

Reflections from the SCOR Seminar – Expanding the Reach of Protection

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On Wednesday 10 February 2016, SCOR held a Seminar at the Royal College of Physicians entitled ‘Expanding the Reach of Protection’. The seminar aimed to bring together all parties from the key points in the value chain to discuss how we best collectively go about trying to grow the market.

It would be fair to say that the protection insurance industry is not the most dynamic. Things happen slowly and there has been little true innovation in the market, with many providers and distributors offering similar customer journeys and products, with little to differentiate them. Whilst there is some innovation on the frontline, where distributors are facing off to customers, providers (and reinsurers) are slow to innovate. It’s a comfortable, stable industry with many of us in very comfortable, stable jobs. The industry is filled with barriers to innovation such as systems legacy issues and large inforce portfolios that can constrain genuine creative innovation for new business. The market remains flat and yet we keep hoping for it to grow. As Einstein was quoted, the definition of insanity is ‘doing the same thing over and over again and expecting different results’.

Where is the innovation going to come from? During the seminar we surveyed the delegates and asked them who they thought had the greatest responsibility to lead innovation in the market. The overwhelming response was providers. We then asked the delegates who they thought in reality were most likely to lead innovation in the future. The responses were very different, with the two groups felt most likely to lead innovation being distributors and FinTech companies. There is a danger that we’re all sitting here waiting for somebody else to act and we’ll end up being in exactly the same position ten years from now.

Behavioural economics shows us we have a natural tendency to have a herd like mentality. It takes a brave soul to distance themselves from the crowd. We keep talking about change and expecting the rise in direct to consumer and more digital innovation, but it doesn’t really happen. This is all against a backdrop of fairly poor financial capability amongst consumers. A survey conducted by The Money Advice Service found that 4 in 10 people wouldn’t have the means to cope with an unexpected bill of £300 and only 5 in 10 have financial goals.

We often talk in the industry about the need to stimulate demand but how true is this? Our distribution session heard the thoughts of experts from companies with three very different distribution models: Andy Walton (Intrinsic), John Nelmes (Cavendish) and Mark Jones (SunLife). Whilst our three wise men might disagree with how best to engage with customers, all three painted a positive picture for demand in the UK and all felt there are opportunities to grow their respective models. Between 2012 and 2014, the number of people searching for the words ‘Life Insurance’ on Google doubled but we certainly haven’t seen an uptick in sales of that magnitude. Why is this and what can we do about it?

As an industry we can be pretty poor at engaging customers and using a language that makes our products accessible to them. We talk about the protection industry and the protection gap – but ask most customers what they think protection means and they’ll probably suggest sunscreen, bodyguards or contraceptives. We need to shift the language we use – stop talking about products

and start talking about outcomes. What is it that customers actually want? They want to know that should they die, their loved ones will have enough money to live on after their death. They want to know that should they get ill, they will be able to stay in their homes. We should take a huge pride in our industry that we can do this for people and make sure we don't confuse them in a fog of jargon.

Our keynote speaker, Tim Harford, also cited the example of the team who won the competition set up by the British industrialist Henry Kremer, who offered prize money of £50k in 1973 anyone who could design and build a human powered aircraft which could fly non-stop for 0.5 miles in a figure of eight loop. The crew that won the race were the ones that designed an aircraft that could be easily fixed and retested. That way they could have a fast feedback loop to improve the design and continually refine it. I suspect there are lessons for all of us in that example. We need to find better models to be able to test new products and refine these to continually improve our offerings to customers and build a culture where failure is seen as a powerful way of learning.

So what does the future hold? Our safe, comfortable industry could start to be invaded from the outside. Given the lack of innovation from within the industry, who is to stop the likes of a Google coming in and shaking things up? With the rise of wearables and the gizmos and gadgets that can be attached to our smartphones to monitor blood glucose levels, blood pressure, heart rate as well as others, there is plenty of opportunity to use all this data to offer the young and healthy cheap, easy, affordable life insurance that really meets customer needs and adapts and grows with them.

Most efforts to digitalise our industry to date have been to start to collect email addresses from customers so that we can save the cost of a stamp when trying to communicate with them. Whilst this is not a bad aim, actually many of us simply ignore our emails as easily as we do a piece of marketing material that comes through the front door. The next generation who are coming through are more likely to be found reading their Instagram or Twitter feed than their emails so we need to find better and more diverse ways of communicating with the next generation.

We also risk imploding our industry from the inside. The relentless pursuit of pricing for the healthiest individuals naturally leads to increases in price for others. Making cover more expensive for those who can arguably least afford it can only have one impact – to shrink the market. This was precisely the experience in the US when it moved to preferred pricing and we risk it happening here too with ever more rating factors being applied to the cover that we provide. It's an often held view that insurers only offer cover to those who don't really need it. Whilst of course we need to protect ourselves against fraudulent or 'certain' claims, we do need to remember that insurance is supposed to be about a 'pooling' of risk and the more we sub-divide those pools, the more we reinforce this view.

Have reinsurers too perhaps been guilty of sitting back on our haunches and taking little responsibility for the lack of innovation in the market? At SCOR we are trying to change this by engaging more with the front line for the benefit of our clients; trying to learn what it is that customers really want from our industry and coming up with solutions to help providers bridge the gap between the front line and back office. SCOR Global Life is engaging with new technology – we currently have a FitBit trial running among our UK staff to learn some lessons about people's behaviours and perceptions with regards to wearable technology. In addition our global distribution solutions team, which was formed 18 months ago, has a clear focus on addressing what we as reinsurers can do to stimulate demand creation or improve customer uptake.

So what were the key takeaways from the seminar? To me, they were:

1. Demand is out there, we're just not tapping into it with our current marketing methods & products.
2. We have to recognise the need to test and learn – build systems and processes that allow us to adapt to customer demand.
3. We have to keep pace with the way the world communicates – as an industry we risk being left behind.

Feedback from the seminar was universally positive with all respondents to our survey marking the seminar as either 'Good' or 'Excellent'. Perhaps even more pleasing though was that over 90% of those who responded said they were either 'Likely' or 'Very Likely' to do something differently as a result of the seminar, which feels precisely what the industry needs. We cannot afford to sit back and wait for others to act.

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