Accenture Insurance Survey

Achieving a Competitive Advantage Through Consumer-Focused Innovation

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Innovation—the key to customer acquisition and retention in a rapidly evolving marketplace

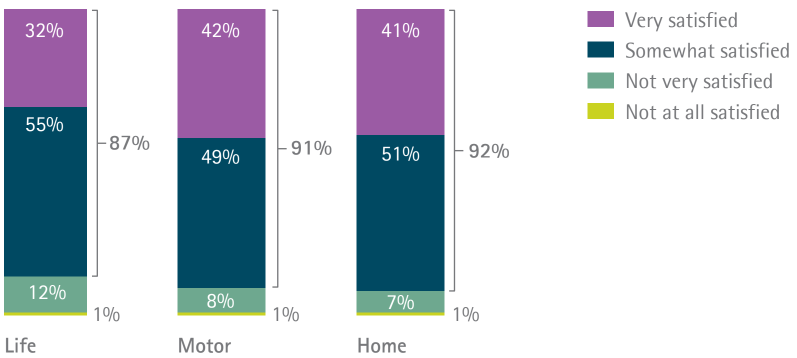
Insurers have traditionally cherished their reputation for conservatism. For decades, if not centuries, this stood them in good stead as individual and corporate customers demanded solidness and constancy from the recipients of their premiums and investments. But things have changed. Today, the more conservative insurers are under threat, and innovation has emerged as the key to future success.

Insurance customers are, by and large, satisfied with their insurance providers. A global study[1], carried out by Accenture among more than 7,000 consumers in 13 countries, found that approximately 90 percent are either "very" or "somewhat satisfied" with their insurers (Figure 1). However, a closer look at the data suggests the industry has little cause for complacency. Comparisons with an earlier survey[2] reveal that the "very satisfied" level has declined by 21 percent since 2009. What is more:

- 26 percent admit to having no loyalty to their insurers;
- 33 percent of the respondents in the 2011 survey say they are unlikely to recommend their life insurance providers to others;
- No more than 17 percent are sure that they will buy more from their current providers; and
- 26 percent would definitely consider shopping around for better deals.

Figure 1. Consumers are fairly satisfied with their insurance providers.

Q: Overall, how satisfied are you with your insurance provider(s)?



1. Accenture Consumer-Driven Innovation Insurance Survey, 2011

2. Accenture Global Consumer Survey, 2009 and 2010

Figure 2. Consumers have high expectations of their insurance providers.

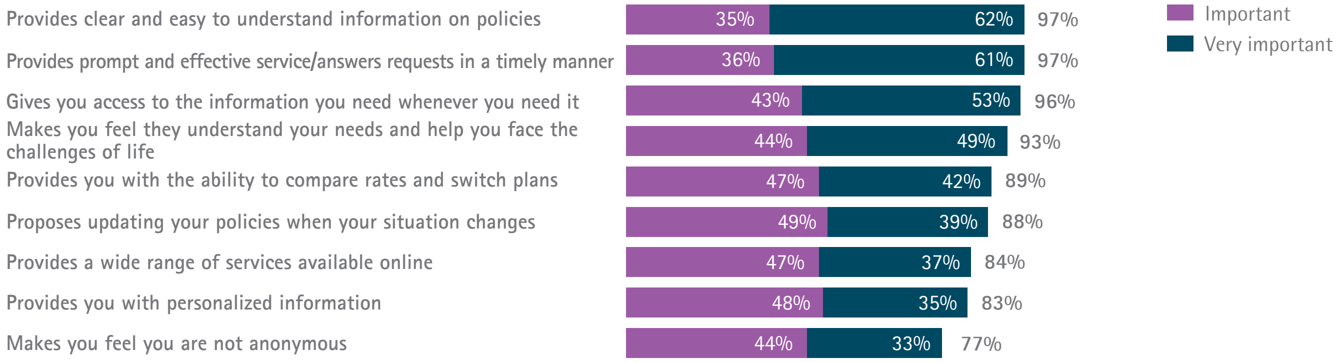
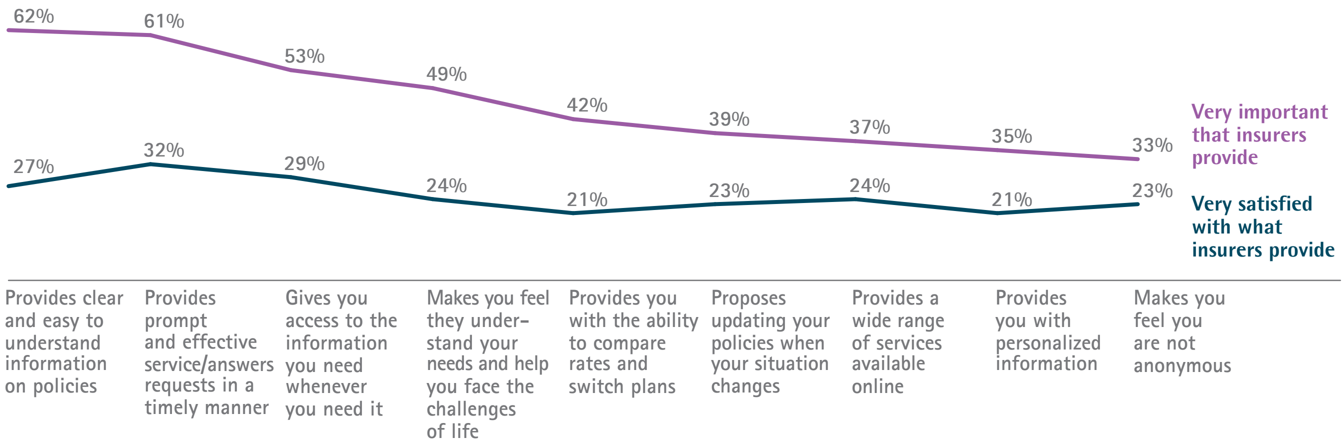


Figure 3. There is a gap between what consumers expect of insurers and what they believe they receive.



It is also worth noting that, in the 2010 survey, insurance achieved the lowest "very satisfied" score of the 10 different consumer service industries studied.

In the light of these figures, it seems likely that consumers are reporting reasonable satisfaction because their expectations are modest, and because few carriers have blazed new paths to service excellence, rather than because they are delighted with the experience they receive.

This view is supported by a comparison of the most important things consumers would like from their insurers (Figure 2), and whether they believe they are getting them (Figure 3). The gap between the purple and the blue lines in Figure 3, it could be argued, represents not only the satisfaction shortfall but the opportunity for insurers to differentiate themselves by giving consumers what they value most.

The data also highlights a serious threat which, by and large, insurers have so far managed to evade. In a market where demand is weak, customer retention is vital. However, with loyalty being frail and new technologies making it easier than ever to compare insurers' offerings, it is not surprising that one out of four customers plan to shop around before buying more insurance. The saving grace, for many carriers, is that most consumers believe there is little point in switching providers—75 percent think all insurers offer basically the same products and services, and the same number believe the products insurers try to sell are often not relevant to their customers.

If this represents a threat to insurers now, then the future is even more precarious, as the likelihood of switching providers correlates strongly with age. The older customers are, the lower the probability that they will switch irrespective of their level of discontent. The customers of the future, however, are almost twice as likely as those over 55 years of age to terminate at least one of their policies "in the next 12 months" (Figure 4), and 50 percent more likely to switch providers to obtain insurance that is more relevant to their needs (Figure 5).

Figure 4. Younger customers are more likely to terminate an insurance policy.

Q: How likely are you to stop doing business with one of your insurance providers in the next 12 months?

Somewhat and very likely

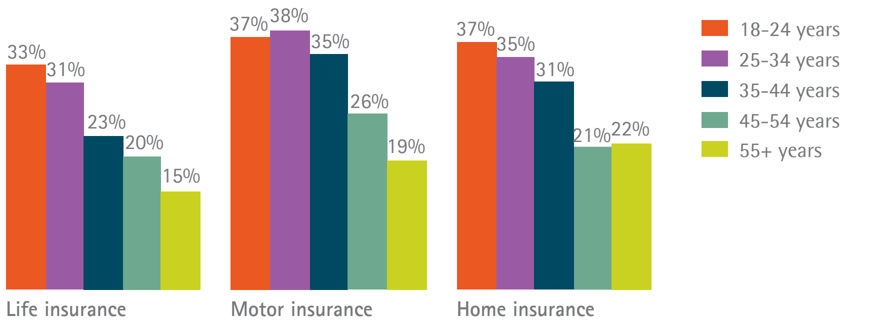
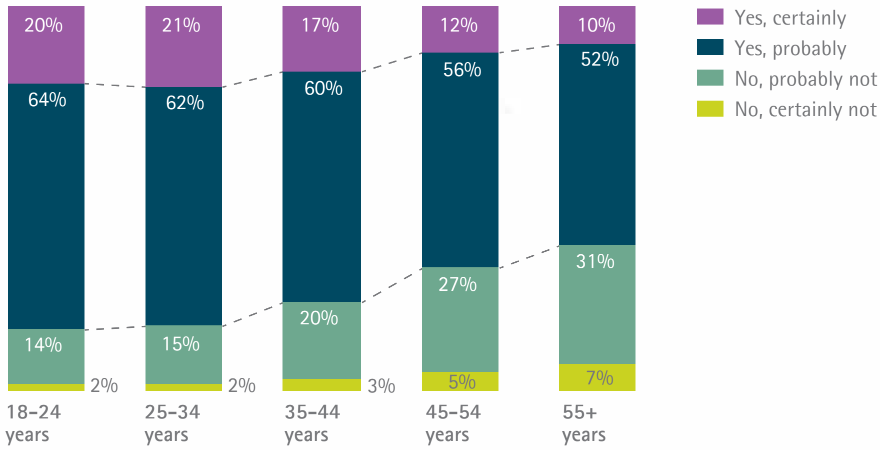


Figure 5. Younger customers are more likely to switch providers in search of more relevant products.

Q: If an insurer offered products or services that were more relevant for you—more customized to your needs—would you be willing to switch to this new provider?

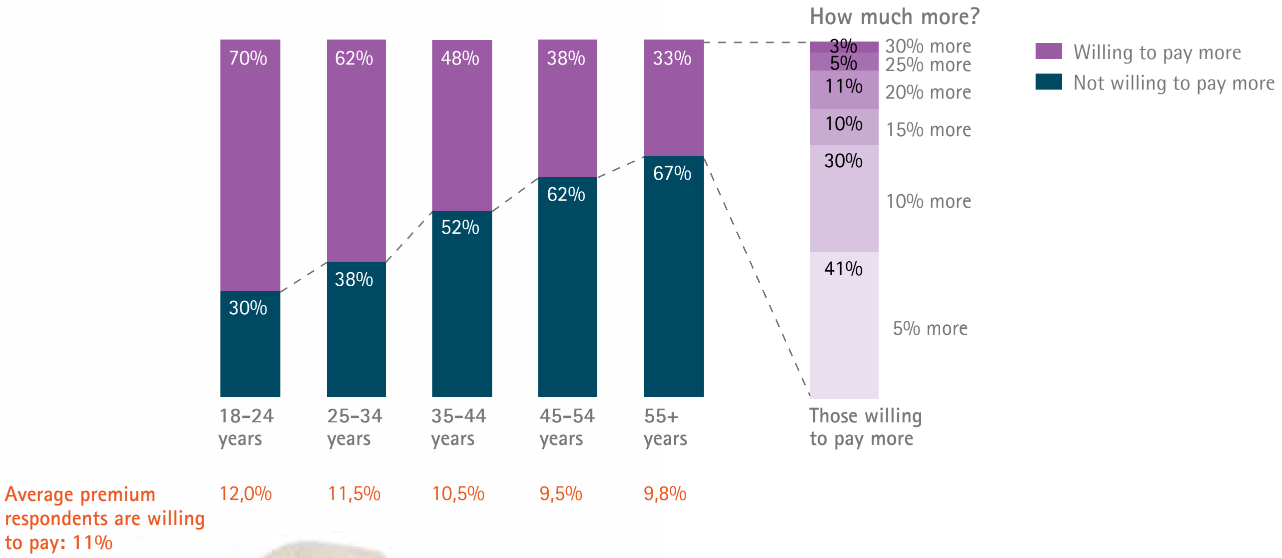


An indication of the strength of their determination to get what they want is found in Figure 6. More than half of all consumers would be willing to pay more for insurance policies that are more customized and relevant to them. Again, the youngest customers are more than twice as willing as the oldest to pay for more appropriate insurance, and in dollar terms they would be prepared to pay 20 percent more than their 55-plus counterparts.

Clearly, insurers cannot afford to be lulled by what may appear to be adequate levels of customer satisfaction. There is a groundswell of demand for more personalized products and treatment, and for more innovative and relevant services. If this hasn't translated yet into significant shifts of customers from one carrier to another, it is probably because few carriers have clearly differentiated themselves through superior products and service. However—as the aggregators in the UK have stunningly demonstrated—it is only a matter of time before this happens.

Figure 6. Younger customers are more willing to pay—and to pay more—to get more relevant products.

Q: How much more would you be willing to pay for insurance that is more relevant to your needs than your current policies?



Survey finds opportunities abound, but innovation is vital

The 2011 Accenture Consumer-Driven Innovation Insurance Survey was conducted among 7,010 owners of life and property & casualty insurance policies in 13 countries: eight in mature markets and five in emerging markets. The aim was to determine how consumers feel about their insurance providers, and what their expectations are regarding the products and services they provide. In particular, we wanted to know how they feel about innovation with regard to distribution channels, social networking and personalization.

Among the most important conclusions to emerge from the survey are:

- The insurance industry is at a turning point, with clear opportunities for carriers that use consumer-driven innovation to achieve differentiation.
- An advanced analytics capability will be a key success factor in meeting customers' expectations of personalized products, services and interaction.
- A robust mobile capability will be essential to the "retailization" of insurance, and to outperforming the market.
- To attract and retain customers—especially younger ones—insurers will need to invest in next-generation distribution channels and capabilities.
- Consumers in emerging markets are even more interested in innovative products and services than their counterparts in mature markets—and are more prepared to switch providers to gain access to them.

Policyholders buy scratchcards to pay their premiums

In India, an innovative microinsurance scheme was launched as a joint venture between Max India and New York Life Insurance, to cater for consumers who recognize the value of life cover but whose income is low and irregular. Called Max Vijay, the product is a 10-year term policy that pays five times the total premiums paid for natural death and 10 times for accidental death. The policy can be bought for an initial amount of US$20, top-up premiums as small as 20 cents can be paid whenever the policyholder can afford it, and the contract does not lapse even if no deposits are made after the initial premium.

To pay a premium the policyholder can buy scratchcards of varying denominations from local retailers. After scratching the card to reveal a code, he calls the insurer's contact center and gives the agent the code. The appropriate amount is then credited to his account. In the case of larger premiums he pays his money to the retailer, who uses a mobile terminal to transmit it via text message to the carrier, and to issue a receipt.

The product has proved to be popular, with approximately 90,000 policyholders signing up in the first 18 months since its launch.

Insurers need a different approach to succeed in a different world

The opportunities for growth have seldom been greater for insurers than they are today. After years of stagnation, established markets are starting to convert their pent-up demand. LIMRA's 2010 report on life insurance[3] states that half of all US households believe they need more coverage—the highest level ever. Policy ownership has fallen to a 50-year low, with three in 10 households having no life cover at all.

In emerging markets, the expansion of the middle classes has hardly been impeded by the global financial crisis. With their new-found affluence has come a determination to preserve it, resulting in strong demand for insurance. Even among the masses of poor farmers and micro-entrepreneurs, there is a growing appreciation of the value of insurance, even though the insured amounts may be small.

The authorities in these countries, together with the indigenous insurers, are generally eager for global companies to partner with local entities to help expand the market for insurance.

However, it is important to note that far from being uncritical, customers in emerging markets are generally less satisfied than their First World counterparts, more likely to switch providers to get what they want, and more willing to pay a premium for a more relevant product (see overleaf).

So with demand rising worldwide and across all business segments, and with consumers having made clear their willingness to switch to get the products and services they want, what should insurers do to capitalize on these trends?

3. Trends in Life Insurance Ownership, LIMRA, Aug 2010

Emerging markets—no easy pickings

For many global carriers, expansion into emerging markets is an important part of their growth strategy. But what do consumers in these markets think of insurance, and how do they differ from those in the more mature markets? One of the objectives of the Accenture Consumer-Driven Innovation Insurance Survey was to gain an understanding of what insurers need to do to develop relevant products and provide distinctive services—irrespective of whether their customers are in Boston, Berlin or Beijing.

The research found that consumers in India, China, Brazil, Singapore and South Korea are, generally speaking, marginally less satisfied with their insurance providers than those in the established markets. They are more likely to terminate their relationship with one or more providers "in the next 12 months", and significantly more likely to switch providers to get products that are easier to understand and more relevant to their needs (Figure 7). They are consistently and markedly more willing to pay a premium to get personalized products and services (Figure 8).

In line with the rapid and widespread adoption of mobile telephones in emerging markets, respondents in these countries report a higher incidence of using mobile devices to interact with their insurance providers—and a greater intention to do so in the future. They claim to be more interested in taking advantage of mobile-enabled services, and are more reliant on the recommendations of others, as disseminated via social media, in selecting new providers.

These findings highlight the opportunities for high-performance global insurers that are intent on expansion. Their superior distribution capabilities, combined with the low levels of loyalty in emerging markets, should make it easier for them to rapidly gain market share. However, acquiring a thorough understanding of the different groups of customers will be essential, as will the development of innovative, personalized products and services delivered across all of the preferred channels.

Figure 7. Consumers in emerging markets are more likely to switch for more relevant products.

Q: If an insurer proposed a product or service that was more relevant for you—customized for your needs—would you be willing to switch to this new provider?

% certainly and probably

China	96%
India	92%
Brazil	89%
Singapore	85%
South Korea	83%
Spain	82%
UK	82%
Italy	80%
Global	76%
Australia	70%
France	66%
Germany	64%
Japan	60%
USA	59%

Figure 8. Consumers in emerging markets are more willing to pay a premium for more relevant insurance products.

Q: Would you be willing to pay more for an insurance product or service that was more relevant for you?

% of respondents willing to pay a premium

India	93%
China	92%
South Korea	76%
Brazil	73%
Singapore	66%
Global	52%
Australia	45%
Spain	43%
Italy	39%
USA	39%
Germany	35%
UK	34%
Japan	28%
France	21%

Five key attributes to drive profitable growth

The time for insurers to act is now. The competitive landscape has intensified as carriers' capital positions have improved, allowing them to expand into new markets, invest in new acquisitions and capabilities, and market themselves more aggressively. In a fluid market such as this, insurers that are quick off the mark and can innovate in ways that matter to consumers will grow at the cost of those that are hampered by cumbersome legacy systems and outdated operating models.

Accenture has, for more than the past 30 years, worked closely with many of the world's leading insurers. This experience, together with the insights gained from our continual research into all aspects of the industry, has taught us that there are five key attributes that insurers must acquire to achieve and sustain growth.

1. A deep understanding of customers

Advances in analytics make it easier than ever for insurers to collect data from all parts of the organization, and combine and analyze it meaningfully to gain deeper, more current and more actionable insights into customers. Whereas the more basic descriptive analytics helped managers understand what had happened, predictive analytics goes a lot further. It enables segmentation based not only on demographics but also less quantifiable—but no less important—criteria such as personality traits, needs and expectations. It can define the customers who are most profitable to the insurer, most susceptible to cross- and up-selling, or most likely to switch to another provider. It can also identify those who are willing to provide more personal information (such as driving habits) in return for lower premiums, and can pinpoint the characteristics that represent the best opportunities for providing personalized, differentiated treatment.

Information such as this allows the insurer, with much greater certainty, to develop new products and tailor interactions that meet customer expectations. Not only can the likely effect be predicted with greater confidence; in addition, the results can be measured with greater speed and accuracy. The ultimate benefit is that insurers can create precisely targeted, fact-based sales and marketing strategies that deliver a measurable return on investment—and that improve incrementally as they learn from their successes.

2. An integrated multi-channel capability that meets customers' preferences

A recent Accenture survey[4] of insurance customers' channel preferences revealed that the trend is not simply the growth of online and mobile channels at the expense of more traditional ones. Rather than merely substituting, consumers are diversifying—they prefer to have access to a wide array of channels, and to use different ones for different purposes.

4. Accenture Multi-Channel Insurance Consumer Survey, 2010

Figure 9. Effective multi-channel distribution is critical to attracting and retaining especially younger clients.

Q: If your insurer did not provide the following, how likely would you be to switch to one that did?

% very likely and somewhat likely

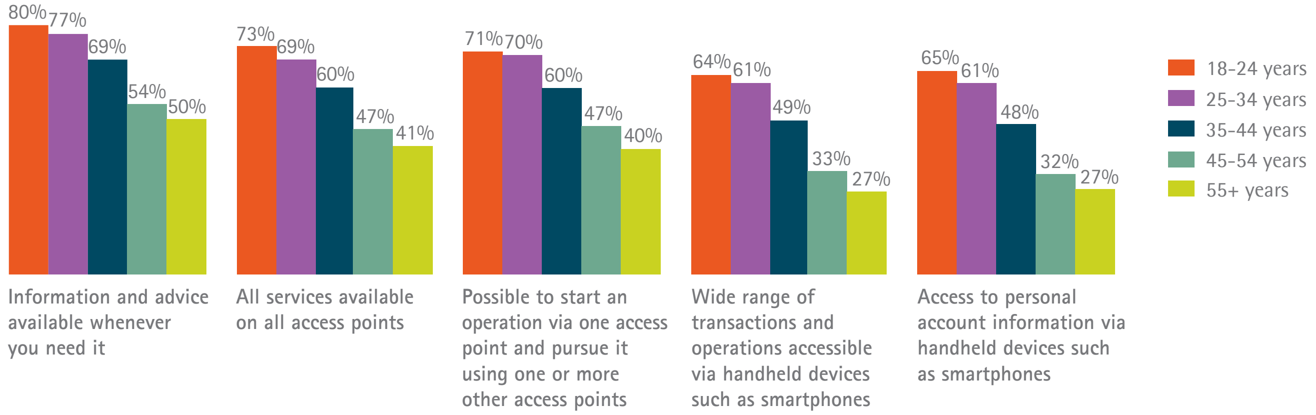


Figure 10. In the next two years, three consumers out of four will use mobile devices to deal with their insurance provider.

Q: Have you used mobile devices to deal with your insurance provider over the past two years, and how do you think your use of these devices will change in the next two years?

To keep in step with their customers' needs, insurers must embrace a multitude of complementary channels, which have to be seamlessly integrated. Trained by many of the world's leading Internet-enabled organizations to expect immediate and easy access to information, products and services, consumers fail to understand why their insurance providers cannot give them access to their policy and claim details at any time and with any communication device. Nor can they understand why they cannot initiate an action using one channel, and then continue it later on another. While older customers, more familiar with dealing with their insurer through agents and the telephone, are more forgiving, those who have more recently entered the market are unequivocal: they will leave their insurer if it cannot service them via the channels they prefer (Figure 9).

In particular, insurers must rapidly acquire the ability to engage with their customers via mobile devices, provide innovative products and services that take advantage of mobility (such as location tracking that pushes offers for luggage loss cover to customers when they go abroad), and give their producers the tools they need to sell more effectively. The enthusiasm with which consumers have embraced mobility has taken almost everyone by surprise. The rapid adoption of mobile phones, throughout the world, is well documented. Less well known is the extent to which mobile applications are being used to change the way consumers interact with their world—Apple's iTunes App Store has sold more than 10 billion applications in less than three years, or more than 60 for every iPhone, iPod touch and iPad sold. Four percent of the apps it offers are business-oriented, which adds up to more than 20,000 different products.

Accenture's research shows that well over half of all consumers have used their mobile devices for insurance purposes in the past two years, and more than 70 percent expect to do so in the next two years (Figure 10). In addition, more than half prefer to engage with their insurance provider by computer or mobile device than by fixed-line telephone or face to face, for virtually all sorts of interactions including purchasing a policy. The survey also reveals high levels of interest in innovative products and services

Figure 11. Many consumers are interested in the use of mobile devices to lower their insurance premiums.

Q: How interested are you in the following services that may be offered by insurance providers?

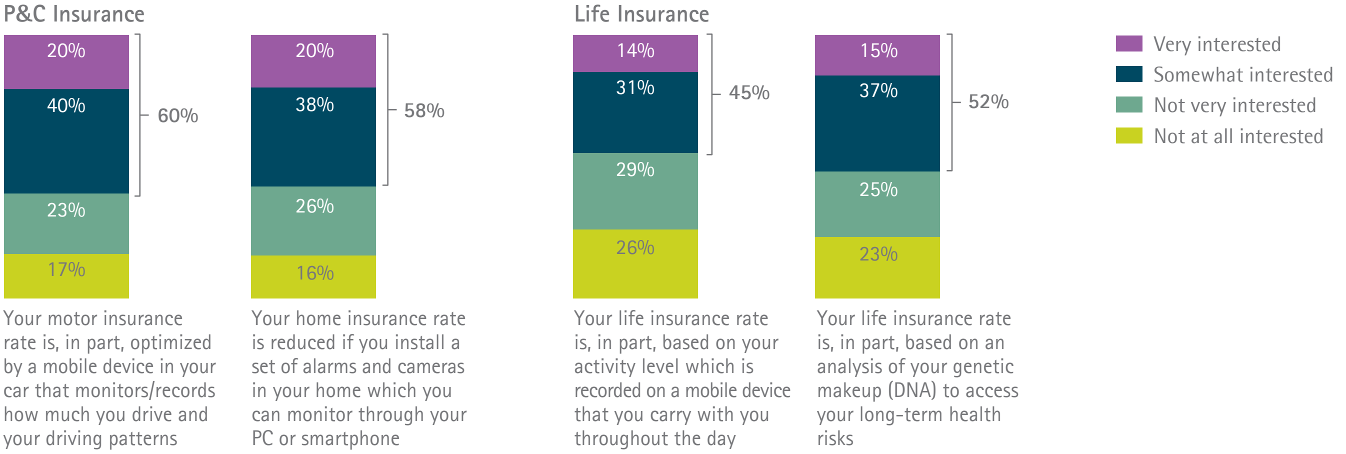
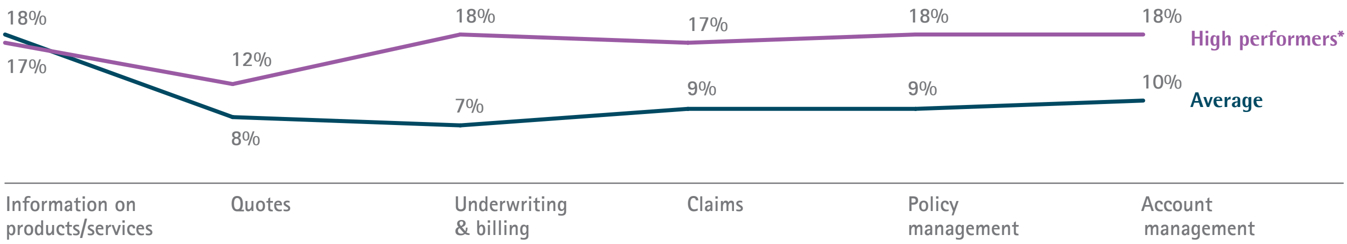


Figure 12. Most insurers—even the high performers—have been fairly slow to adopt mobile technologies.

% of insurers currently providing services on mobile devices



*High performers: the 20% of the sample with the highest growth rate over the past 3 years

that are mobile-enabled (Figure 11). In spite of this overwhelming trend, Accenture's multi-channel distribution survey[5] found that fewer than one in five insurers provide services geared for mobile devices (Figure 12).

3. Effective digital marketing that capitalizes on social media

Digital marketing changes the way insurers have traditionally targeted and engaged with consumers. It uses sophisticated analytics and advanced tools to find prospects, learn as much as possible about them, and convert them into customers. It not only takes advantage of all the opportunities presented by digital and mobile channels, but also harnesses the vast potential of social networking—another of the huge trends which are transforming consumer perceptions, choices and behavior.

According to Nielsen[6], consumers trust opinions they read online more than they do other forms of communication. Specifically, 90 percent of consumers surveyed by the research house noted that they trust recommendations from people they know, while 70 percent said they trust other opinions posted online. To a rapidly increasing degree, corporations' reputations are being shaped and shared on social media, and consumers—especially but not exclusively young consumers—are relying on them to make their purchase decisions (Figure 13).

An effective digital marketing strategy will enable insurers to integrate the Internet, mobility and social media into their existing marketing capabilities. It will allow them to monitor comments about their and competitors' brands, and to proactively manage their brand online. It can also refine their segmentation, so that the customer experience can be enriched and products and channels better matched to prospects. Sales leads can be generated and qualified much more effectively than before. By forwarding these to producers, who too are segmented according to their affinity with specific types of consumers, the sales cycle can be accelerated and the conversion rate dramatically increased.

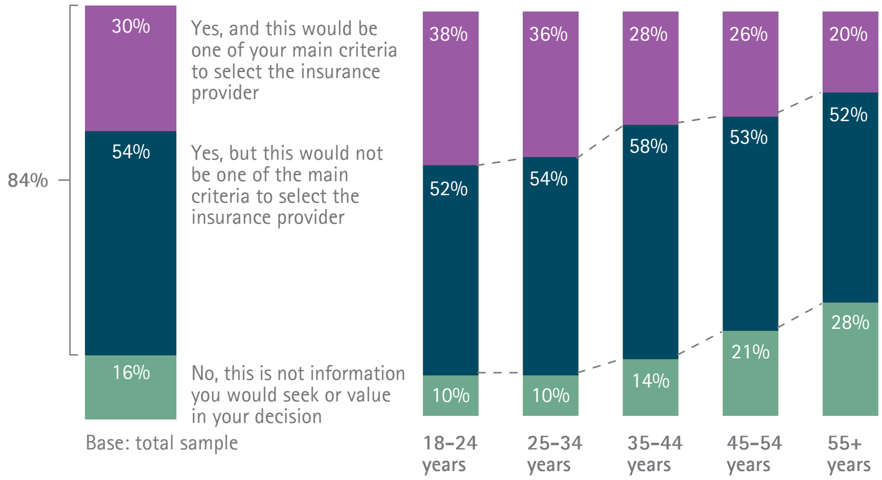
The full potential of social media, and of digital marketing, is a long way from being plumbed, but those innovative insurers which are leading the way have already gained a competitive advantage which others will struggle to overcome.

5. Accenture Multi-Channel Insurance Executives Survey, 2010

6. Nielsen Wire, Global Advertising: Consumers Trust Real Friends and Virtual Strangers the Most. 7 July, 2009

Figure 13. Social media play an important role in the selection of insurance providers, especially among younger consumers.

Q: If you were to purchase a new insurance product, would you pay attention to other customers' feedback on their experience with insurance providers, e.g., on social media?



4. 'Retailization'—learning from the success of innovative retailers

As insurers strive to get closer to customers, and to adapt their products and services to make them easier to understand and purchase, Accenture has described this trend as the "retailization" of the industry—the morphing of the business with traditional retail practices to operate in new ways. Insurers are realizing the tremendous power of customer intimacy, which the most innovative retailers have mastered. They are defying the trend toward commoditization, and breaking down the grudge-purchase mentality which has always plagued insurance.

The three main enablers of successful retailization are ease of use across a multiplicity of channels, the effective exploitation of customer data and analytics, and customer experience management. Allied to these are a marketing factory that is powered and directed by analytics; digital marketing; customer relationship management (CRM); sales behavior learning; and the development of a mobile ecosystem. Social media are treated not simply as another channel, but as a new opportunity to drive growth and a platform for social CRM that introduces a new approach in the front office.

Retailization implies a shift to a more customer-oriented agenda. Products are made simpler and easier to select, more appealing due to improved segmentation, bundled according to needs, and with more transparent pricing. Marketing relies heavily on needs segmentation and the use of a dialogue management engine to conduct rules-based conversations. Customer education programs help build trust and facilitate sales. A multi-channel architecture supports a consistent customer experience, with easy-to-use Internet and mobile capabilities, and enabling cost-effective remote access to the relevant experts and advisors.

While the new mantra will be "making things simpler and easier for customers", this does not imply a move back to a traditional world of high-touch, high-cost service. Innovative operating models capture efficiencies, and customers are offered service across the spectrum from basic fulfillment to effective advice, and across the range of preferred channels from the Internet to face-to-face meetings with agents.

Farmers insure crops by scanning the seed bag

In Kenya, few small farmers have access to banks or even insurance agents. But given their lack of financial reserves they face a dire risk of the weather turning against them. An innovative crop insurance scheme, called "Kilimo Salama" (safe farming), has been launched by the Syngenta Foundation for Sustainable Agriculture, telecoms operator Safaricom and UAP Insurance.

When the farmer buys a bag of fertilizer or seed, he uses the camera on his mobile phone to scan a bar code on the label. This activates his insurance policy, confirmation of which is sent to his handset by text message. He pays his premium using the M-Pesa mobile banking system, which was specifically created for Kenyans who do not qualify for formal banking services but do have a mobile phone. He is registered with his nearest weather station, which sends him regular weather reports—again to his phone. In the event that adverse weather in the vicinity causes crops to fail, all of the insured farmers in the area receive payouts through the M-Pesa mobile money service—without having to claim and without individual damage assessment.

5. An efficient underlying infrastructure that enables agility

To achieve the capabilities needed to understand customers, and provide the products, services and channels they prefer, insurers must have an underlying back-end infrastructure that is simple yet sophisticated. It needs to support the complexity of multiple channels, multiple products and multiple servicing locations. It must enable core capabilities like product definition, rating, pricing and so on that are as flexible as possible, while providing high scalability and performance across multiple potential computing platforms.

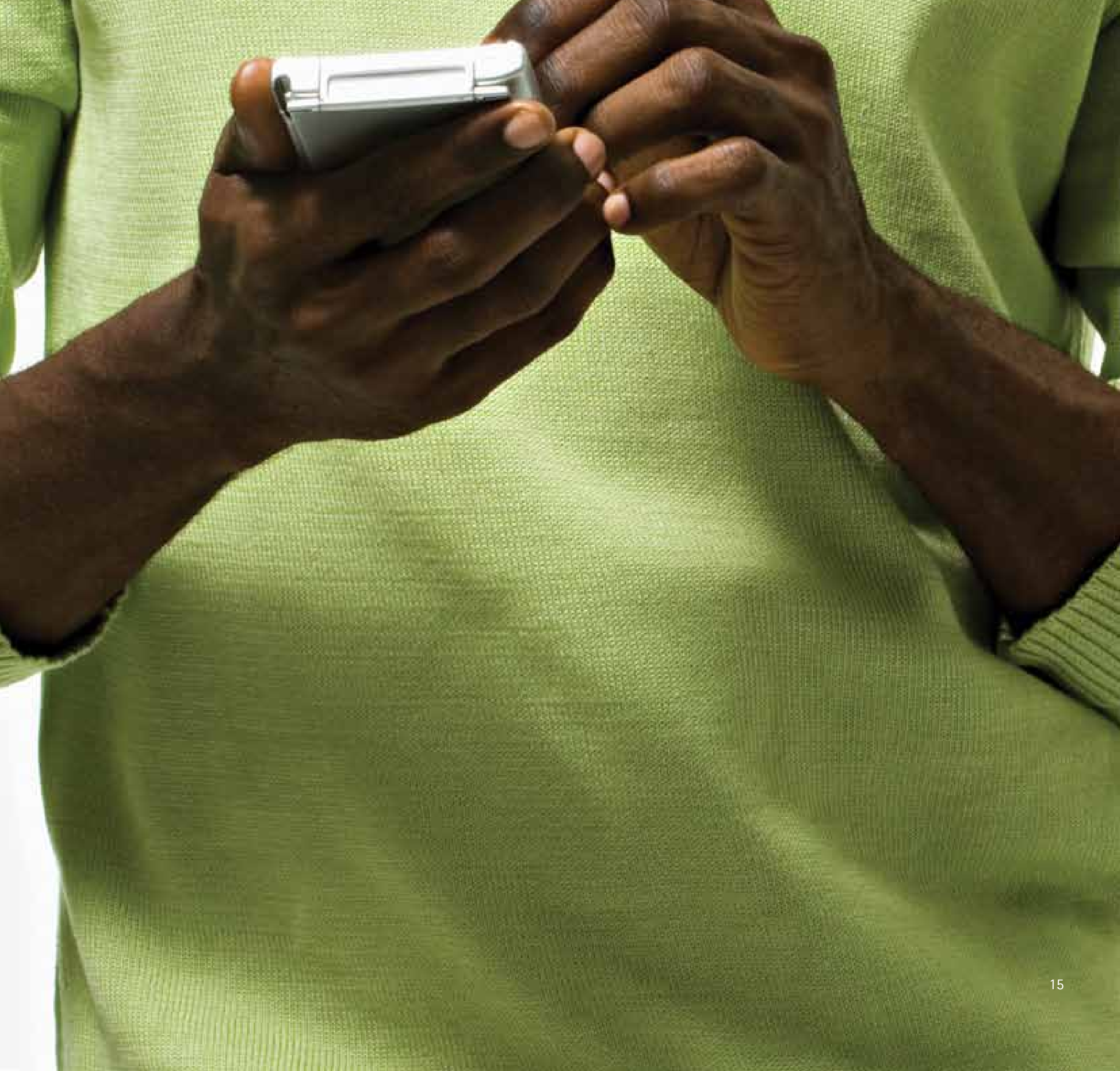
In addition, the infrastructure of the future must be able to capitalize on things like cloud to consume resources on demand without having to support them internally. In order to maintain the lowest possible IT unit cost while providing the maximum impetus to growth, companies need to look at the core IT platforms "below the water line". Anything that impedes agility and stands in the way of giving customers what they want should be identified and carefully considered for elimination. Legacy product-centric organizations should be dispensed with to facilitate a truly solution-centric approach to products, services, prices, and channels.

Agility to stay ahead of the game

Insurers that succeed in transforming their distribution capabilities in the ways described need have no fear that the market will take them by surprise or evolve beyond their grasp. They will be fully attuned to changes as and when they occur, and they will have the agility to respond quickly and appropriately—and differently, according to the needs of different customer groups. They will not be locked into long-term wagers on what the future holds, but will adapt their offerings by smaller, more frequent increments.

Loyalty will grow as insurers become more responsive, and innovation will be made easier by a clear view of consumers' unfulfilled needs. Together these will go a long way in driving profitable, sustainable growth.

We at Accenture would welcome the opportunity to discuss with you the findings of our Consumer-Driven Insurance Survey, and how your organization can acquire the capabilities needed for sustained high performance. To find out more, visit our website at www.accenture.com/insurance or contact your Accenture representative.



About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 215,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$21.6 billion for the fiscal year ended Aug. 31, 2010. Its home page is www.accenture.com.

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