



Protection
Review

The Summit White Paper March 2017

There's nothing else the
protection industry can do to
increase consumer trust

In partnership with

SCOR
The Art & Science of Risk

Introduction

We held our second Protection Review Summit on 9 March. At these interactive two-hour events, we are looking for change through debate. Styled around a classic “for and against” structure we tackle important, often controversial, industry issues.

Over the last decade, the protection industry has worked hard to improve its image. We pay most claims. We make communications easy to understand. And with initiatives like 7 Families we are promoting the need for protection better.

But the public still distrust insurance companies. We wanted to explore why in more detail.

So, the topic of the second Protection Review Summit was:

“There’s nothing else the protection industry can do to increase consumer trust”

We’d like to thank SCOR for being our partner again, and of course everyone who came along and took part. All attendees shared a strong, positive desire to push the industry forward for the benefit of customers. Not a talking shop, this was an action oriented event where everyone was constructive, added value and focussed on customer outcomes.

We’ve put together this White Paper based on the content of the debate and at the end, include 5 key recommendations for the protection industry.

Before the debate, we heard brief presentations from four speakers.

David Mead, Future Proof

David started by describing Future Proof’s work with a well-known mutual insurer. He told stories about how the insurer has built trust with its general insurance clients. After a recent flood the company went above and beyond its promise, hiring out hotel rooms even for people who were not their customers. Their actions won them fans and many of those people switched over at renewal.

“They’re smart enough to realise that our industry, it’s all about the claim,” David said.

Future Proof’s experience with the general insurer prompted them to put together a survey of the death claims process for life insurers. They found a few things that concerned them. Such as companies having a 5 day turn around for sending out claims forms. And then for the client to have to wait another week because they sent it second class mail.

David asked, “How would you feel, when bereaved, if the company you’re dealing with won’t pay for first class mail?”

Fast and efficient should be the norm at such an emotional time.

“I think it should be compulsory for insurance company executives to work one or two days a year in the claims department. If they did, I suspect the process wouldn’t be quite as cumbersome as it is,” David continued.

He concluded by suggesting we need to work harder on the claims process.

“The claim is the moment of truth, the claim is the reason the clients took out the policy, and trusted us and continued to pay their monthly premiums. The clients must trust us. We should think more like the general insurer. To paraphrase Bill Clinton, it's the claims, stupid.”

Jamie Leitch, SCOR

Jamie began by saying, “I want this to be clear. I clearly think we should be doing more about consumer trust, there is more we can do. I don't want to defend the indefensible. But hopefully as I go through the presentation I'll give you a slightly different perspective on some stuff and a different view point.”

SCOR group company ReMark ran a recent survey on what customers feel about insurers. Words to describe financial services companies included, “expensive, scam and greedy.”

In other research banks and other financial services companies come towards the bottom of the list in terms of trust. However, Jamie pointed out estate agents and journalists were also at the bottom, yet 95% of house purchases are through estate agents and 15 million people read newspapers written by journalists every day. Some businesses are doing well even when people don't trust them.

Engagement levels are high in these industries. While they are not trusted, the consumer views the service they provide as valuable. Jamie asked whether focussing on engagement would be a better way of building trust.

Publishing claims stats is one method that has been discussed to increase trust, and some people will see 95% paid as a great figure whilst others will worry about the 5% declined. Jamie noted that while declination rates have fallen significantly over the last 10 years we have not seen any increase in sales to suggest this has improved trust. He also cautioned as to how realistic it is to push closer to 100% on the in-force portfolio, perhaps by looking at retrospective illness definitions, without a clear understanding of the cost of doing so and a genuine belief that sales will increase from such action to compensate.

Jamie concluded by wondering whether there's a lack of conviction about the relevance of our products and whether focussing on this would help increase trust.

“I guess my question is, should we do more on consumer trust or are there other areas we should be focusing on?” he said.

Should we do more to engage our customers? And should we do more to help them see the relevance of our products? Jamie's underlying message is a clear 'yes' to both these questions.

Melissa Collett, Fairer Finance

Melissa used to be a financial ombudsman for many years and is now a consultant and director with Fairer Finance.

She started by saying, “My focus has been from the vantage point of complaints. So, the first point I'd like to make is that there's a direct correlation between complaint handling and consumer trust. If you make improvements in complaints handling, it increases customer trust.”

Melissa then spoke about Financial Ombudsman Service uphold rates. Life insurance is 25%, which is lower than the average for financial services. But still means 1 in 4 complaints are upheld. And 1 in 4 people will be left with the impression insurance companies want to avoid paying claims.

“So, can we really afford to have one in four people feeling let down when it comes to bringing a complaint?” Melissa asked.

Another measure around consumer trust is transparency – of literature and policy conditions. Fairer Finance has also done its own research on transparency. The industry average is falling well short of the top performers on transparency scores, and the top performers themselves are falling well short of the highest possible transparency score.

Melissa pointed out, “We all read in the papers how the government is now starting to get involved in these very lengthy, book length terms and conditions. They’ve started to crack down on these subscription services where you get hooked in and then you must carry on paying. It’s only a matter of time before they start to look at other sectors, I would argue.”

She concluded by agreeing with David Mead about more being done at the claims stage. “Even if the claim is turned down, make people feel they were listened to and make the experience for them better. Show empathy with them through that experience. So finally, I’ll just conclude by saying, yes, there is much more the industry can do to increase consumer trust, starting with improving complaint handling and increasing transparency across its products.”

Steve Casey, Square Health

Steve began by saying it's sad we find ourselves continually having a debate around trust. “We talk about treating customers fairly, or the appropriate customer outcomes but in reality, circa half of our customers still will not believe that we will actually pay the claim and honour our commitment to them.”

Steve reflected that prior to joining Square Health, he had the privilege of talking to claimants for the past ten years. We would talk to a couple claimants a week (and trying to look for case studies for the national press).

He said, “Over half of the customers I actually spoke to were amazed they received payouts. They thought they were going to be tripped up by the medical specialist during the claims process.”

Trust is a commodity that takes a prolonged period to earn and minutes to lose. And it's a sad reality that irrespective of the type of insurance someone has, say they had a bad experience with a car insurer, we'll get tarred with the same brush. Steve mentioned PPI as an example impacting income protection. To change perceptions, Steve felt we need to have something different and we think to have something radical that's really going to improve the trust among consumers.

To address the issue Steve proposes introducing non-contestability into our protection products which are a standard clause in many markets around the world. The US and Canada offer 2 years. Australia and New Zealand 3 years. Spain 1 year.

A non-contestability or incontestability clause is a clause in most life insurance policies that prevents the provider from voiding coverage due to a misstatement by the insured after a specific amount of time has passed.

There would be a cost to the industry but there would be a positive affect around customer behavioural changes in the way they purchase the product.

Steve admitted Insurance companies do of course have a duty to investigate fraud, but said, "Let's break the mould where complex systems controls checks and measures are being introduced to catch out the very small minority who are looking to commit fraud while not making the majority feel as if they are being targeted."

In conclusion Steve said, "I think by introducing something as radical as non-contestability, it is a step in the right direction. It's in our control to do something that actually increases consumer trust."

Debate

On claims

We started the debate by talking about claims. Most attendees had been to the LifeSearch Awards the previous week where Tom Baigrie said the claim WAS our product. Everyone was in general agreement with this but we still face issues.

We always talk about the "protection gap" but there's also a gap between the reality of the number of claims that we pay – up to 98 - and the perception that the consumer has. They think it's low at 50%, or 38% has been quoted in research. How can we work on fixing this perception gap?

We live in a world now where there's so much information online, we're very good at going and finding information that backs up our viewpoints. If you have a certain viewpoint, you can easily go online and find something that proves you're right. If a consumer believes that we don't pay claims, even if it's 100% they can still go online and find something which backs up their viewpoint.

It's called confirmation bias.

We need to get more positive stuff out there. 7 Families was a great start but we could do with 70,000 families or 700,000 families so that if people do go looking for stories they are likely to be ones that don't confirm what they think. Or at least they confirm the opposite, so that they can get a balanced view.

An adviser pointed out there are often positive stories in the media. Ones which go into detail about why people should consider income protection and critical illness. But people only remember the negative stories which is why we need to continue to push out positive stories.

An agency representative asked, "If we're paying 98%, if you're that close within two percent of paying every claim, why don't you just pay every claim?"

An underwriting expert replied, "At the end of the day if you pay all claims there will be people who take advantage. The issue here is that insurers have a social responsibility not to pay fraudulent claims and therefore there will always be declinatures. The key is to communicate clearly why."

On non-contestability and price

We discussed non-contestability and how prices might have to go up to compensate.

A reinsurer pointed out that in countries, for example the US, the underwriting has become painful with requirements for blood tests etc. which is partly driven by the need to prevent fraud because of non-contestability. Without such steps prices would rise and the market might not support an increase as the pressure from advisers is for rates to reduce.

Commenting on non-contestability but also a relaxation of our claims stance they stated that “eventually someone's going to pay for this so the thing that I find really frustrating is lots of the comments are from people who don't understand how the financials work. We provide a wholesale price for a level of benefits. We have to be careful in 5 to 10 years we don't change the rules and give away margin because we decide we should have built the benefits a different way.”

An adviser argued, “You've gone straight to price and from my perspective it's much bigger than that. We all buy things because we enjoy buying things. We choose a company because we enjoy buying from that company.”

Another perception the public has is protection is expensive. But the reality is most people have no idea how much protection costs. They often guess it's much higher than it is. The market probably could handle an increase to cover the cost of non-contestability but only if the downward pressure on rates, caused in part by the compliance process challenging advisers who don't recommend the cheapest, eases.

On customer experience

We talked about how people feel in their dealings with protection providers. Protection Review's Roger Edwards spoke of his frustration dealing with his father's life insurance policies and wondered what it would be like for someone who doesn't know the industry to have such a poor experience.

David Mead's point about companies sending letters second class mail seemed to resonate. It might save a few pennies but it doesn't enhance the customer's experience or make them feel good about the company.

Another adviser gave an example of a simple cancer claim for a fully underwritten, five-year-old policy. It took four months to get paid? Why does it take so long? He said he'd dealt with half a dozen claims and every one of them has been the same.

Another adviser talked about books of business moving to different companies. “I think one thing that I find insurers don't necessarily take into consideration is what happens to the old books that get sold on. It's all very well in having a good claims process today, but in ten years' time is that client still going to have that claims process with that same insurer?”

A few attendees used the word empathy. We should always ask ourselves how our customers feel about our products and processes. How do they feel about filling in long application forms? How do they feel about claims forms being sent out second class post? If it creates ill-feeling towards the insurer then we need to look at changing it.

On engaging better with customers

The debate moved onto how we might better engage with our customers.

An insurer spoke about their research experience. “One of my competitors did a brilliant piece of research. They went out and asked a load of customers what do they think of insurers. And the response was poor. And then they explained what insurers do. We collect people's money, put it in a big pot and then turn around and give it to the people who need it. When put as simply as that they understood it better. And even agreed they wouldn't want to give some of the pot away to someone who committed fraud or who didn't have a valid claim.”

He went to talk about more results from the research which suggested we should be clearer about how we address social problems, or answer society's needs in our day to day business activity. He said, “I don't think we as an industry are making enough of a case for the social good that we do.”

This topic resonated with several people in the room.

Another protection provider said, “Jamie's contention really was that, yes trust is an answer, but is the way to approach issue to focus more on the need issue? But what we're saying is on top of that you know you're helping society, you're helping to create a self-sustainable society. We need to do more to communicate those messages and to create more stories around those messages.”

Protection Review's actions for the industry

The Protection Review Summit speakers and attendees agreed we need to do more as an industry to increase customer trust.

Here are five actions we believe the industry should look at to start the process.

- The industry should look at finding simple ways to explain what we're about and to promote the “social good” we do. Let's not assume that everyone knows what insurance is and how it works. When people don't understand something, they are more likely to distrust it.
- We support Tom Baigrie of LifeSearch's contention that the claim is our product and our reason for being. Here is where we should refocus our attention. Is the process fit for purpose?
- We encourage companies to empathise more with their customers. Find out how they feel about the product, application and claims process. Gain insights from those feelings and refine and improve the customer experience.
- We encourage everyone to work together as an industry to generate more positive stories that would help everybody; the customer, advisers, and the networks. More videos and articles about claimants and how their lives have changed. Every claim is a potential story. The more positive stories we get out there the better chance we have of changing perceptions.
- We encourage the development of new underwriting models. These could be simpler processes or could include non-contestability. We acknowledge the effect of price and margin is a fine balance. However, more trust amongst consumers and better engagement should help grow the market and help balance cost with revenue.

To find out more about the Protection Review Conference, Awards and Dinner visit: protectionreview.co.uk

Get in touch to discuss partnership opportunities: jo@lebeauvisage.co.uk