businesses, such as banks, also score poorly on engagement and trust metrics – it is perhaps more acute. This is because the need for banking services, for example, is self-evident to almost every consumer, whereas it is harder to convince customers of the relevance of a promise to protect. This is the industry's "burning platform" – improvements in customer engagement, experience and trust are key to extinguishing it.

> *It is harder to convince customers of a promise to protect – this is the industry's burning platform*

Issue 2: Many customers do not feel the need for life insurance

Hundreds of years of experience has informed the insurance industry that very few customers *want* life insurance. What has sustained the contract between the life insurer and the policyholder, however, has been a mutual understanding, albeit begrudging, of the *need* for protection. In other words, it has been the tenure of a social norm that understands insurance less as a *thing*, and more as a thing *to do*.

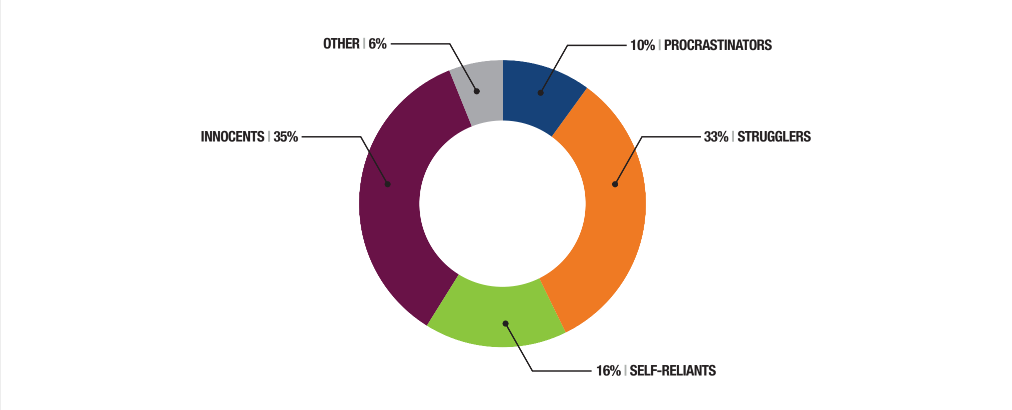
In an era of general "demand deficit", this contract has been eroded by a lack of trust – in the sense of a lack of conviction – in the proposition, leaving many customers with a limp perception of need.

Figure 3 examines four categories of consumer attitudes to the life insurance buying decision:

1. **Procrastinators: 10%** of customers appreciate the need for cover but have no real sense of urgency compelling them to purchase.

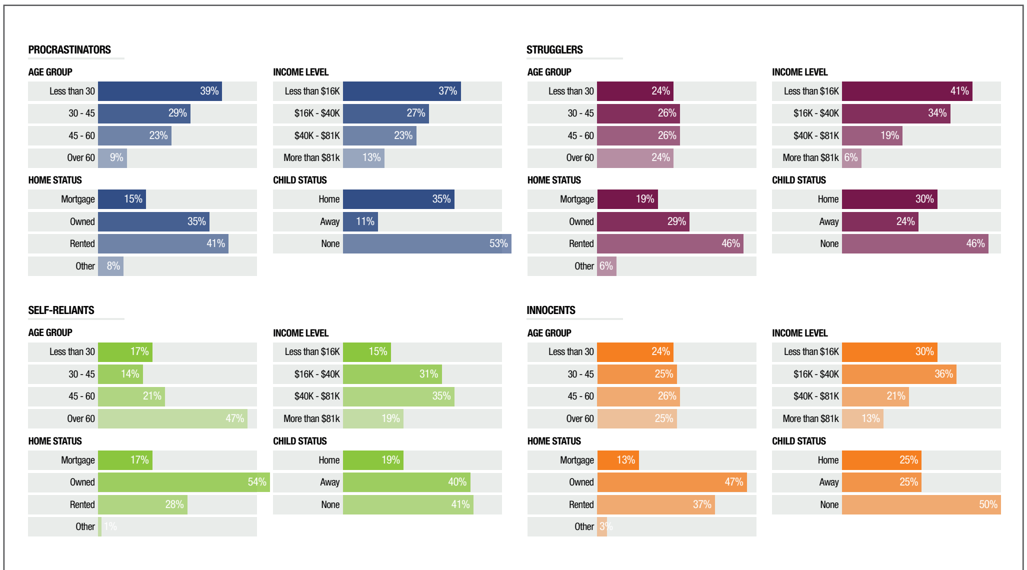
   The fact that the *Procrastinator* skews younger confirms that they feel that time

Figure 3: Reasons for customers not buying life insurance



Q. What are the reasons you currently do not have any life insurance products?

Figure 4: Segment characteristics



Q. What are the reasons you currently do not have any life insurance products?

is on their side when it comes to arranging life cover. However, an exigent proportion of these customers have young children or property debt (see Figure 4), traditional indicators of a "need" for life insurance.

Our research shows that the *Procrastinator* profile is highly prevalent in Asian markets, most notably Japan (see Figure 5). It is unlikely that supply side constraints are an issue in this market, but rather that this is a manifestation of a culture of considered decision making (as evidenced by low lapse rates for those who do eventually purchase).

The unifying feature of this segment is that a level of demand has already been established. The challenge is to stimulate this demand to action via appropriate messaging and contemporary fulfillment. It means simplifying the Pathway to Purchase.*

A greater emphasis on social norm theory ("people like you") coupled with tangible benefits (e.g. affordability for younger customers) may be more effective in driving the urgency required than traditional needs based messaging. The ReMark experience with the *Procrastinator* segment in direct to consumer environments would seem to

* See *Pathways to Purchase: Underwriting, automation and the customer journey,* (SCOR Global Life, Sept. 2016)

support this. The challenge is how to infuse this type of messaging into traditional agent and broker channels.

2. **Strugglers: 33%** do not own insurance because they believe they cannot afford cover – these concerns are prevalent across all markets and demographic cohorts.

   Again, many of these customers have dependents or mortgage debt suggestive of life insurance needs. Unsurprisingly, a large number have below average incomes. However, as insurance is more affordable than most customers expect (especially at younger ages), this indicates a lack of perceived value/conviction in the proposition.

   The *Strugglers* do not make for good DIY prospects. Our findings suggest that the *Strugglers* may respond more positively to information regarding actual product pricing, rather than relying on their own assumptions.

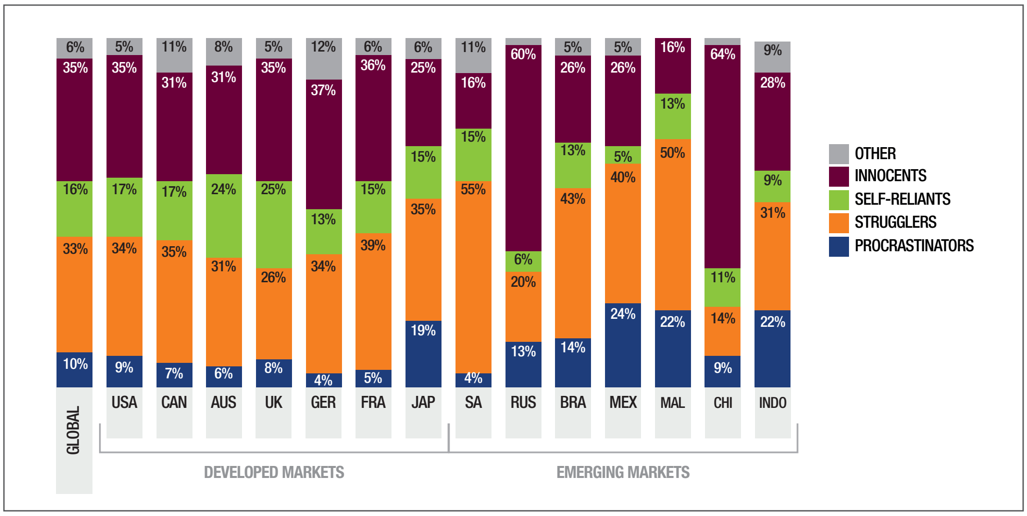
   Value perceptions could be further enhanced by the marketing to this customer segment of more flexible payment options and benefit configurations. If done correctly, our experience and the research indicate that this is the most upgradeable customer segment of the four customer groups we examine in this report.

3. **Self-reliants: 16%** of customers either felt they had enough savings to cover themselves and their families in the event of death, disability or unemployment, or were willing to accept the risks themselves.

   As the *Self-reliant* customer is typically wealthier and more optimistic than the *Procrastinator* and the *Struggler* segments, they would seem to be relatively unattractive for typical protection approaches. However, these customers are the most receptive to the "what's in it for me" implicit in health and wellness propositions, such as that offered by *Vitality*. This is further evidenced by these customers being concentrated in developed markets, such as Australia and the UK (see Figure 5), where such propositions have wider appeal.

   Unless these customers are presented with their protection embedded in another overarching proposition, it is difficult to shift their attitude away from self-insurance. Wherever it is not possible to embed a protection proposition, the research indicates that it is difficult to repair the reputation of insurance as a force for protection rather than profit. All that can be considered is to position life insurance positively, educating rather than scaring customers on the typical size of a claim and the often unforeseen expenses involved (for example in relation to estate planning and tax

Figure 5: Segment mix by market



Q. What are the reasons you currently do not have any life insurance products?

obligations). A more customer-focused approach would also involve discussions of opportunity cost (lifestyle choices forgone in a self-insurance scenario) and ways in which insurance reduces the emotional cost of "managing" an injury, illness or death.

4. **Innocents: 35%** of customers are unaware or ill-informed of the need for life insurance.

   Many of these customers may not yet have understood key factors driving need – such as dependents or debt. Others may have cover via their employer or the state. Some customers may buy if they were engaged on the inherent value of life insurance (or about underinsurance risks when relying on the state or employer). However, what can be divined from three years' worth of research data is that many *Innocents* invariably migrate to the *Procrastinator* segment when their life circumstances change. The key is to recognise the triggers that drive that journey and to establish very strong, emotionally driven messaging around the proposition.

   While there are those who may feel the need for protection after key life events, and those able to be swayed by a better understanding of the value of protection products, it is also likely that a certain portion of the population will remain disengaged. Acceptance of this inevitability is important.

Implication: Life insurers should focus less on transaction and more on moments of truth

Regardless of the nuances, our research suggests that each of the above segments will be responsive to meaningful, tailored messaging at the right time. Rather than blanket marketing and scare-mongering, there is opportunity to enhance value perceptions through communication that speaks to the specific situation of a customer – whether it's a question of impressing a sense of urgency upon the *Procrastinators,* or enticing *Struggler* segments with flexible, personal propositions, or education on pricing. The value of granular customer profiling is self-evident, but it demands expert modelling capabilities and predictive analytics to distil relevant, actionable insights from the available data.

Each year of this study (2014-2016) deepens our understanding and confirmation that the two profiles with the highest expressed propensity to purchase are:

- The *Procrastinators*: those who understand the need for insurance but have no real urgency to purchase.
- The *Migrating Innocents*: those who may not currently recognise the need for insurance but through changes in personal circumstances will be more receptive to targeted communications.

Yet analysis of the broader industry confirms that only a small percentage of the two categories actually buy life insurance.

Their expressed propensity to buy has the industry already trained on these profiles. The conundrum is, armed with this knowledge and focused accordingly, we are increasingly unsuccessful in penetrating these segments. Our conclusion from this year's study is that the key to unlocking this conundrum is to recognise that the propositions currently offered by the industry are just not compelling enough for customers to perceive real value.

To compete with myriad alternative purchase options, the industry must work longer term to improve and better target the proposition and the associated messaging. There can be value in acting counter-intuitively – for example, *Starbucks* and cinema vouchers to reward healthy behaviour have helped make *Vitality* a household name in multiple markets, quite a feat for an insurance brand.

In the "age of indignation", it may be less important to demonstrate a need and more important to help a customer signal their virtue.

Theme Two: The value of experience

A tale of two cities – conversion and completion

If the first theme highlighted the importance of improving conversion, Theme Two goes on to consider the critical role of underwriting in completing the process. Specifically, we look at the transformational role the application process can have in shaping the customer experience. The onus is on the insurer to effectively communicate the rationale for and benefits of underwriting, while minimising the intrusion on the customer of this process.

Traditionally, from a customer perspective, underwriting has been perceived as the major obstacle on the customer's Pathway to Purchase. Multiple pain points cited range from the clunky, time-consuming task of collecting information, to the handover from an adviser to a medical professional. Putting customers through this complex questioning process is both off-putting and an incitement to the customer with marginal conviction to question the whole value proposition. Again, the issue fundamentally reduces down to one of conviction.

It is certainly true that automation has helped to alleviate some of the drudge. Last year we identified strong customer demand for a more streamlined, digital process with more customer control and choice. This year, we highlight two further opportunities to enhance existing underwriting propositions that focus on customer efficacy as opposed to insurer efficiency.*

Challenge 1: Different customers have different concerns related to underwriting

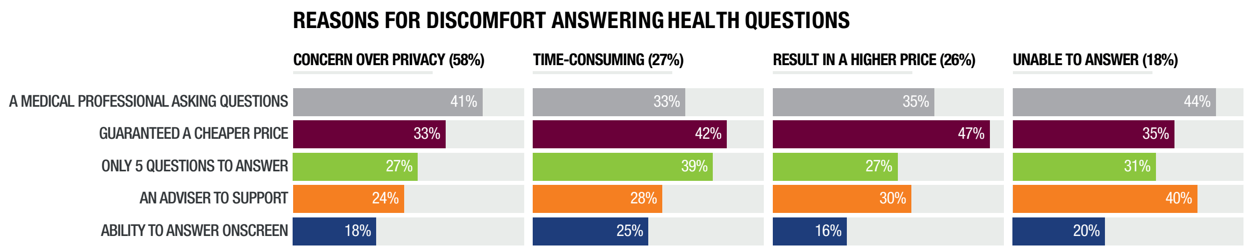
For the vast majority of customers, underwriting means medical underwriting. In this context, customers consistently cite four key concerns that could prevent them from completing the process:

- data privacy
- completion time
- price rises (loadings following the underwriting process)
- insufficient knowledge to answer the questions

These concerns apply regardless of the underwriting channel (manual, advised, telephone, online, etc.) albeit with different emphasis on the pain points.

Price guarantees, shortened question sets, adviser support and the ability to interact via mobile are all important ways to resolve barriers to underwriting (see Figure 6).

Figure 6: Customer responses to barriers and incentives for medical underwriting



Q. Why would you feel uncomfortable answering an insurer's questions about your health (Select all that apply)?
Q. Would any of the following make you more willing to answer health-related questions (Select all that apply)?

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

> *Next or near generation automation affords the promise of a genuinely intelligent experience*

This relies upon the execution being embedded in the customer experience as distinct from the execution *being* the customer experience.

As different customer groups express different concerns, automation holds the key in delivering a personally adaptive customer experience while guaranteeing adherence to required underwriting standards. Different concerns require different approaches and technology can be deployed to address each in a single proposition. For example, privacy concerns are best resolved by the involvement of trusted medical professionals, price concerns by price guarantees and time concerns by digital journeys and shortened question sets. Augmenting standard processing with predictive modelling and teleunderwriting completes the ability to deliver a genuinely seamless customer journey.

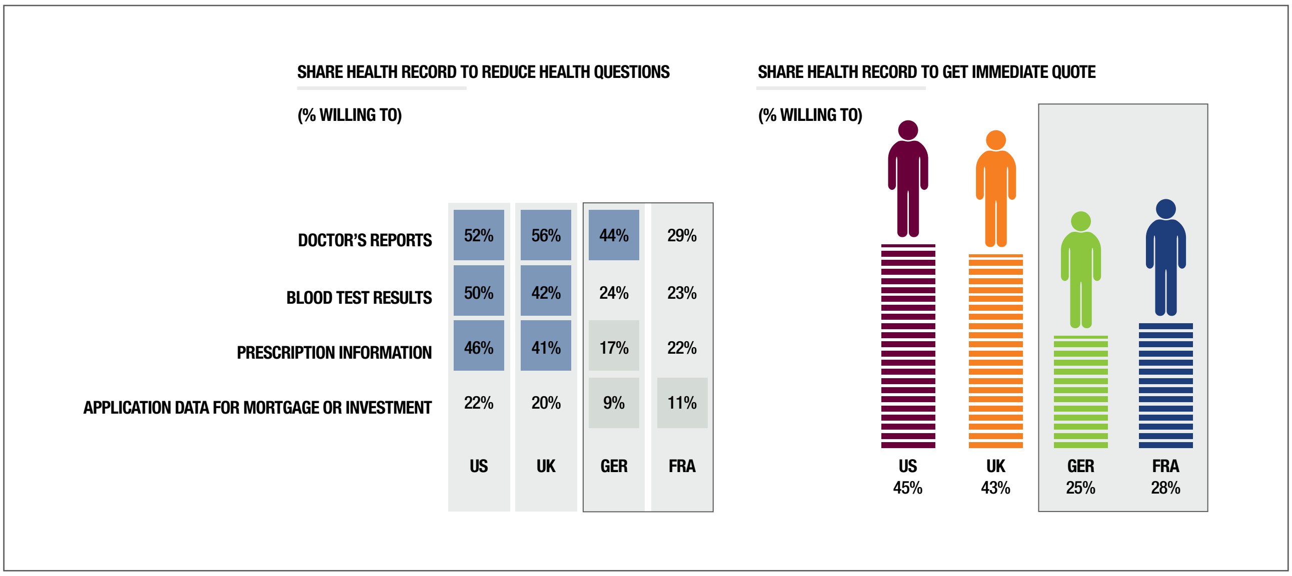
Next (near) generation automation affords the promise of dissolving the mechanical underwriting process into a genuinely intuitive, interactive, intelligent experience. The introduction of Natural Language Processing, Voice Recognition and Facial Analysis could reduce unintentional non-disclosure and result in higher completion rates in a way that is less intrusive for the customer and requires lower levels of personal involvement.

Such possibilities are best thought of as "near" generation rather than "next" generation. One such example is Swedish bank *SEB* deploying *IPsoft's* cognitive technology in the form of virtual assistant *Amelia*. *Amelia* has the emotional intelligence to alter her responses according to the customer's mood.

These solutions are not rolled out in a vacuum. For many insurers and reinsurers, this presents a key strategic question. In a market place where experience is increasingly the only differential, do you adopt early or wait to learn from what others are doing and potentially miss the boat?

Variation by market of course remains a constant, even for something as universal as data privacy. Consumers in the UK and US are significantly more open to data sharing than their counterparts in France and Germany. Figure 7 shows that 43% of British and 45% of American customers are willing to share health records to obtain an immediate quote compared to less than 30% in Germany and

Figure 7: Attitudes towards data sharing for medical underwriting in the UK, US, France and Germany



Q. Would you be happy for a life insurer to access your medical records (e.g. prescription purchases at the pharmacy) if it meant you could receive an immediate quote?
Q. Would you be happy to allow your insurer to access any of the following records, if it meant that the number of health questions you need to answer would be reduced?

Figure 8: Consumer answers on the definition of underwriting

France. This willingness to share data is consistent across GP reports, blood tests, prescription and application data.

We can extrapolate from our research that there is global appetite for the streamlined, customer-oriented journeys enabled by automation. However, local privacy, regulatory, product and cultural characteristics will dictate the shape of the technology and the form of the underwriting.[*]

Challenge 2: Customers don't understand the purpose of underwriting

Perhaps even more telling is that the majority of customers struggle to grasp the rationale behind underwriting.

Of the 8,000 customers asked to define life insurance underwriting, more than 30% were unable to give an answer. Furthermore, the results were broadly consistent irrespective of whether a customer owned a life insurance policy or not:

- **Unknown or Incorrect Definition:** More than half (55%) of customers were unable to provide a correct or almost correct answer
- **Risk Assessment:** A mere 14% of customers correctly identified underwriting as the process of assessing an applicant's risk to determine the appropriate price
- **Medical Assessment:** Only 3% of customers defined underwriting as the process for submitting medical information to the life insurer. This answer is correct but emphasises the process rather than rationale for underwriting
- **Application Process:** 28% of customers identified underwriting as a point in the application process

If the prescription for Challenge 1 is essentially about improving process, then Challenge 2 presents a more existential question. In an industry where science is preeminent (actuaries, accountants and data scientists), there is room for more emphasis on coupling the art with the science of risk. After all, it is science that informs, but art that moves people emotionally.

Implications: Integrated, digital journeys which explain and expose underwriting benefits to customers

The challenges around customer understanding of underwriting point to three fundamental insights:

1. The industry's future state must include a more integrated new business process. It should fully, but seamlessly, incorporate underwriting requirements to create a more intuitive, predictable and transparent digital customer journey – in line with modern customer experiences offered by most other retail sectors. At each stage of the process, communication should be standard protocol (e.g. Amazon's status updates). This would keep applicants

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

informed along the way, and pre-empt any lapse in confidence regarding the transparency of the process.

2. In all markets and regions, the industry needs to work hard on integrating advice and customer support into the multi-touchpoint, digital journey to encourage customer understanding and simplify the Pathway to Purchase. Our research suggests that by addressing market-specific concerns with tailored solutions, trust can be fostered while simultaneously improving new business performance, creating a virtuous cycle. There are several interesting examples of innovation happening in this space – from the grand ambition of robo-advice models in the US all the way through to the simple act of equipping advisers with iPads to consolidate Funeral Plan business in South Africa.*

3. The industry needs to engage with and educate customers about the benefits of underwriting – what's "in it" for them. Few customers understand the benefits of underwriting in terms of price, payment flexibility or breadth and quality of cover. The onus is on the insurer to communicate this value, by giving the customer more out of the underwriting process. An enhanced customer experience could be as simple as providing the customer with a health report or comparative statistics – again, behavioural economics could be leveraged for enhanced engagement.

Improving the underwriting process is no panacea for the industry's major concern – business growth. However, it is an essential component of the solution. Failure to leverage technological advances to deliver a customer experience more in line with contemporary expectations will leave the industry vulnerable to disruption and obsolescence.

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

Theme Three: The product paradox – needing to want; wanting to need

The industry should delve deeper into the disconnects between current product sales and customer demand to find opportunities for innovation

Product remains integral to the value proposition of any life insurer. It establishes tangible commitments and obligations for both parties. The successful product relies upon an alignment of the insurer's need to sell and the customer's need to buy. Connecting the two lines of sight appears to be more difficult than is necessary, with this year's research identifying three core disconnects in the "value chain".

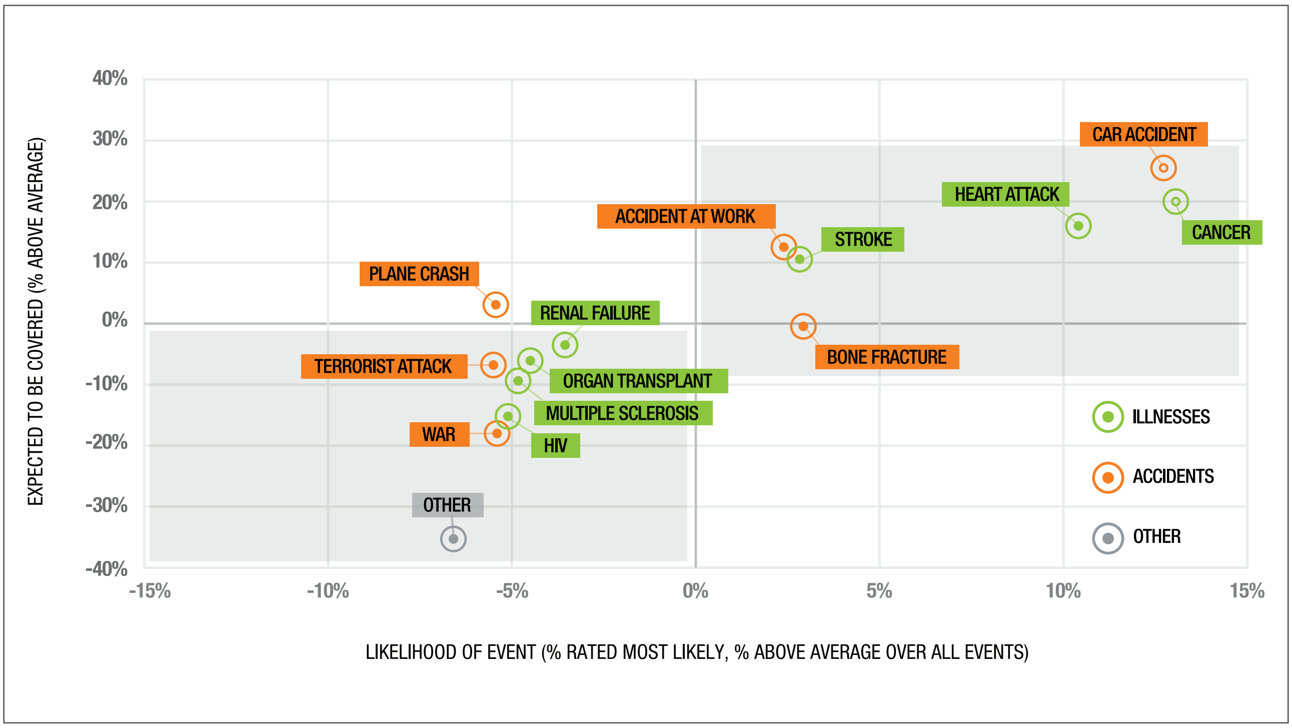
Disconnect 1: Customer perceptions of claims and coverage differ from reality

Customer perceptions of claims probability for specific illnesses and accidents differ from actual experience. The horizontal axis of Figure 9 sets out expected probabilities of various claims events. The vertical axis shows that many customers expect accidents to be covered within critical illness products.

What is clear is that disconnects between actual and expected coverage present a serious brand risk for insurers – in some cases customers will expect pay-outs but do not receive them. The customer perception of insurers unfairly declining claims sits behind many of the negative citations on life insurers in Theme One. Falling back on the policy terms and conditions only exacerbates the tension and trust issues characterising the insurer-customer relationship. Insurers need to find better engagement strategies to cultivate greater customer confidence and to more actively manage and set expectations. And then meet those expectations.

The good news is that disconnects between actual and expected claims drivers may create product development opportunities. Behavioural economics tells us that consumers are more likely to pay for protection from

Figure 9: Probability of occurrence versus expectation covered within critical illness policy



Q. From the following list, please select the illnesses or events which you would most expect to be covered under a critical illness policy. If you currently hold one of these policies, please state what your expectation is, rather than the features of your own particular policy.
Q. Please rank each of the following (illnesses or events) in terms of how likely you think they are to happen to you, where 1 is the most likely.

conditions that are highly visible (in the news) or personal (recently experienced by a friend). The industry could respond with more specific and unambiguous cover. More research is needed in this area but Figure 10 suggests some interesting possibilities.

Certain customer segments (e.g. *Strugglers*, *Self-reliants*) may, for different reasons, respond positively to price discounts for cancer only products. These specific cover innovations should be seen not just as a new revenue opportunity but also as a way to address the trust deficit mentioned in Theme One. Offering multiple, nuanced options that can be configured to suit the personal circumstances of the individual customer not only presents an opportunity to introduce the eventual possibility of more comprehensive cover, but also to enhance understanding – for all parties.

Disconnect 2: Consumers can't always get what they want; can we try a little harder to give them what they need?

In one of the most intriguing findings of this year's study, we examine the products consumers most want with the products most purchased. In a perfect world, these should be the same. But that is not always the case. The question is why?

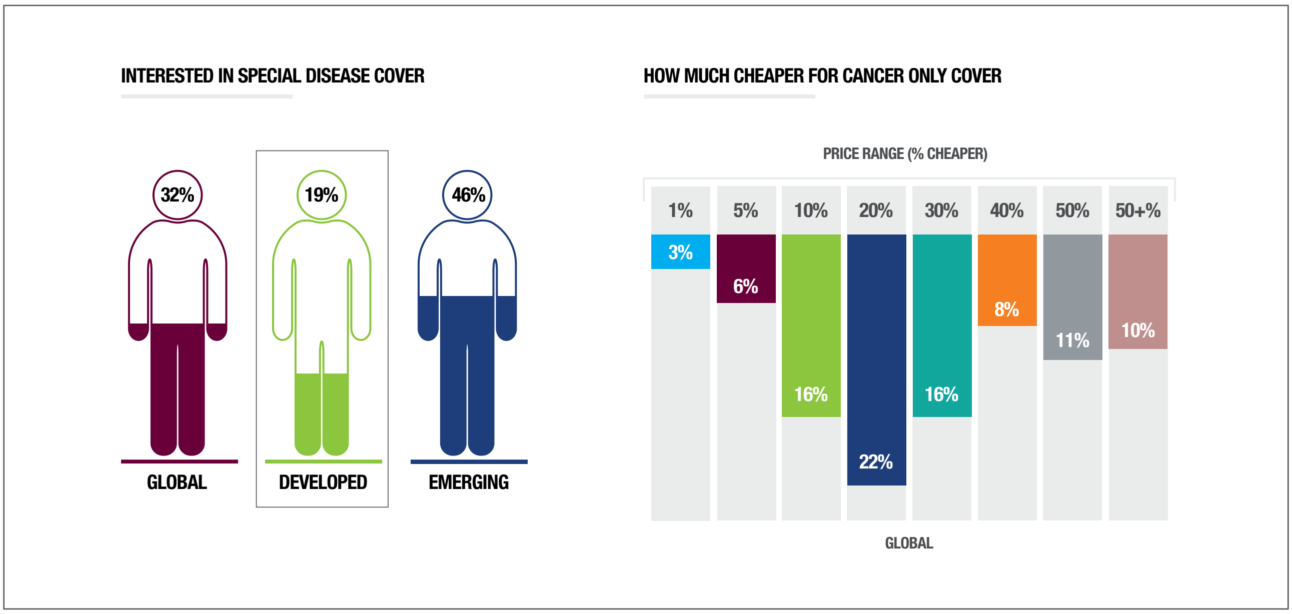
To illustrate the point, the most obvious example is the nexus between income protection and critical illness.

In many markets critical illness benefits significantly outsell income protection. For example, in the UK, over four times as many critical illness as income protection benefits were sold in 2015.[1] However, our research suggests that customers tend to place more value on income protection (see Figure 11).[2] This reveals a discrepancy between what customers *want*, and what they *buy*: with the exception of France and Japan, customers in developed markets value income protection over critical illness, despite sales indicating the opposite.

An explanation of this requires consideration of the following:

- Complexity, cost and process associated with income protection as a product. These factors, combined with the required adviser expertise, give the consumer the impression that it is more intrinsically valuable. This is particularly the case in markets such as

Figure 10: Interest in single risk covers and expected discount for cancer only



Q. Would you be interested in buying critical illness products focused on one specific illness such as cancer if the price was cheaper than a policy which covers a range of illnesses?
Q. Compared to a policy which covers a range of illnesses, how much cheaper would you expect a policy focusing purely on cancer to be?

> *While it is true that customers can't always get what they want, they also often do not actually know what they want*

Australia with a heavily regulated advice regime. Here, advisers contribute towards a significant supply side impact, positively skewing perceptions of income protection importance.

- Price sensitivity. Customers want one thing but buy another. Income protection is often cited but then deemed too expensive. One doesn't have to be familiar with Kahneman's ideas around intertemporal choice to know that customers struggle to put a value on income benefits.[3] This means that they generally prefer lump sum benefits. The problem for the industry is that this makes it difficult, if not impossible, for customers to make meaningful cost comparatives.
- Using a parallel line of sight, this apparent disconnect could be a classic manifestation of the different outcomes generated by "fast" and "slow" thinking.[4] It could be argued that providing a theoretical answer in a survey activates a quick response ("fast" or "System 1" thinking) instinctively recognising income protection as the most important need. However, when engaged in a detailed sales process and presented with more information, deeper consideration kicks in ("slow" or "System 2" thinking).

In either case, the choice to purchase will be influenced by the most observed heuristic – the *availability bias*. In this context, it serves as a mental shortcut if the considered possibility of an event is higher due to unaided recall. For example, most customers will recall someone they know suffering from a critical illness more easily than them being physically or mentally unable to work for a significant period – regardless of the actual probabilities of these events.

The industry needs to be careful how such data is presented and interpreted. While it is true that customers can't always get what they want, they also often do not actually know what they want!

Of particular concern, there are indications from our research that some customers with policies (e.g. critical illness) may expect coverage for events that actually fall under the remit of different policies (e.g. income protection).

In our view, this critical illness/income protection disconnect is acute. Ultimately, customer perceptions and decisions are a result of a complex interaction of cognitive biases, emotions and social influences. Deeper insights into these drivers hold the promise of meeting customer expectations with better targeted products – ultimately driving customer loyalty.

Figure 11: Importance of different life insurance policies (% most important)

Q. Please rank the following types of life insurance products in terms of their importance to you, where 1 is most important, and 5 is least important.

Figure 12: Customer appetite for bundling life insurance with health insurance, mortgages and savings products

% LIKELY	GLOBAL	USA	CAN	AUS	UK	GER	FRA	JAP	SA	RUS	BRA	MEX	MAL	CHI	INDO
HEALTH INSURANCE	55%	45%	46%	29%	27%	19%	49%	42%	56%	61%	65%	72%	75%	81%	87%
MORTGAGE	48%	41%	51%	39%	46%	24%	44%	36%	72%	51%	44%	49%	55%	57%	69%
SAVINGS PRODUCTS	44%	32%	31%	19%	22%	17%	37%	30%	56%	31%	55%	57%	63%	74%	83%

Less than 30% | 30% to 60% | More than 60%

Q. If you were to buy each of the following financial products in the future, how likely would you be to consider taking out life insurance (assuming you didn't already have life insurance at that time)?

Disconnect 3: Customers believe bundling with health is more intuitive than savings

We noted in the first theme that capitalising upon conversion opportunities, such as life insurance sold with a mortgage, is a key driver of sales and growth. This is important because the distribution economics of life insurance is challenging.

To illuminate further distribution opportunities, we asked customers which products link best with life insurance. Interestingly, at a global level, integration of life and health insurance was more popular than integration of insurance with mortgages or savings. This finding contrasts with the status quo where life insurance is more frequently bundled with mortgages and investments.

Implication – intrinsic value matters

From the insurer's standpoint, there are doubtless reasons why integration with savings or mortgages works better. But it is exactly this kind of inside-out thinking which epitomises the disparity between the industry's intellectual perspective on protection products and the customer's intrinsic perception of value.

Traditional bundling may be seen to be more for the insurer or the bank's benefit, rather than the customer's benefit. The results should challenge the industry to look outside-in, and explore innovation in life insurance/health product and distribution.

Theme Four: Wearing wellness on our sleeve

Nothing is more intrinsic to health than a wellness proposition

The confluence of several macro trends has evoked widespread interest in insurer development of health and wellness propositions. Medical advances have significantly prolonged life expectancy, inevitably translating into a much higher prevalence of people living with chronic diseases (diabetes, hypertension, etc.). Indeed, once fatal illnesses are continually being re-classified as chronic conditions. This has sparked an explosion in health expenditure necessitating a shift from public to private coverage of healthcare costs.

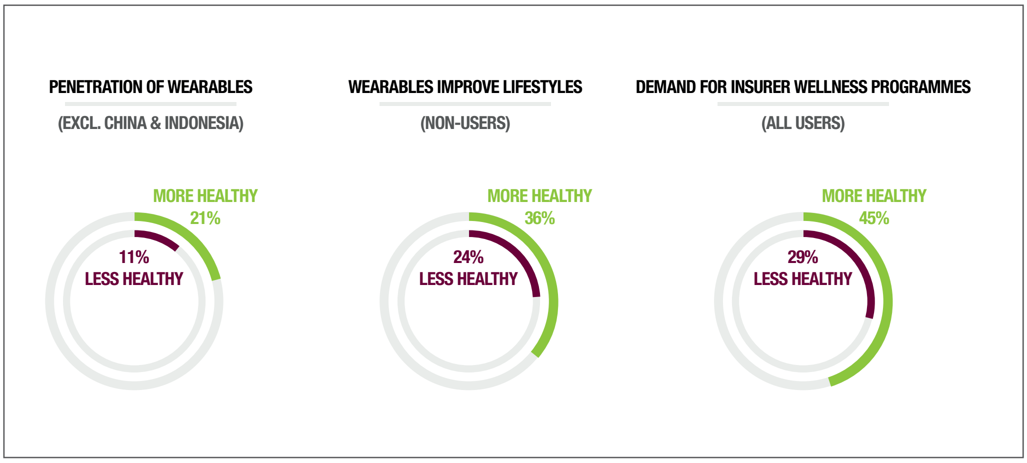
Simultaneously, the emergence and increasing sophistication of the Internet of Things means that preventative, diagnostic and holistic health services are available on our wrists. The emergence of IoT technology (most commonly manifested in the form of wearable devices) within this environment has given birth to the "quantified self" phenomenon.

From an insurer perspective, packaging this novel quantified-self experience within new product propositions has obvious benefits for customer value perceptions. In addition, and perhaps more importantly, the live data that can now be harvested is an extremely valuable commodity – if effectively leveraged. Insights gleaned from new data flows could allow the development of more personalised solutions while offering the potential for an evolution in underwriting capacity and the ability to influence claims outcomes. Longitudinal studies of customer attitudes should feed into and enhance these propositions over time, ultimately leading to long term behavioural change. Continuous feedback loops will drive sustainable shared value between customer and insurer.

Wellness, rewards and wearables clearly have the potential to transform the life insurance industry. While participation strategies are yet to be distilled, what is clear is that you have to be in it to win it.

This theme assesses current customer appetite for wellness and wearable initiatives, and the implications for life insurers – both where that appetite already exists and, crucially, where it must be generated.

Figure 13: Penetration of wearables, belief in wearables and demand for wellness, segmented by customers who believe they are more or less healthy than average



Q. Do you have a wearable device which gives you information on your exercise/food intake/sleeping pattern, etc. (even if you don't currently use it) e.g. a Fitbit, Jawbone or smart watch?
Q. Do you think wearing one of these devices might help you improve your lifestyle?
Q. Would you be interested in joining a wellness programme run by a life insurance company which would give you discounts on your life insurance premiums and discounts on healthy living (e.g. gym membership)?

> *For the industry, there is more value in targeting and engaging the less healthy*

Observation 1: Buy-in for wellness and wearables is currently concentrated amongst healthier customers

Sales of wearable devices have grown rapidly around the world over the past five years. By the end of 2016, worldwide shipments of wearable devices are expected to reach 101.9 million units, representing 29% growth for 2015.[5] More than 15% of customers in our study say they own a wearable device, and most market research indicates that numbers are expected to grow significantly over the next few years. Indeed, CCS Insight has updated its outlook on the future of wearable tech, indicating that 411 million smart wearable devices, worth a staggering US$34 billion, will be sold in 2020.[6]

Crucially, penetration is significantly higher amongst customers who believe they have above average health (see Figure 13). Indeed, only 11% of customers who own a wearable device believe they have below average health.

As the functionality and accuracy of wearable devices grows and resulting propositions become more embedded in daily life, customer engagement is expected to increase dramatically. In a recent survey by a leading innovator in biometric data sensor technology, 58% of respondents who did not yet have a wearable would consider buying if they trusted its accuracy.[7] With constant enhancement and innovation in the wearable space – from sports science (e.g. *Lumo Run*) to the development of medical-grade biosensors – heightened accuracy will have a correlative effect on engagement.

To date wearables and wellness programmes are helping healthy customers live healthier lives. However, for the industry, it would be more valuable to target the less healthy. This represents a clear opportunity to engage with customers who could benefit the most.

See Figure 14 below for the key features and functionalities of a wellness proposition. Leveraging this ecosystem to engage less healthy customers could be particularly valuable as it could potentially deliver significantly better claims outcomes – which in turn supports trust, relevance and pricing.

These devices can ultimately support a revolution of insurer propositions rather than merely being the customer selection tools of today.

Observation 2: Customer demand for wearables and wellness is greatest in Emerging Asia

From our results, Emerging Asia clearly stands out as strong customer interest in wellness and

Figure 14: The complexities of establishing a holistic health and wellness platform

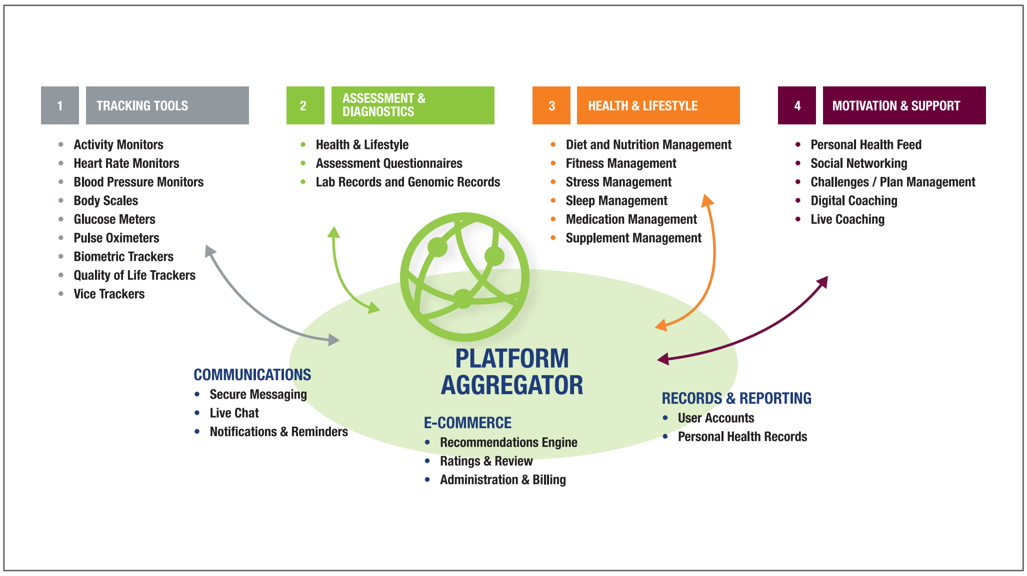
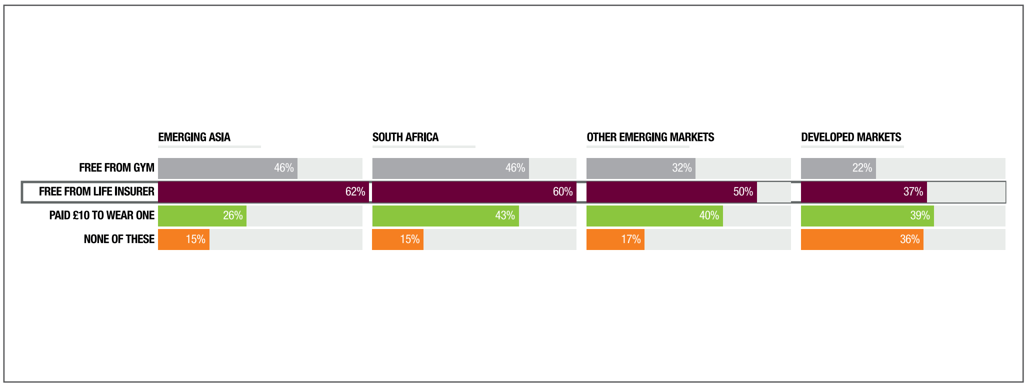


Figure 15: Incentives to drive adoption of wearables



Q. Would any of the following persuade you to wear one of these devices?

wearables indicates an opportunity for supply side investment to further drive demand. Figure 15 shows that consumers in Emerging Asia trust life insurers to deliver wearables and wellness programmes, consistent with positive brand perceptions mentioned in Theme One. Even more encouraging is the willingness to share wellness data with insurers in emerging markets such as China, Malaysia and Indonesia, as shown in Figure 16.

This is promising, particularly in the context of the well-known *Discovery* / *Vitality* case study in South Africa, which is generating a huge amount of attention globally. The positive citations in South Africa are also strongly influenced by availability; customers have been exposed to the proposition for over 20 years and comprehend its visible benefits. South Africa has some unique characteristics: strong customer demand for life and health insurance, for insurer brands and for healthy and active lifestyles. Despite its uniqueness, it serves as a solid example of how thriving the wellness market could soon be in Emerging Asia and elsewhere.

In this context, brand investment becomes deeply implicated in wearables and wellness investment. While a strong relationship rooted in mutual confidence is fundamental to encourage customers to share their data from wearable devices, the frequency of engagement enabled by such initiatives is an opportunity to reinforce brand. The data captured could further enhance the underwriting process, enable more individualised pricing and, ultimately, transform the customer experience. Deeper customer insights will drive more relevant and meaningful up- and cross- sell initiatives. Thus the customer loyalty loop can be sustained.

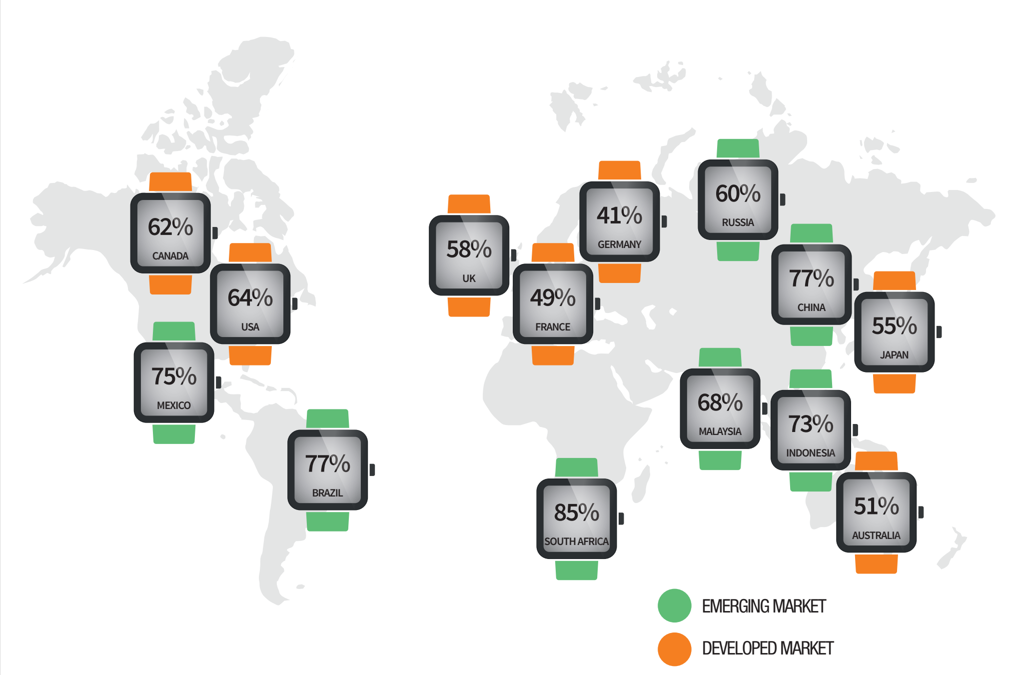
Implication: The question is how, not whether, to invest

Overall our research into wearables and wellness is supportive of future growth and industry investment.

The question for insurers is where and how to invest to ensure propositions drive price or selection advantage, or deliver genuine product and underwriting differentiation. Crucially, insurers must capitalise on the opportunity for frequent customer engagement to positively redefine value perceptions among all customers, not just those who claim. It is time for the industry to move away from hackneyed protection gaps and start addressing engagement gaps.

And indeed, there are several examples of innovation already happening in this space, as is the case with a leading French wellness platform, *Umanlife*. Device agnostic, the eHealth solution aggregates and centralises data from mobile applications and connected devices into one platform. Raw data is distilled to provide the customer with personalised advice – with modules ranging from pregnancy programmes to gamified fitness.

Figure 16: Willingness to share data from your device with a life insurer to get discounts



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?

We believe this is a key insight from this research – wellness and wearables allow for product innovation that drives higher customer engagement, improves the customer experience and enhances product economics. To be successful requires the right partnering approach and the commitment to build a truly integrated offer. Long-term advantage is driven by mining relevant data – including proprietary and appended third party data.

Conversely there is significant risk for insurers and reinsurers who build in-house and those entering the market late with undifferentiated offers.

Future GCS studies will continue to focus on this phenomenon as technological advances and the continued societal focus on healthy living are expected to drive significant developments in this space.

Epilogue: In brand we trust

While not the specific focus of this year's study, we decided to share select insights concerning brand. We will continue to explore the role of brand – our research is, after all, a cumulative, living process largely informed by our readership.

name their ideal insurer, the brands which dominate are old and established (see Figure 18). The overwhelming brand recall for established players underscores the long-term commitment required to build customer trust and understanding – from customer literacy efforts to wellness and wearable investments.

Figure 17: Global customer citations for leading life insurer brands

Our results demonstrate that customers are seeking the same brand attributes globally. In Figure 17, the subjective nature of the lexicon used ("trustworthy", "best", "good") reaffirms the notion that there is a fundamentally emotional aspect to our industry that thankfully refuses to be reduced to algorithms alone.

Brand is emblematic of the proposition. It is, in essence, the nexus of the insurer-customer relationship. When customers were asked to

Last year, we observed the strong influence of brand on a customer's purchasing decision, particularly in emerging markets. This year we have observed the growing *relative* importance of brand; in every market except for the US the influence of brand has increased year-on-year.

Our findings would suggest that the growing sway of brand, if effectively leveraged, could serve to surmount the trust deficit between insurer and customer. It may never have been truer that in brand we trust.

Figure 18: Global customer citations for leading life insurer brands

What do you need to do?

Theme One: A crisis of value and a deficit of trust

Perhaps the most critical protection gap is that between the industry's intentions and customer perceptions. It is this gap that the industry needs to close. Our research indicates that this demands a long-term commitment to build trust by:

- Communicating with the customer via novel and tailored messaging
- Acting counter-intuitively for enhanced, more frequent engagement
- Investing in expert analytics and modelling capabilities to enable granular customer profiling and the distillation of relevant, actionable insights
- Defending the industry via the same channels through which it is being attacked

Theme Two: The value of experience

Effective automation presents the opportunity to offer personalised customer propositions which meet contemporary customer expectations. Insurers can develop mutual trust by:

- Delivering a seamless digital journey to the customer
- Identifying concerns specific to each market and adapting accordingly with relevant solutions and messaging
- Integrating customer support into the underwriting journey so the process is embedded in the experience rather than the process being the experience

Theme Three: The product paradox – needing to want; wanting to need

Disconnects between customer prioritisation and purchasing behaviour could present space for innovation, if the industry commits to:

- Deepening understanding of customer attitudes, expectations and motivations
- Considering the trust dynamic from the customer's perspective
- Assuming responsibility for customer literacy (via unambiguous communication on policy conditions)
- Offering multiple, nuanced options such as personalised benefit configurations

Theme Four: Wearing wellness on our sleeve

The growing demand for wellness and wearables initiatives presents an opportunity to positively define value perceptions for all customers, not just those who claim. Our research finds that:

- Supply side investment is crucial to further drive demand, and could mean the ability to influence claims outcomes
- The question is not whether, but how, to invest
- New data flows could enhance underwriting
- Emerging Asia in particular has strong demand for wearables and wellness initiatives

Endnotes:

* For *Pathways to Purchase: Underwriting, automation and the customer journey* go to remarkgroup.com/insight/ where you will find our Insight series, including past Global Consumer Studies.

[1] Association of British Insurers. (2015) *UK Insurance and Long Term Savings Key Facts 2015* [online] [Accessed 21 Oct 2016]

[2] Full diagram (developed and emerging markets)

Importance of different life insurance policies (% most important)

[3] Kahneman, D., (2011) *Thinking Fast and Slow*, (London: Farrar, Straus and Giroux)

[4] Kahneman's theory centres around the two systems which drive our decision-making. System 1 is fast, intuitive and emotional; System 2 is slower, more logical and deliberative.

[5] International Data Forecast. (2016). *Press Release*. [online] [Accessed 21 Oct 2016]

[6] CCS Insight (2016). *Wearables Momentum Continues*. [online] [Accessed 24 Oct 2016]

[7] Valencell, (2016). *National Wearables Survey*. [online] [Accessed 21 Oct 2016]

SCOR Global Distribution Solutions is a division of SCOR Global Life.

Formed by:

- 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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