



Protection
Review

The Summit Summary May 2019

Tackling "The Perils". One of
the 4 Ps of Protection"

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We held our first Protection Review Summit in association with iPipeline on 9 May. At these interactive two-hour events, we are looking for change through debate. We will tackle important, often controversial, industry issues.

iPipeline has long talked about the 4 Ps of protection which they call the:

- Perils
- Process
- Product
- Price.

At this first summit we focussed in on “The Perils”. This is all about the perils of not being protected, the risks people are taking with their finances and what the industry can do to encourage more people to take out life cover, critical illness cover and income protection.

Each event welcomes 4 speakers to talk about the subject for 15 minutes followed by an hour long debate with our guests – providers, advisers and reinsurers.

Stephanie Hydon and Chris Samuel, iPipeline

Stephanie opened the event by introducing the theme of ‘Opportunities for growth’ to help grow the protection market, followed by a summary of the 4 Ps of protection, ‘Perils’ being the topic at this first event.

She compared the 1980s customer thinking around considering protection to one considering protection in the 2010s and just how much we need to personalise the protection offering.

The 80s customer was expert led and wanted a face to face discussion while today customers are research led and sceptical. It’s likely they’ll do a Google search before they’ll speak to anyone about protection (or any product). Face to face is giving way to a digital process, though there’s evidence to suggest a face to face initial meeting followed by a digital relationship is preferred. The focus is much more around the changing needs of customers and keeping pace with people’s lives. One size no longer fits all!

Chris continued to discuss putting post-sale servicing control back in the hands of the adviser/consumer and that ‘nudges’ or “intent based digital moments” ensure we don’t lose sight of the customer. In the past, protection was a one and done transaction with little or no follow up. Now digital technology means we can create lifetime customer engagement. We can be proactive and prompt customer action many times and digitisation means that everything no longer needs to go through the insurer. Now we can design products that trigger many customer engagements over the life of a policy.

However, we still face the issue that most people don’t see the need for protection and therefore they don’t even start a Google search on the subject. What can the industry do more of to make people aware of the perils and look to buy protection? This is where our challenge lies.

Isobel Thomson-Cook, Swiss Re

Isobel gave us a fascinating introduction to behavioural economics and how we can better understand and engage with customers by drawing upon insights from this field. Fitting in with Stephanie and Chris’s

message about multiple customer touch points, Isobel discussed how we can work to optimise them through conducting live trials.

Behavioural economics suggests that people aren't always rational (in contrast to traditional economics which assumes humans are always rational) are heavily affected by contextual factors and often use heuristics (mental shortcuts) when they make decisions. For example, if people can't easily draw to mind an example of insurance claims being paid this may impact their thinking as to how likely this is to happen; the availability heuristic.

Isobel talked about "nudge" theory and shared examples of how this is being applied both within the insurance industry and beyond, within the context of the importance of ethics in the application of behavioural economics (BE). Isobel shared examples of Swiss Re's Behavioural Research Unit who have conducted numerous trials with clients across the insurance value chain in their interactions with customers; underwriting, sales, claims and retention by testing BE changes across various mediums. Their work has shown that very small (often inexpensive) contextual changes can influence customer behaviour, hence its relevance to the topic of perils.

Simon Davis, CEO, Guardian FS

"I just got paid. I can't wait to take out critical illness cover!"

Simon started with this declaration, and of course it's one that no one has said, ever! The engagement process described by Stephanie and Chris is fine, but how do we get people interested in the first place?

The mortgage is a good news story. People might be excited because they are about to buy their first house or move to a bigger one. Advisers are reluctant to introduce a bad news story, protection, into the conversation. How can we encourage more advisers to have the protection conversation? Is it a nudge later one?

Simon also asked whether we, as an industry, have been complacent and not kept pace with changing customer needs and beliefs and how they communicate.

Guardian believes that advice is still the key to growing the protection market and this still requires pushing more people into an advice situation.

Debate

On advertising

We started the debate by talking about advertising. One adviser felt we needed to be doing more advertising as an industry to promote protection. Many of our guests remember Tom Baigrie's attempts 10 years ago to persuade the industry to run some generic protection adverts. This fell apart because the industry couldn't decide on the budget, who would pay what proportion and what the call to action would be. Should we revisit generic advertising and maybe look at Facebook or Instagram adverts instead?

On customer segmentation

Traditional marketing usually begins with segmenting the market and then targeting groups of customers. Financial services companies have usually been quite poor at this. “Our target marketing is anyone in the UK between the age of 18 and 65” – which means we end up trying to appeal to everyone and end up appealing to no one.

There’s also much talk about targeting millennials, but even that is too broad a segment. However, they do have certain characteristics like being wedded to technology. Their mobile device is their wallet. But they all have different needs, desires, interests and ambitions.

We should look more at the data we have to segment our customers rather than traditional labels and then amend our propositions and communications accordingly.

How can we use mobile technology to increase awareness and education about protection? LV= has a great risk calculator. Should we be building more apps like this?

On barriers to buying protection

Protection Review’s Roger Edwards mentioned he wrote an article 20 years ago describing the three reasons people didn’t buy protection:

- They don’t think they need it
- They think it’s expensive
- They don’t believe insurance companies will pay out

Roger went onto say he updated the article 10 years later and came to the same conclusions, and was sure if he re-wrote it now, the three reasons would be the same again.

What is the role of the behavioural insights that Isobel described in changing insurance related behaviour? Sometimes the framing of a piece of information can change unconscious decision making. For example, a fact framed as a loss can be more impactful than one framed as a gain e.g., “One in ten people die of x condition” versus “Nine in ten people survive x condition”?

For example, we publish our claims statistics every year with figures in the high 90% for life, critical illness and income protection. But it’s mainly ourselves we tell with articles and press releases aimed at the trade press. Zurich have recently launched claims statistics advertising on hoardings in tube stations in a bid to push the message out to the public. What more can we do like this?

Do we need more emotional stories about claims like the 7 Families videos?

An adviser guest raised the issue of the fact find. Back in the 1990s companies taught their advisers to see the fact find as a key part of the protection conversation. Now many advisers just see it as a tick box exercise to keep compliance happy. Have we forgotten how to ask questions and listen to the answers and find opportunities?

On adviser numbers

We always talk about growing the market and getting more advisers, especially those who focus on wealth management and high net worth clients, to talk more about protection.

But one provider pointed out that the 4000 advisers that are actively recommending protection are writing the same, if not more, than the 40,000 or more advisers 20 years ago. This highlights the power of specialisation. Perhaps the future lies with these specialists with a focus on referrals from wealth managers?

There was a consensus in the room that we haven't done enough to encourage young people to enter the industry and we should do more to highlight what financial services offers as a career.

Summit actions for the industry

We concluded the debate by asking our four speakers to give us one action for the industry to take. In no particular order:

- Give advisers more confidence in both protection products and the process, particularly speed of processing. Keep everything simple and find engaging ways to promote consequences of ignoring the perils.
- Acknowledge our next generation of customers do everything on their mobile phones and develop ways to engage them more on those devices. How can we be there when they do that Google search?
- Realise that increasing numbers of people are renting houses rather than buying, and that the traditional mortgage protection sale is no longer the main reason people might buy protection
- When communicating with customers, don't focus only on rational factors but be aware of the irrational drivers of human behaviour and the impact these can have on customer decision making – and always take a test and learn approach.
- Use data to create relevant and timely engagement throughout the lifetime of a protection policy not just at the start.

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