

New Channels Create New Growth Opportunities for Insurers

North American Insurance
Distribution Survey Findings

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Introduction

After a period marked by disruption of the financial systems and heightened focus on cost reduction, carriers are increasing their focus on growth and placing larger bets on distribution excellence. While the economic environment may have stabilized to some degree, conditions for growth remain challenging and insurers need to change the game, starting with their relationships with their customers.

While insurers recognize the need for significantly increasing their investment in distribution—with 87 percent

of insurers describing this need as “critical” or “important” in a 2010 Accenture survey of global insurance executives¹—most also recognize that their distribution models require improvement to compete effectively and that consumers expect to be able to interact easily and effectively with their insurers across both new and traditional channels.

To gain more insight into consumer behaviors and preferences, Accenture conducted a large-scale, quantitative North America survey of more than 2500 individuals in January and February, 2011 (2001 people in

the U.S. and 500 in Canada), with a representative sampling of the general population in both countries. Survey respondents were purchasers of life, automobile or home insurance.

This survey was complemented by the Accenture Insurance Consumer-Driven Innovation survey, a global survey that focused on general consumer preferences, but also focused on usage of emerging technologies such as mobile and social media. Respondents, all of whom were purchasers of property and casualty or life insurance, included 1000 individuals in North America.



Key Findings

The research confirms that consumers are increasingly leveraging digital capabilities across their sales and service interactions with carriers and that use of emerging interaction channels such as social media and mobile will continue to increase.

While this is not surprising given the rapid growth of social media and the use of mobile devices, the willingness of as many as one in four respondents (23 percent in the U.S. and 21 percent in Canada) to pay for personalized advice when buying insurance points to new opportunities for insurers able to provide advice and product information in a digital environment.

This is particularly important since younger consumers place much greater value on advice than older and more established consumers. For example, the percentage of respondents willing to pay more to get personalized advice or assistance increased dramatically, to 39 percent, among those 18 to 24 years old.

In addition to placing higher value on advice, these younger consumers—who are much more engaged with the digital environment—also value product education significantly more than older consumers, who are more likely to interact through traditional channels such as agents.

Providing advice and product education at scale in a digital environment will be a source of competitive differentiation. This could potentially also present a new revenue model for insurers willing to evolve with consumer preferences—a model that combines sophisticated self-serve tools with valuable fee-for-service advice and education.

Other key research findings:

- Consumers will continue to rely upon the agent channel. Almost three-quarters of North American respondents have at least one insurance product purchased through an agent, and 64 percent of respondents will buy from an agent in the next 12 months. However, a large number of consumers ages 18 to 24 (26 percent) and 25 to 34 years old (30 percent) indicated that they have purchased insurance products online, and even more of these younger consumers (29 percent of 18 to 24 year-olds and 31 percent of 25 to 34 year-olds) plan to purchase or renew products online in the next 12 months.
- A much higher proportion of younger respondents would consider using social media to do research on insurance products—36 percent for those 18 to 24 years old and 37 percent for those 25–34 years old, as opposed to just 20 percent for those aged 35 to 44, 15 percent for the 45 to 54 age group and only 11 percent for those over 55 years of age.
- While price is still a major consideration, consumers place significant value on being able to interact with insurers in ways that are convenient, natural and meet with their expectations. Roughly one-third of North American respondents said it was “very important” that products and services offered by their insurance provider be identical in terms of functionality, support, and cost across the different channels available to them.
- North American consumers are reasonably satisfied with their insurance carriers and express an intention to stay with their current carrier. Four out of five, or 80 percent, of all consumers intend to stay with their current provider and over 60 percent of survey respondents have been with their current provider for more than five years. Globally, more than 40 percent of property and casualty consumers describe themselves as “very satisfied” and more than 70 percent of property and casualty consumers say they would be likely to recommend their insurer to their friends, family members or colleagues.²
- A significant number (18 percent) of consumers said they would be very likely to use insurance aggregators in the buying process. Since aggregators are not well-established in North America (although they have gained considerable market share in the U.K. and in Europe), this willingness to use a new channel indicates that there are important distribution opportunities for innovative insurers in North America.
- Consumers overwhelmingly see banks as a preferred advisor and a possible source of one-stop financial services shopping versus insurance companies. If banks were to enter the insurance market in a significant way, this could represent a significant alliance opportunity for carriers that can manufacture products for these banks, or a significant competitive threat for the ones that choose to compete directly.

Detailed Findings and Implications for the Industry

High levels of retention and satisfaction depend on giving consumers what they value and trust

The finding that roughly 80 percent of consumers plan to renew their insurance with their current provider is consistent with findings from the Accenture 2010 Global Consumer Survey, where only 10 percent of life insurance customers in mature

markets and 18 percent of customers in emerging markets said they had switched providers due to poor service. The life insurance industry outperformed banks, retailers, internet service providers, cellular telephone and cable television companies in the multi-industry survey.

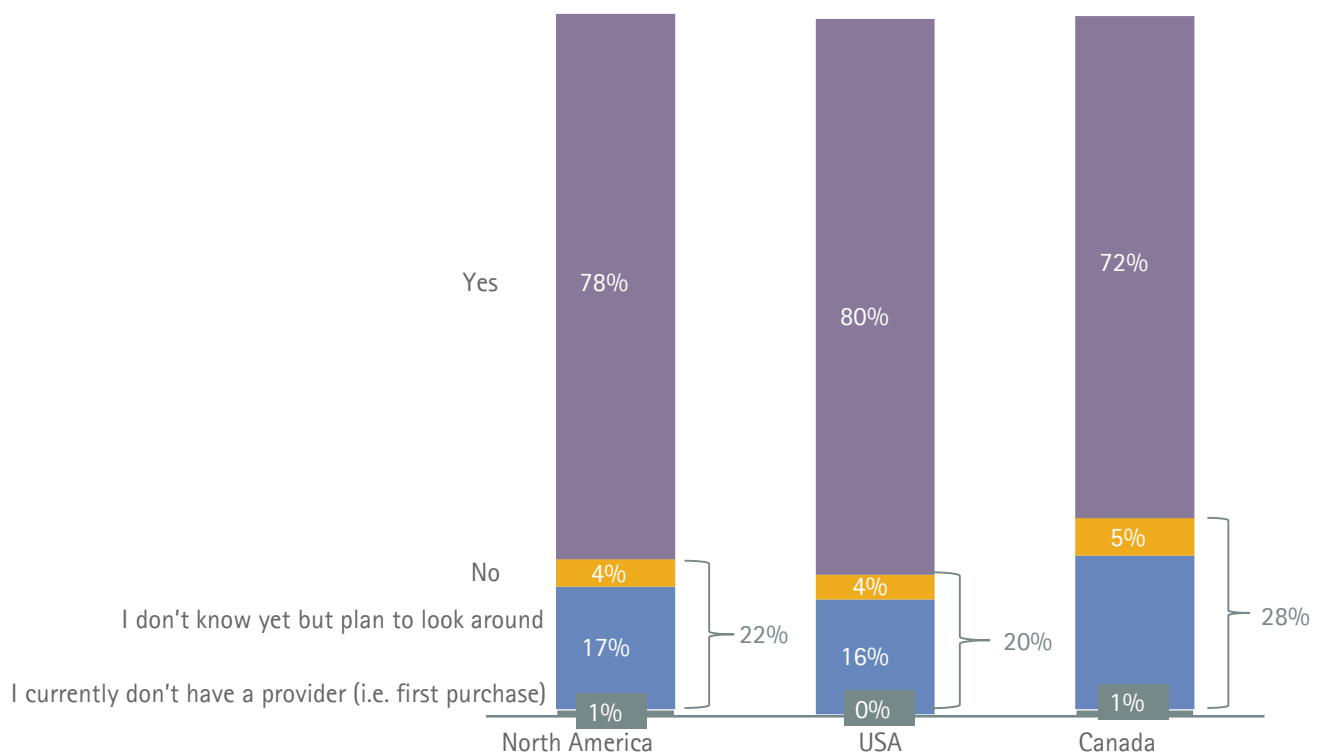
There are some demographic as well as geographic variations among respondents in the North American

insurance distribution survey—for instance, older respondents are more likely to stay with their current providers, as are higher-income respondents—but the similarities across respondents outweigh the differences. (Figure 1)

Given these results, it is not particularly surprising most consumers have been with their current carrier for a considerable amount of time. (Figure 2)

Figure 1: Consumers planning to switch providers

Do you plan to renew or purchase your insurance products with your current provider?

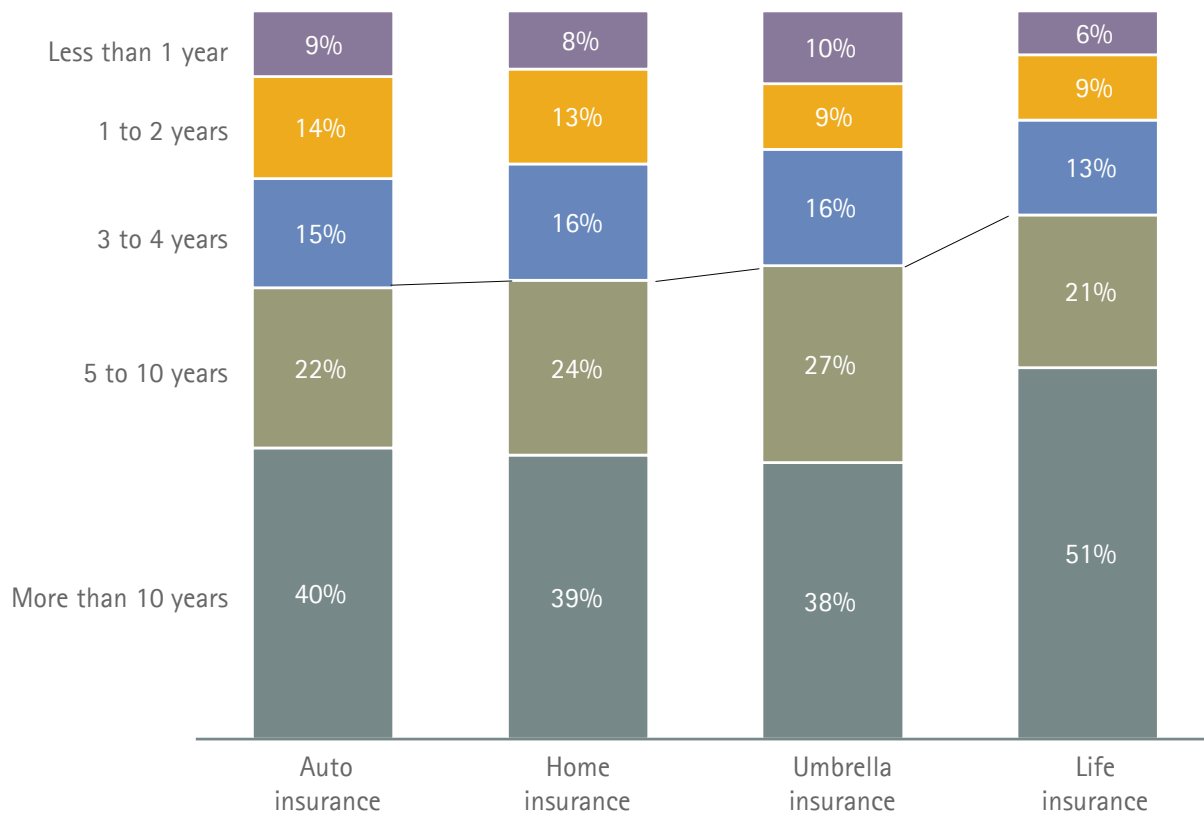


Source: Accenture Insurance Consumer Survey in North America, 2011



Figure 2: Consumers have remained loyal to their insurers

How many consecutive years have you purchased this product from your current insurance provider?



Source: Accenture Insurance Consumer Survey in North America, 2011

More than 90 percent of respondents were satisfied with their current provider of insurance and 70 percent or more of North Americans said they were likely to recommend their insurance provider to a friend, family member or colleague.³

To stay at high levels of loyalty and satisfaction it is critical that insurers are able to resolve problems fast (68 percent say this is very important), provide insurance products and services that meet consumers' needs (67 percent), and provide competitive

prices (65 percent) that are transparent (63 percent).⁴ (Figure 3)

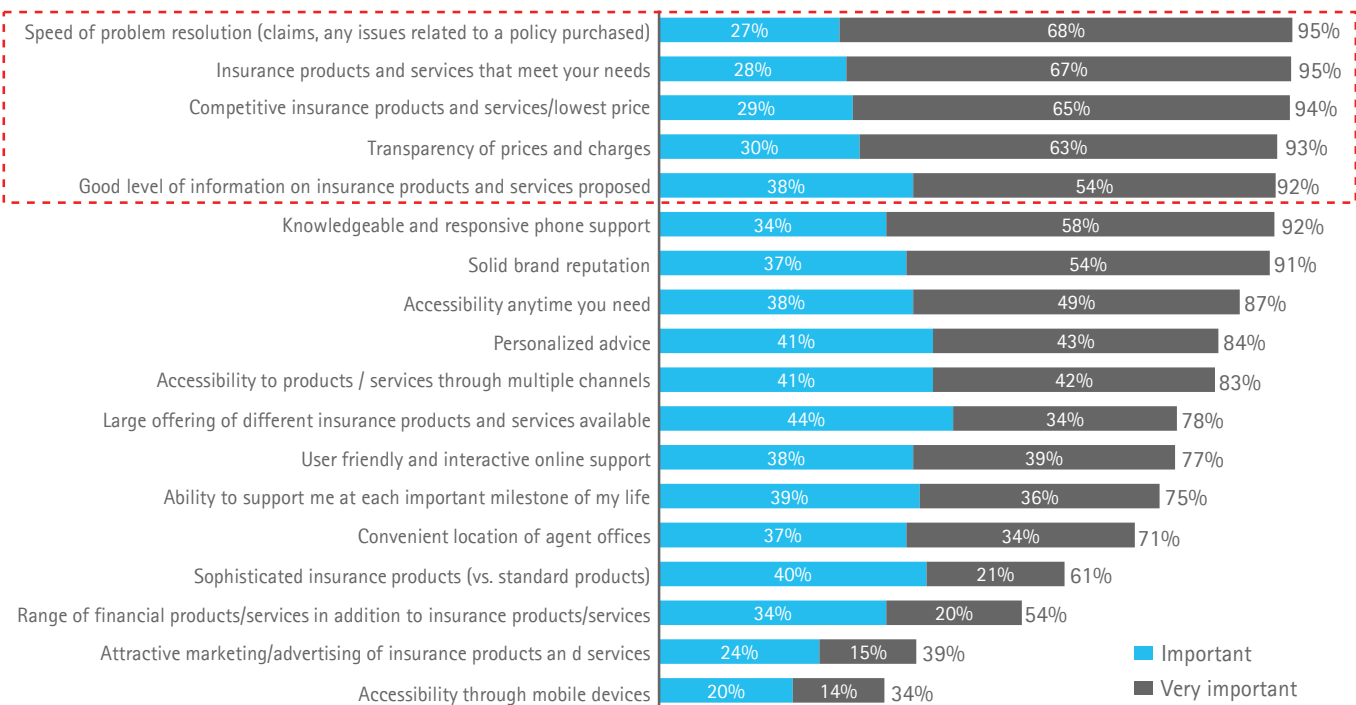
In addition, it is clearly important that carriers are able to provide a consistent experience across channels.⁵ (Figure 4)

Further, a large number (35 percent) of both property and casualty and life insurance consumers see it as "very important" to be able to start an insurance operation at one access point and pursue such an operation using one or more other access points.⁶

With consumer behavior changing in response to the rapid growth of social media, mobile devices, insurers' websites and other innovations, there are multiple opportunities for the carriers that are ready to take the necessary steps to address emerging consumer preferences as to how they want to interact with their carriers, including the purchase of insurance.

Figure 3: Criteria for choosing insurance provider

How important are the following criteria in your choice of a provider for a product or service?

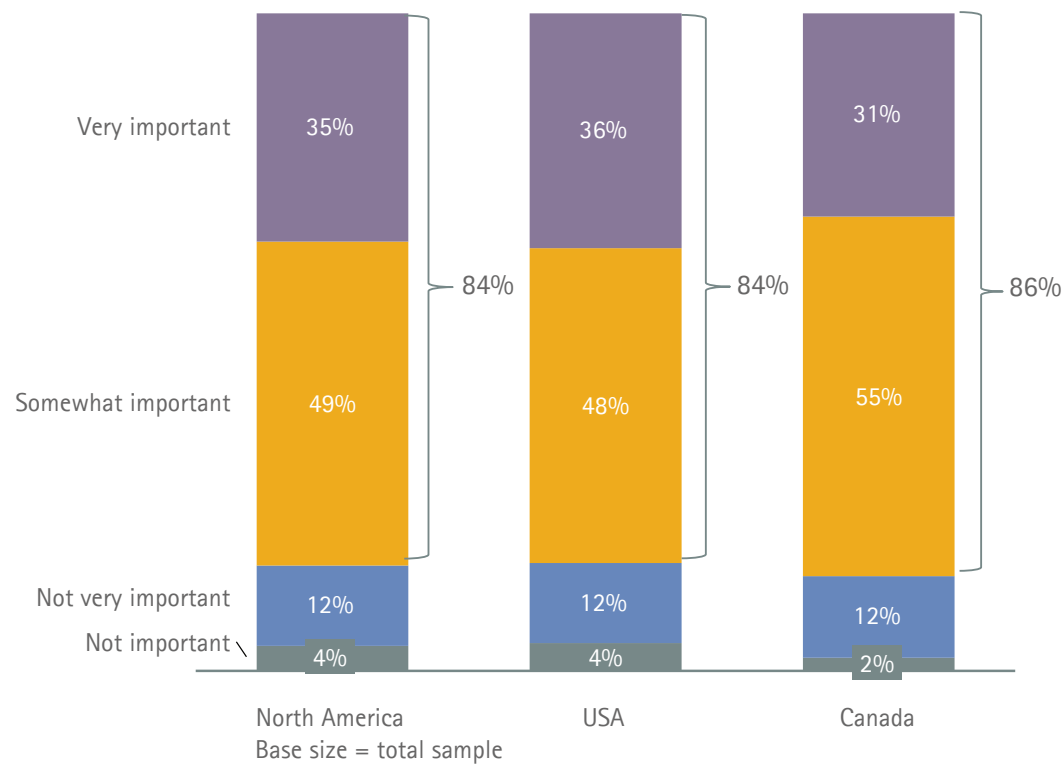


Source: Accenture Insurance Consumer Survey in North America, 2011



Figure 4: Consistency of experience across channels

How important is it for you that the products and services offered by your insurance provider are identical (e.g. same functionality, support, cost, etc.) across the different channels available (e.g., agent, online, call centers, etc.)?



Source: Accenture Insurance Consumer Survey in North America, 2011

Detailed Findings and Implications for Carriers

Insurers should consider the value put on advice

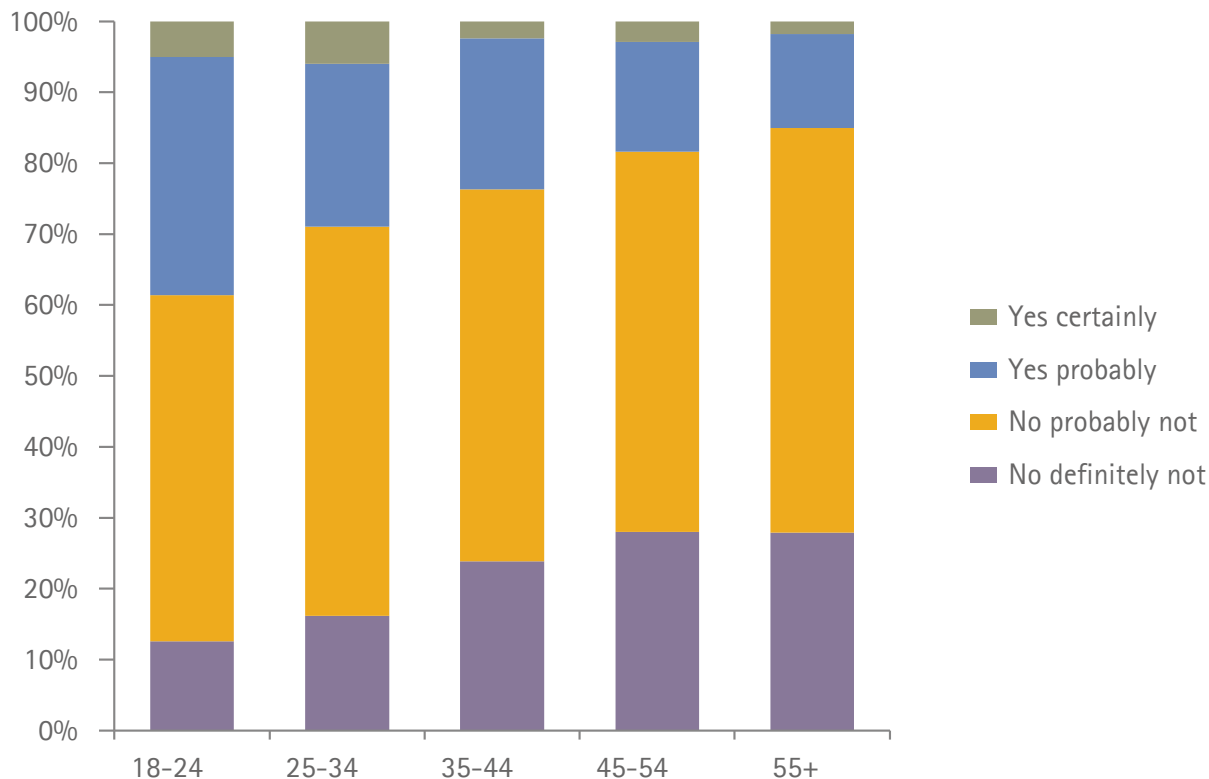
Personalized advice is important to customers and a substantial set of consumers have indicated a willingness to pay more for such advice. The customers willing to pay more for advice tend to be younger—with 39 percent of those 18 to 24 years willing to pay for such advice—even though younger customers display more interest in obtaining information through their own research before making a purchasing decision.

Furthermore, higher-income customers are more willing to pay for advice. (Figure 5) Interestingly, however, older respondents—45 and over, and especially those over 55—are less willing to pay for advice.

While consumers appear to value personal advice, the Consumer-Driven Innovation survey not surprisingly indicates that the amount consumers are willing pay for personalized services is relatively small, with more than 70% of respondents indicating that they would pay between 5 and 10% more for personalized assistance.⁷

Figure 5: Willingness to pay for personalized advice or assistance

Would you be willing to pay more to get personalized advice or assistance?



Source: Accenture Insurance Consumer Survey in North America, 2011

Consumers will start their shopping journey digitally, but will continue to buy from the agents

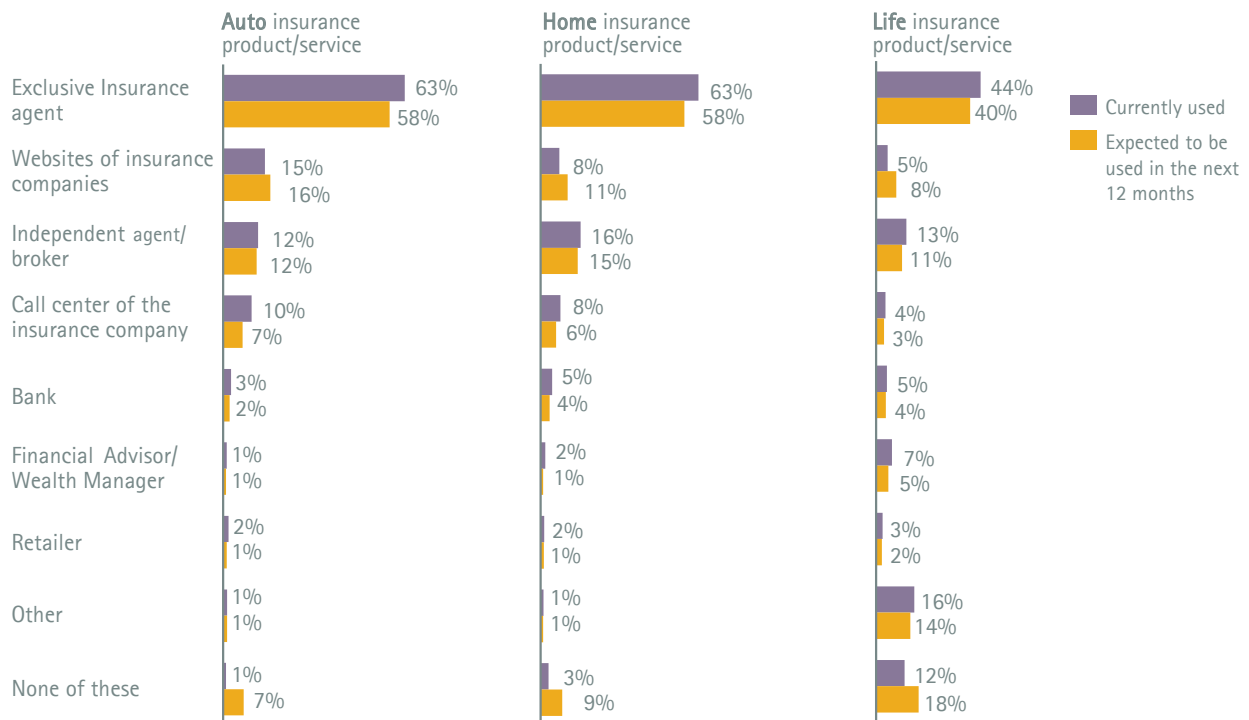
While more than 75% of shoppers for auto insurance start on the web, customers most commonly purchase insurance products through insurance agents—particularly in the U.S. Three out of four (75 percent) of U.S. respondents have at least one insurance product purchased through an insurance agent, as do 69 percent of Canadian respondents.

While there will be slight increases in the proportion of new purchases or renewals made online via insurers' websites—especially among younger consumers—the bulk of purchases will still be made through agents for the foreseeable future.

Survey findings indicate, however, that the proportion of renewals or new purchases made online via insurers' websites will increase slightly in the next 12 months, with 31 percent of those under the age of 34 saying they were likely to purchase or renew through an insurers' website. (Figure 6)

Figure 6: Channel usage

Do you currently have at least one insurance product/service purchased through one of the following channels? How do you expect to purchase or renew the following insurance products and services in the next 12 months? (i.e. channel used for final subscription)?



Base size = Insurance holders and respondents planning to renew or purchase a new insurance product in the next 12 months
 Source: Accenture Insurance Consumer Survey in North America, 2011

Insurers should embrace and expand leverage of social media and other emerging channels

The trend toward online usage will develop over the next two years. Consumers expect to increase their interaction with their carrier through online, aggregators and mobile. They will also increasingly use social media to educate themselves about products and services and to gather feedback from other consumers.

A relatively substantial number of people say they would use social media for insurance research. This is particularly true for younger demographics with more than 35 percent of

respondents ages 18–34 saying they either use or would consider using social media for research. (Figure 7)

Further supporting the importance of social media in the buying process, the global survey found that 28 percent of U.S. respondents said they would consider customer feedback shared on consumer blogs to be one of the main criteria for selecting an insurance provider, and a total of 84 percent of respondents said they would give such feedback at least some consideration.⁸

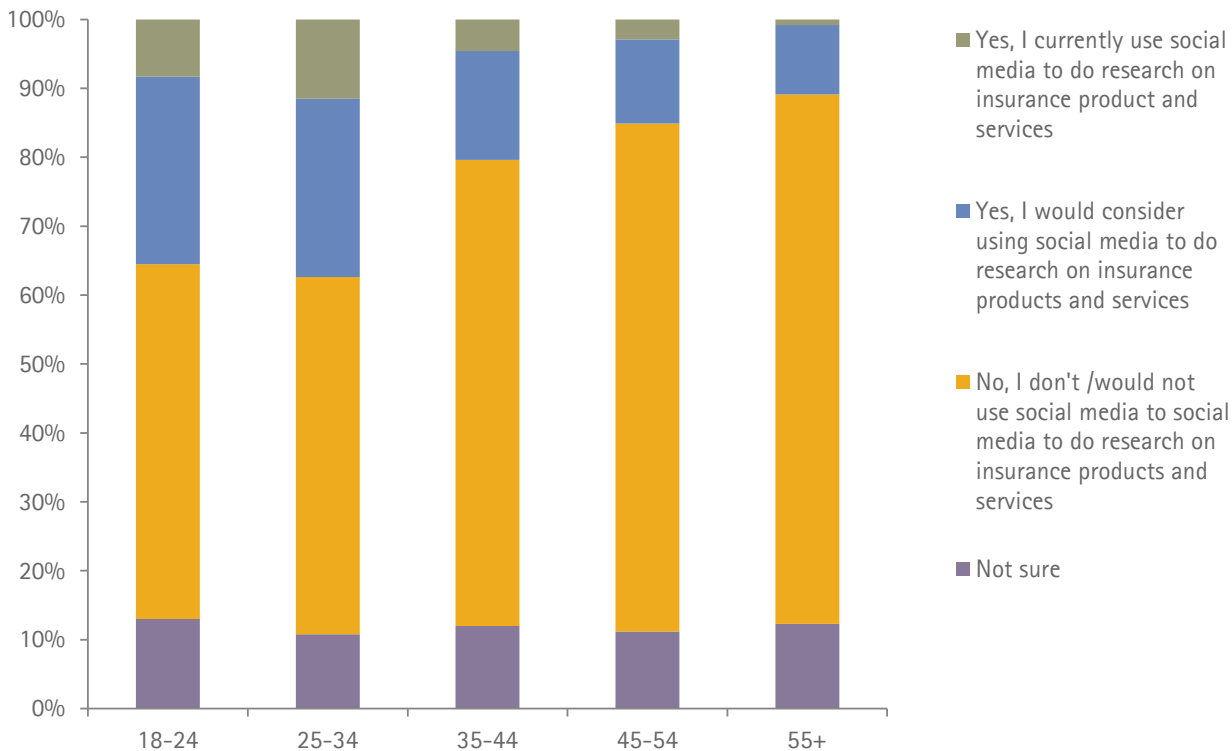
Respondents also expressed an interest in purchasing or using services that might be provided on mobile devices by insurers, including the

ability to send text messages to receive updates on claims requests; interacting with representatives of the insurer through smart phone or video; access to information via Facebook or other social media sites; and applications available through tablet computers for user-friendly navigation or for interactive analysis of insurance needs.⁹ (Figure 8)

Customers have increased their usage of mobile devices across the lifecycle and this trend will likely continue.

Figure 7: Use of social media

Do you currently use or would you consider using social media to do research and inform yourself on insurance products and services?



Base size = total sample

Source: Accenture Insurance Consumer Survey in North America, 2011



Figure 8: Interest in new services via mobile devices

Would you be interested in the following new services that may be proposed on mobile devices by your insurance provider for motor, home or life insurance?



Base size = total sample

Source: Accenture Customer-Driven Innovation Multi-Country Consumer Survey, 2011

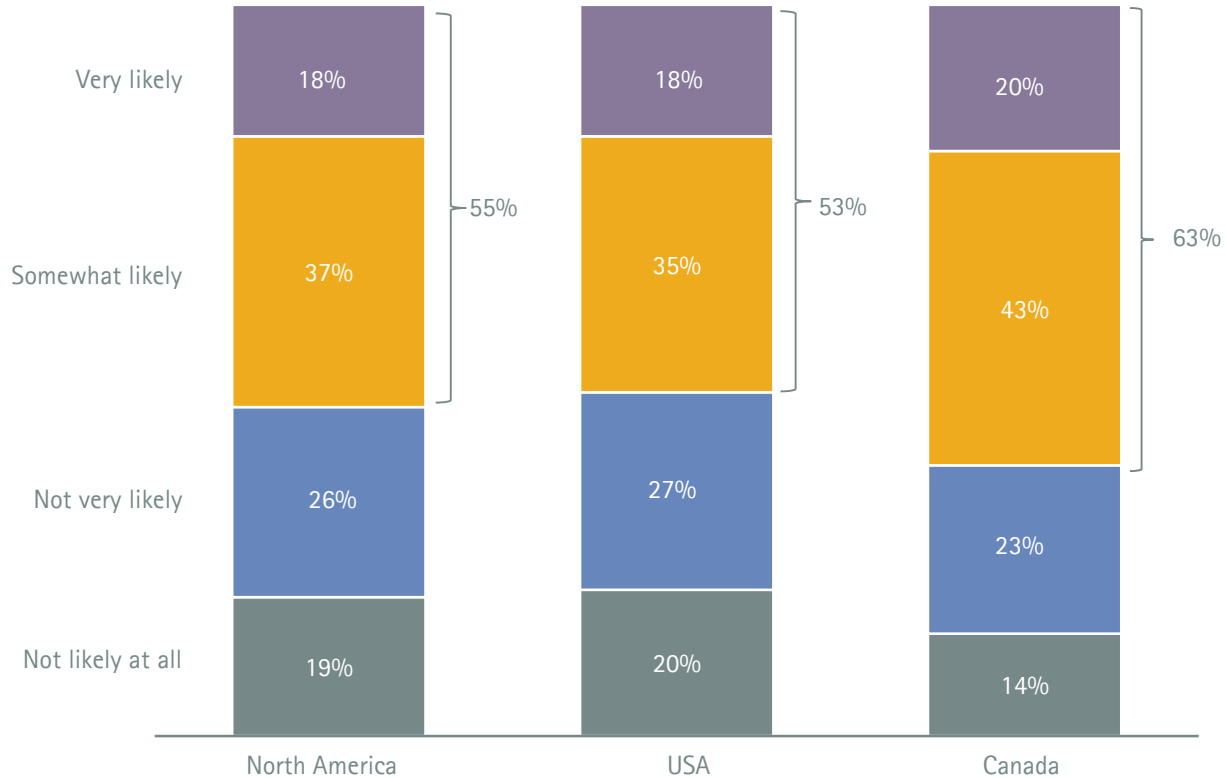
What is the future role of aggregators?

So-called "insurance aggregators"—companies providing consumers with comparative shopping for property and casualty insurance, typically through an online service—now have large shares of market in the U.K. and other European countries. While aggregators are not yet widely used in North America, 53 percent of U.S. and 63 percent of Canadian respondents

overall said they were likely to leverage aggregators for insurance purchasing decisions, with 18 percent of U.S. respondents and 20 percent of Canadian respondents saying they were "very likely" to do so. (Figure 9) Since the use of websites that compare quotes between different insurance companies could change shopping behavior and increase customer churn, insurers would be well-advised to incorporate the aggregator concept into their medium and longer-term planning.

Figure 9: Potential interest in aggregators

How likely would you be to use a website that compares quotes between different insurance companies to make your purchase decisions?



Source: Accenture Insurance Consumer Survey in North America, 2011

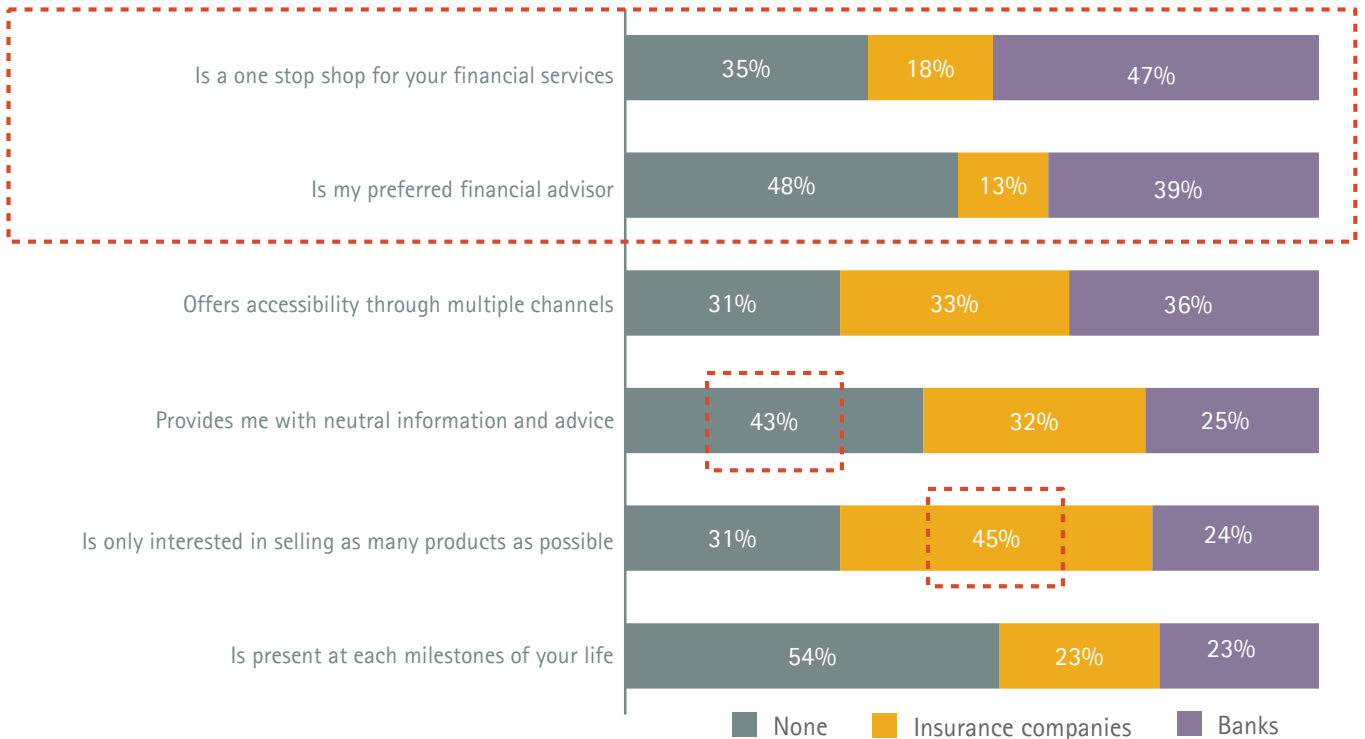
Consider the competitive challenge from banks.

While North American consumers have limited trust in insurance companies as well as banks, and believe that both are primarily focused on "pushing" product rather than providing customers with neutral advice, it is also clear that banks are substantially better positioned as the primary financial advisor. Insurers should consider their positioning vs. banks, especially in the event that banks attempt to more aggressively penetrate the North American insurance market. (Figure 10)



Figure 10: Future role of banks as insurance provider

How do you feel insurance companies compare with banks on the following statements?
Please indicate which of the following statements best applies



Base size = total sample

Source: Accenture Insurance Consumer Survey in North America, 2011

Achieving High Performance through an Integrated Approach to Distribution

Accenture believes that there are numerous opportunities available to insurance companies if they proactively address some of the issues raised in this research. While insurance companies must be able to deliver consistent, multi-channel experiences that are focused on meeting specific needs of individual segments, this research also indicates that:

- There continues to be precious few consumers switching insurers every year, and increased competition for the same micro-segments means that insurance companies must significantly sharpen their acquisition capabilities to win in the market place by:
 - Using world class consumer analytics focused on targeting the most valuable micro-segments and on optimizing the first point of contact in an increasingly digital environment;
 - Providing an integrated digital buying experience that optimizes the interactions across the entire digital spectrum (digital marketing, insurer web site, social media, mobile); and
 - Integrating and extending digital capabilities to agents to enable them to engage with consumers in the way consumers want.
- Insurance companies must enable their channels to provide advice and remove the consumer perception of being less capable and somewhat indifferent to providing unbiased advice. To do this, insurers must:
 - Provide richer product education and decision support tools across all channels with emphasis on detailed information delivered through digital channels such as the insurer's web site, social media, and mobile devices.
 - Enhance overall financial acumen of the agents and provide agents with a tool set allowing them to be true needs-based sellers.
- Consider how to react to a scenario with increased competition from banks and aggregators
 - Aggregators have significantly disrupted the UK market; one effect of this disruption was that the overall level of online purchases of insurance was substantially increased.
 - While there is currently only a relatively limited focus on traditional banks entering the North American insurance market, this is a scenario that insurance companies must consider. Banks generally have better and more visible distribution and our research indicates that customers find them relatively better-positioned to provide advice. Insurers should seek to collaborate with banks by becoming their product manufacturer and by using banks as a distribution channel; otherwise they must accept the prospect of a formidable set of new competitors in an already hyper-competitive market.

As insurers know, it is easy to talk about the right strategy but execution can be much more complex. It is no simple matter, for example, to address customers' desires for speedy resolution of problems or for more personalized products and services. Carriers must still address some basic concepts as they transform their business models. These include:

- Optimizing, aligning and refocusing all channels on the customer.
- Dealing with the cultural and behavioral aspects of distribution transformation; it is often easy to build the right capabilities but more difficult to obtain buy-in from agents and other stakeholders.
- Deploying world-class analytics to engage more effectively with consumers, but also to fully understand the return on allocated distribution resources and how each channel contributes to the overall distribution objectives of the carrier.

The insurers that combine these concepts with a relentless focus on executing the right strategy are likely to be high performance insurers through the next decade and beyond.

References

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8. Accenture Customer-Driven Innovation Multi-Country Consumer Survey, 2011
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