Do consumers trust protection insurance?

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Protection products sell a promise of financial security in times of distress. But do consumers believe these products would deliver on that promise? At Hannover Re UK Life Branch we run periodic consumer research, asking a UK-representative sample of consumers questions on topical issues related to protection insurance, financial planning, and lifestyle. This article illustrates some of our findings on the topic of trust.

Word of mouth

The ultimate measure of consumer engagement and brand success is word-of-mouth, often measured as Net Promoter Score (NPS), defined as a clear measure of an organisation's performance through its customers' eyes. Research shows that companies that achieve long-term profitable growth have a NPS two times higher than the average company.[1]

In order for people to promote protection insurance products, recommend them, or simply talk about a positive experience they've had with family and friends, they need to have this positive experience top-of-mind. What kind of knowledge and experience do consumers have about protection insurance?

We asked consumers if they knew anyone who had a positive experience when claiming on a life, CI or IP policy – and only 8% said they did – not a very good start. However, of this small group, over half said that it would make them more likely to purchase these products.

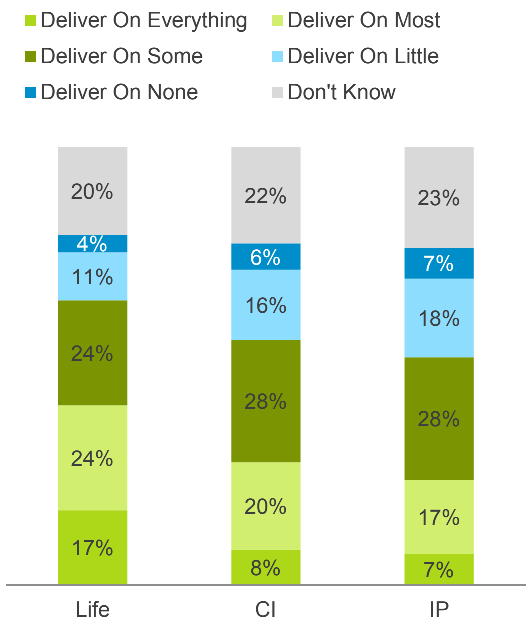
Do we deliver what we promise?

So, why is it that less than 1 in 10 people know of a positive experience from claiming on a protection product? Perhaps because these products sell a promise - but do consumers believe they would deliver on that promise? (Graph 1)

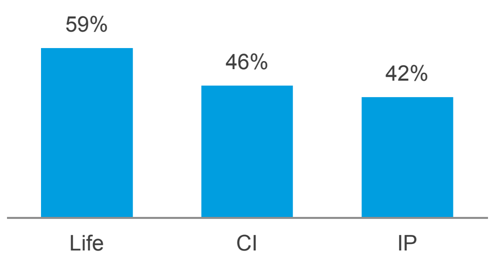
Just over half of respondents believe the products deliver, but a very small group believe they deliver on *everything* they promise. Why?

There is a widespread perception that insurance firms avoid paying claims. People believe insurers find loopholes and rely on clauses and small print to avoid paying claims, leaving consumers disappointed by products that always seem to have a 'catch'.

Graph 1) Do you believe life, CI and IP deliver on everything they promise?



Does this perception match reality? If you work in the protection industry you will know it doesn't. 99% of term life and 92% of CI and IP claims are paid across the industry.[2] But does this statistic translate to what consumers perceive? To understand exactly how our claims payment record is perceived we asked consumers what percentage of claims they believed are paid. The responses were dissapointing to say the least: 59% of life



claims, 46% of CI claims and 42% of IP claims.

Graph 2) What percentage of claims do you believe insurers pay?

What is even more worrying is that if we look at the demographics of those answering this question, the younger the respondents, the poorer the perception. Of our target consumer group (18-44 year olds), which represents the vast majority of new business purchases, the average perception is that 48% of life claims, 42% of CI claims and 39% of IP claims are paid.

Can protection products be depended on?

So all in all, is protection insurance dependable in the eyes of the consumer? We asked if people believe they could depend on life, CI or IP for financial security in the event of death or serious illness/injury. Less than a quarter believed they could depend on IP and CI; 64% however believed they could depend on life insurance.

What do people rely on instead?

Given the small segment of people that rely on CI and IP, we asked respondents what is it that they would find most useful if they were unable to work due to illness or injury. 60% favoured savings, followed by family or spouse (34%), the State (34%) and their employers (28%).

The majority of respondents would therefore rely on savings rather than on protection insurance. We asked how much people perceive they would need in savings if unable to work for over three months. The majoity said it would be somewhere between £2,000-£5,000.

New opportunities: employer benefits and auto-enrolment

As many cited they would rely on employers, we dug a little deeper into the topic of employer benefits, knowledge and perceptions. Just over half of repondents believed they knew how long they would be paid full salary in times of long-term sickness, denoting a strong lack of knowledge among the general working population. We also asked what other benefits people believe they have through employment and respectively only 7% and 5% cited CI and IP - clearly a very small minority.

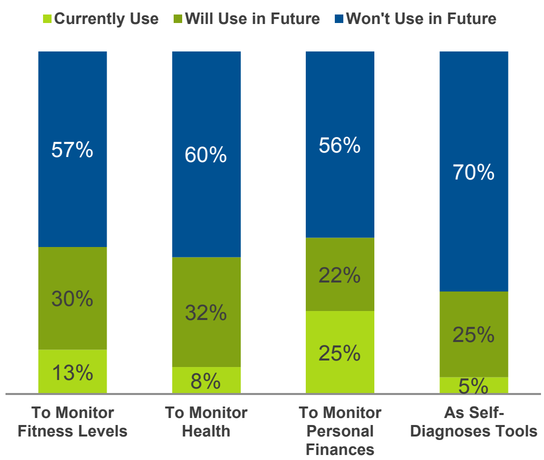
But would people be more likely to take advantage of protection products if they could do so through employers at no added cost? Disappointingly, only 37% said they would, with over half of respondents simply not sure. More specifically we asked whether people would find it helpful to be auto-enrolled on an IP or CI scheme. Roughly one in two would, with about a quarter of respondents still unsure. These results certainly suggest that there is a gap in the market and an opportunity, if we can bridge the knowledge gap.

New opportunities: wearable tech and data sharing

Still looking at new opportunities, we asked our respondents a few questions on up-and-coming wearable technology, data sharing and trusting insurers.

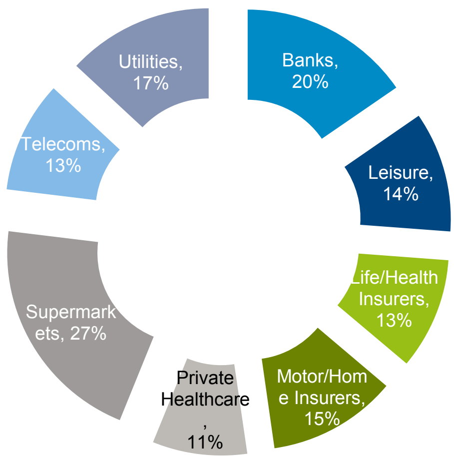
Firstly, we wanted to understand whether there is an appetite to use *wearables* to monitor fitness, health or even as self-diagnoses tools.

Graph 3) Do you use mobile apps or wearable technology …?



Clearly there is an appetite for these devices, especially in younger generations: 18-34 and 35-44 year olds. The majority of 65+ respondents instead showed very little appetite. The main reasons for being reluctant to use these new technologies, especially as self-diagnoses tools, are, aside from apathy towards technology (mainly in older generations), the lack of trust and perceived inaccuracy of results. Still, the 30-40% of population willing to use these devices is a large market, and a lot of health and fitness data could be gathered. Would people be willing to share this data, in return for a discount on a policy? 30% would, and 28% were undecided. By comparison, we asked whether respondents would be willing to share the data with other more trusted institutions such as doctors or police, and the results were very similar – showing a general propensity to trust insurance providers with personal data. We dug even deeper and asked consumers which sectors would they be willing to share personal data with, in exchange for a discount or reward (**results shown in Graph 4**). In terms of rewards, most people preferred gift vouchers, loyalty points, cinema tickets or freebees to premium discounts.

Graph 4)



Brand recall

A piece on trust would not be complete without touching upon branding and brand recall. We asked consumers which companies come to mind and why when considering to purchase life, CI or IP (Figure 1).

Over 40% stated that the name they chose was because they trusted that brand's reputation, and around the same percentage claimed they recalled the name from advertising. Just over one in three had other policies with that company, presenting a strong cross-sell opportunity. In line with the issue of word of mouth and NPS mentioned earlier, only about one in ten stated the company had been recommended to them by friends or family.

Figure 1)

Net Promoter Score

It all comes back to word of mouth and NPS. Customers can be divided into three categories. 'Promoters' are loyal enthusiasts who keep buying from a brand and urge friends to do the same, 'passives' are satisfied but unenthusiastic customers, and 'detractors' are unhappy customers that recall bad experiences. This categorisation is based on how they answer the 'ultimate question' – i.e. would they recommend a company to friends or family. [1]

We therefore asked respondents whether they would recommend their life, CI or IP provider to friends and family. 48% would recommend their life provider, 29% their CI provider and 35% their IP provider.

NPS is calculated by subtracting *detractors* from *promoters*. As Figure 2 shows, on this basis, only life insurance has a positive NPS. Average performing firms have an NPS score of +5-10%, whilst companies with the highest growth engines (the likes of Amazon) boast scores of up to 80%.[1] Based on these consumer research results, protection insurance has a long way to go.

Figure 2) Net Promoter Scores

Life: 48% - 21% = 27%
CI: 29% - 33% = - 8%
IP : 25% - 35% = - 10%

Finally, to end on a more positive note, we asked the respondents that would recommend their providers, *why*. Answers included safety, peace of mind, reputation, good cover and good customer care (Figure 3). In short, a provider they can trust. *Now how about that as an advert you'd like to see on the Underground?*

Figure 3)

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1) Bain and Company, Net Promoter System, http://www.netpromotersystem.com/about/measuring-your-net-promoter-score.aspx
2) Protection Claims Paid & Declined, 2014 (excludes Group Income Protection), ABI
3) Consumer Research: The Syndicate Research 2014, Hannover Re Consumer Research 2015