Global overview

Voice of the customer
Time for insurers to rethink their relationships

Global Consumer Insurance Survey 2012

Americas
Asia-Pacific
Europe
India
Japan
South Africa
United Arab Emirates
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Faced with the unprecedented challenges of troubled financial markets, changing regulatory oversight and economic uncertainty, there is a risk that some insurers may not be listening and responding to the most important voice of all – that of their customers. For any insurer hoping to navigate through this difficult time, understanding how customer behaviors and attitudes are changing is critical. Previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now are most likely to succeed.

Global Consumer Insurance Survey 2012 – Global overview

24,000
Global customers

7
Global regions

23
Countries
Executive summary

This is an exciting and challenging time for insurers.

Customer behavior is changing rapidly. Technology, and in particular the growth of online and social media, is driving a fundamental shift in customer expectations in terms of how products are marketed, priced, sold and serviced, and how companies are perceived. Pure internet businesses have set new standards for customer-centricity and engagement that raise the performance bar for players in every retail business sector.

At the same time, new geographic markets are growing in significance as the pace of economic development creates an increasingly large and affluent middle class with money to invest and assets that require protection.

To seize the opportunity that these changes present, we believe that insurers can no longer rely on received wisdom about what consumers think and how they behave. The challenge is to really understand what drives customer behavior today, not yesterday, in all the geographies, sectors and channels where you operate.

To help insurers rise to this challenge, Ernst & Young undertook a research project with the independent firm Ipsos to canvass the opinions of 24,000 consumers across seven regions around the world between August and October 2011. In this research, we set out to explore what drives consumer behavior in the life and non-life sectors, covering the whole customer life cycle from initial research through purchase, servicing, repeat purchase, claims and termination.

The data, compiled from online and face-to-face interviews across a representative sample by age, income, location and product holding, has been analyzed by our insurance teams around the world.

This detailed research has enabled us to drive out both deep local insights and a global perspective on how consumer views are changing and how companies need to evolve if they are to capture the growth opportunities now and after the global economic crisis settles.

Our global findings are presented in this report and our deeper insights in the six accompanying regional and country reports. We very much hope that the data and perspectives we offer will provide you with an opportunity to test your thinking, challenge your implicit assumptions and re-assess your customer strategy. We also hope these reports will inform discussions about the opportunities you have to reshape your business to deliver consistent and profitable growth.

Shaun Crawford
Global Insurance Leader
Ernst & Young
Our research reveals that, while of course there are significant variations in customer attitudes and behaviors around the globe, driven by the diverse economic, demographic, competitive and regulatory environments, there are some underlying themes that are remarkably consistent.

Listen to the voice of the customer.
Global overview

Customers want to be able to buy with confidence

In both the non-life insurance and life and pensions sectors, customers want products, and the purchasing process, to be simple and transparent so they can understand what they are buying. They want to build long-term relationships with insurance providers based on trust, and to have confidence that the products they are buying are right for them and meet their needs.

One of the most striking and positive findings from our research is that the reputation of the life insurance industry has not been tarnished by the global crisis. The majority of customers still have reasonably high satisfaction levels and are confident that their products meet their needs. But there is no room for complacency: for a significant minority of customers, insufficient information about product suitability is creating a lack of confidence that their product is right for their needs. Customers are looking for value to be clearly demonstrated, reflecting a balance of price, product features and service tailored to their needs. They also expect the buying process to be convenient and transparent, allowing them to buy with confidence. Once they have made their choice and have an established relationship with an insurance provider, customers expect the product and service to deliver against their expectations.

This may sound obvious, but the survey shows that the customers’ perceptions are that the industry is failing to deliver this in some key areas.

In non-life insurance, price is often the main measure of value since products are more comparable and frequency of purchase drives greater customer familiarity. But in some territories, brand and reputation are more important criteria. This may be a reflection of market structure (such as a recent history of price tariffs) or it may be a more fundamental desire from consumers to find a measure of quality they trust. In highly competitive markets characterized by price transparency, there is a tendency for prices to converge. This leads to non-price factors such as brand becoming more important selection criteria as customers search for a way to differentiate between providers.

Life and pensions. Customer confidence and satisfaction scores

<table>
<thead>
<tr>
<th>Region</th>
<th>Satisfaction scores (out of 10)</th>
<th>Confidence scores (percentage very/fairly confident product is right for needs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>7.6</td>
<td>85%</td>
</tr>
<tr>
<td>Europe</td>
<td>7.0</td>
<td>79%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>6.8</td>
<td>76%</td>
</tr>
<tr>
<td>India</td>
<td>7.9</td>
<td>93%</td>
</tr>
<tr>
<td>Japan</td>
<td>6.2</td>
<td>51%</td>
</tr>
</tbody>
</table>

Regional average

Highest and lowest countries
The need for clarity and transparency in the buying process is not driven purely by customer preferences. As a result of the financial crisis, regulators around the globe are focusing on protecting consumer interests more than ever before, with major new regulations being introduced in the EU and many other countries around the world. Insurers that align themselves to a customer-centric model will find the transition to the new regulatory environment less painful, and may gain competitive advantage compared to those that continue to rely on outdated models that fail to satisfy customers or regulators.

**Non-life insurance. Buying factors when making a purchase**

<table>
<thead>
<tr>
<th>Regional average</th>
<th>Highest and lowest countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>Brand</td>
</tr>
<tr>
<td>Europe</td>
<td>Price</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td></td>
</tr>
</tbody>
</table>
The internet is changing the way customers engage with insurers, but traditional channels remain important

There is strong evidence in our findings that the way customers want to interact with insurers is changing. The internet is transforming consumer offerings in other retail industries and setting a new benchmark for how businesses interact with consumers. In most consumer sectors, there is now far more information available to allow customers to compare products and prices and to obtain independent opinions before purchasing.

The customer-centric nature of pure internet businesses is influencing customers’ expectations. These businesses are built on customer data, recognize each customer as a unique individual and are able to offer product and service suggestions based on customers’ past behavior and known preferences. Many also build in independent data as part of the offering, inviting customers to review what others’ thought of their purchases and making it easy for consumers to compare pricing and offerings. Other industries, ranging from consumer goods to airlines and hotels, have to respond to the widespread availability of internet price comparisons and independent quality ratings, often compiled by their own customers. These developments help customers buy with more confidence – and set an expectation that all sectors, including insurance, have to meet. This transparent, information-rich environment has fed an expectation among consumers that they will be able to do more independent research when buying insurance. While the level of actual insurance purchase over the internet remains low in many countries, its use varies considerably between countries in the survey. In every case we found that customers intend to do more research using the internet, even if they ultimately rely on conventional channels for purchase.

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**Life and pensions. Historic use and intended use of research when making a purchase**

![Graph showing regional averages and highest and lowest countries for historic and intended research in life and pensions](image)

<table>
<thead>
<tr>
<th>Region</th>
<th>Historic Research</th>
<th>Intended Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Legend:**
- **Yellow** - Respondents who are doing a great deal/fair amount of research before previous purchase.
- **Dark Gray** - Intending to do before next purchase.
**Life and pensions. Importance of personal interaction when making a purchase**

**Regional average**
- Asia-Pacific: 89%
- Americas: 83%
- Europe: 78%

**Highest and lowest countries**
- Malaysia: 95%
- Netherlands: 66%

**Life and pensions. Percentage of customers who are self-directed**

**Regional average**
- Europe: 15%
- Americas: 10%
- Asia-Pacific: 8%

**Highest and lowest countries**
- UK: 20%
- Singapore: 4%
Life and pension customers continue to have a high preference for personal interaction to actually complete the purchase, with the main reason being the need for expert assistance because the products are too complex. Customers would actually prefer products to be simpler and more transparent, making it easier for them to make an informed choice. A minority of the customers, mainly in developed countries, would prefer making purchases completely independently without using an adviser. This has implications for the role of insurance intermediaries – if customers are doing more research themselves and taking more responsibility for the product choice, what is the value-added of the intermediary and what should they be remunerated for? In an industry where margins are coming under increasing pressure, insurers need to choose where they invest across the value chain to avoid adding extra cost while still paying intermediaries for services customers may prefer to do themselves.

Non-life insurance lends itself more to internet purchase than life and pensions, given the higher customer familiarity and comparability of the products. In all countries we found a growing trend to use the internet to research non-life products, although levels of actual purchase vary considerably between countries. The highly developed UK internet aggregator channel, representing 29% of motor sales, is an outlier in this area. We found that most other countries have a continued preference for more conventional channels to complete the purchase, including agents/brokers and direct channels. But given the increasing use of the internet as a research channel, purchasing may follow if distributors make it easy for customers to compare prices and buy with confidence.

The degree of use of online by customers also varies by type of transaction; some customers are happy to use the internet to make a purchase but not to deal with a claim. In all locations we found an emerging group of customers who had a preference for a wholly online experience, but most respondents still wanted a mix of online and personal contact.

As we have seen in other industries, the emergence of new technology does not mean that existing channels become obsolete. It is clear that success requires finding a way to integrate new technology with existing channels. Therefore, seeing intermediaries develop strong internet propositions or build comparison sites should not be a surprise.

The challenge for insurers is that undertaking this integration to ensure that customers can contact them by any channel and get a seamless and consistent response will require a significant change effort for many.
Global overview

Building long-term customer relationships

A common finding across both life and non-life sectors is that consumers are willing and indeed prefer to buy more products from companies that they trust and that can make the purchase experience easy and convenient for them. Customers expect companies to contact them at product renewal or maturity, and as their needs change over their life cycle. By doing so, insurers will demonstrate an interest in retaining their business and to make relevant and appropriate suggestions about other products that would be appropriate to their needs.

In the life and pensions sector, the inherently more complex nature of the products and the dependence on intermediated distribution makes it harder for providers to move to a customer-centric model. However, our research shows that insurers are failing to capture potential customer lifetime value through repeat sales and improved customer retention. Customers want to build relationships with providers they trust and who make it convenient for them. Insurers must except this challenge and adjust to live up to this expectation.

We found that the level of repeat purchase is very low, and with a few exceptions, customers perceive that life companies make very little effort to retain them at the point of lapse. Another reason for switching providers is that the provider is unable to respond to their changing needs.

In the non-life insurance sector, our survey shows that consumers are more likely to renew if insurers make more effort to retain their business, but that in many territories customers’ perception is that insurers fail to make this effort. Conversely, we found that one area where many insurers believe they can differentiate themselves is claims service, but this does not actually make that much of a difference in building loyalty. Poor claims service is definitely linked to low renewal rates, but good claims service is largely regarded as a given (“that’s what I paid for”), rather than a reason to renew.

Another key area where insurers can encourage longer-term relationships is through rewarding loyalty. In most territories, consumers perceive the life and non-life insurance industry as lagging behind other consumer industries on this measure. There is a strong sense among consumers that insurers could do more to earn their trust and loyalty and to reward them for participating in long-term relationships. Consumers are used to many other industries rewarding their loyalty, such as supermarkets, airlines or hotels, and they expect the same from insurers.

<table>
<thead>
<tr>
<th>Life and pensions. Customers who have bought another product from the same provider in last five years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional average</td>
</tr>
<tr>
<td>37% Asia-Pacific</td>
</tr>
<tr>
<td>19% Europe</td>
</tr>
<tr>
<td>16% Americas</td>
</tr>
<tr>
<td>Highest and lowest countries</td>
</tr>
<tr>
<td>52% China</td>
</tr>
<tr>
<td>11% UK</td>
</tr>
<tr>
<td>11% US</td>
</tr>
</tbody>
</table>
**Life and pensions. Customer view of reward for loyalty versus other industries**

### Regional average

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>41%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>35%</td>
</tr>
<tr>
<td>Americas</td>
<td>29%</td>
</tr>
</tbody>
</table>

### Highest and lowest countries

- **Poland**: 52%
- **Japan**: 14%

Net percentage customers agreeing (i.e., balance of those agreeing less those disagreeing) with the statement “The life industry is behind others in rewarding loyal customers”

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**Life and pensions. Effort made by existing provider to retain customer**

### Regional average

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>46%</td>
</tr>
<tr>
<td>Europe</td>
<td>30%</td>
</tr>
<tr>
<td>Americas</td>
<td>24%</td>
</tr>
</tbody>
</table>

### Highest and lowest countries

- **India**: 77%
- **Australia**: 11%

Respondents who felt insurer made a great or fair amount of effort

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**Life and pensions. Top reason for switching providers**

### Regional average

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia-Pacific</td>
<td>34%</td>
</tr>
<tr>
<td>Europe</td>
<td>25%</td>
</tr>
<tr>
<td>Americas</td>
<td>24%</td>
</tr>
</tbody>
</table>

### Highest and lowest countries

- **Indonesia**: 61%
- **Netherlands**: 19%

My needs changed and my previous provider couldn’t meet my needs
Global overview

**Non-life insurance. Lack of effort made by insurer at renewal**

**Regional average**

- Europe: 82%
- Americas: 75%
- Asia-Pacific: 68%

**Highest and lowest countries**

- Netherlands: 91%
- South Africa: 28%

**Non-life insurance. Percentage unlikely to change insurer**

- Respondents that cited “little” or “none”

- No claim
- Bad claim
- Good claim

<table>
<thead>
<tr>
<th>Region</th>
<th>No claim</th>
<th>Bad claim</th>
<th>Good claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Americas</td>
<td>55%</td>
<td>45%</td>
<td>0%</td>
</tr>
<tr>
<td>Japan</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>India</td>
<td>70%</td>
<td>25%</td>
<td>5%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>60%</td>
<td>30%</td>
<td>10%</td>
</tr>
<tr>
<td>Europe</td>
<td>55%</td>
<td>40%</td>
<td>5%</td>
</tr>
<tr>
<td>UAE</td>
<td>50%</td>
<td>35%</td>
<td>15%</td>
</tr>
</tbody>
</table>

**Regional Overview**

- **Europe**: 82% respondents cited “little” or “none”.
- **Americas**: 75% respondents cited “little” or “none”.
- **Asia-Pacific**: 68% respondents cited “little” or “none”.
- **Netherlands**: 91% respondents cited “little” or “none”.
- **South Africa**: 28% respondents cited “little” or “none”.

**Global Overview**

- **Americas**: 55% no claim, 45% bad claim, 0% good claim.
- **Japan**: 60% no claim, 30% bad claim, 10% good claim.
- **India**: 70% no claim, 25% bad claim, 5% good claim.
- **Asia-Pacific**: 60% no claim, 30% bad claim, 10% good claim.
- **Europe**: 55% no claim, 40% bad claim, 5% good claim.
- **UAE**: 50% no claim, 35% bad claim, 15% good claim.
Diversity is driven by country-specific factors

The analysis on previous pages highlights the common factors identified by the survey in customer attitudes and behavior. In several important respects customers have common motivations, allowing broad conclusions to be drawn. The survey also reveals significant variations between different countries, driven by a range of factors, including economic development, demographics, competitive and regulatory factors.

It is not surprising that a country like Japan, with a highly developed economy and a rapidly aging and shrinking population, has different characteristics than Brazil and Mexico. Similarly, in some markets, pension saving is to varying degrees compulsory, driving very different behaviors to those markets where it is optional.

In a number of Asia-Pacific markets, some non-life products remain governed by price tariffs or have only recently removed tariffs, leading to competition focusing on non-price factors. Regulation plays an important role in distribution models, with some countries, such as France, requiring a compulsory “duty to advise” for all life policies. Countries like China have highly concentrated insurance markets with a high level of state ownership, giving customers a limited choice when selecting providers, whereas others like the US have much broader competition between private sector players.

It would be a mistake to characterize countries based on simplistic metrics like economic development. In South Africa, for example, the use of tracker technology in motor insurance is routine. This helps to reduce crime and claims and is leading to a fast-developing telematics market, something a number of more “developed” markets are struggling with. Turkish life companies have highly developed retention units compared to some more “mature” countries. These were mainly developed in response to the 2008 financial crisis that led to a significant outflow of funds from recently introduced personal pension policies. The individual regional and country reports develop this country-specific analysis in more detail, as it is essential to understand local factors to appreciate how the insurance markets operate in the various countries covered in the survey.
We believe that by getting the customer interaction right, there is opportunity in every market to do a better job of attracting customers and strengthening relationships in order to drive growth.
Learning from the voice of the customer

Our research suggests that there is a lot that insurance companies can do to improve their businesses by listening to the voice of the customer, as revealed by our survey. We believe that by getting the customer interaction right, there is opportunity in every market to do a better job of attracting customers and strengthening relationships in order to drive growth.

### Life and pensions insurance

*In the life and pensions insurance sector this means improving consumer trust and confidence by:*

- Putting the customer, rather than the intermediary, at the center of the business model, and using customer data to develop deep insight into their needs and to offer the right product, at the right time, to the right customer, and to follow through with service that responds to their changing needs.
- Working with intermediary channels to be sure that they focus on (and are remunerated appropriately for) where they really add value to the customer. Build stronger direct relationships with customers to anticipate and meet their needs – particularly during the product life cycle.
- Providing a suite of simple and transparent products, tailored to lifestage needs, that customers can understand and buy with confidence.
- Making it easy to access relevant products and information throughout the product life cycle, particularly online, but supported by trusted personal interaction where necessary.
- Building trust by delivering a great customer experience and anticipating and responding to customers’ changing needs.
- Rewarding customers’ loyalty with incentives that recognize multiple purchasing and value of the overall relationship.
- Improving customer retention by addressing the underlying causes of lapses and being better at meeting their changing needs and expectations over the life cycle.

### Non-life insurance

*In the non-life insurance sector this means delivering convenience and value by:*

- Integrating online and offline channels seamlessly to meet changing customers’ needs over the product life cycle.
- Making sales and renewal simple and convenient for customers across whichever channel or medium they chose.
- Understanding how to personalize service and show customers they are valued, particularly in an ever more digital environment.
- Analyzing the cost to serve of the many customer micro segments to understand how service expectations and profitability differ particularly for managing risk selection and retention effort.
- Developing and managing insurance brand(s) to ensure they support the key value messages and communicate this effectively in the digital world.

These are clearly not easy actions to implement, particularly in mature economies where insurers have extensive legacy operations. The challenge is how to transition from existing product and intermediary-centric models to one that delivers what customers are saying they really want today and in the near future.
To provide deeper insights into consumers’ behavior and get a better sense of what drives their decision-making, you can review our six detailed regional reports.

The reports are available in hard copy from your current Ernst & Young contact or can be viewed or downloaded as pdfs from: www.ey.com/insurance. Each report explores current customer expectations across the product life cycle – providing a clear contrast between received industry wisdom and current consumer thinking.

We are confident that you will find these reports of interest and that they will provide a useful resource to help you test your assumptions about customers and a fresh lens through which to review the growth agenda for your business.
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Find out how we can help at www.ey.com/insurance, or contact a member of our team.

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