

Love, Hate or Indifferent? UK Customers on Insurers in 2020

Guidewire commissioned the market research agency Censuswide to survey a representative sample of 1,000 UK insurance customers, who were polled after COVID-19 lockdown measures started in Spring 2020. The aim of the survey was to provide the latest insights into how UK insurance customers view insurers, their products, and their services.

What impact did COVID-19 have on relationships between customers and insurers?

Question

COVID-19 and the lockdown have had a profound economic impact in the UK. Financial institutions were asked to help their customers during this crisis. Some insurers were called out for not responding fast enough in accepting claims for business disruption. However, for consumer insurance, there were some bold measures to offer discounts on premiums, for example, car insurance. Yet what is the evidence for how the pandemic crisis might have affected the attitudes of insurance customers?

Findings

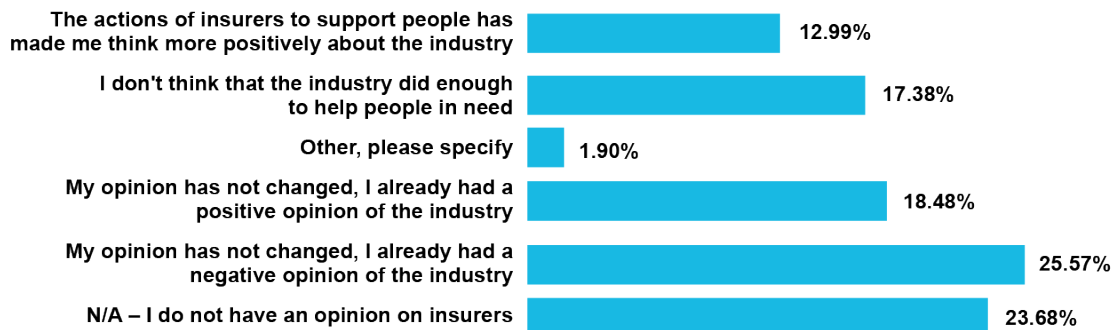
We surveyed insurance customers in the first month of the lockdown in the UK. When asked if their opinion of insurers has been changed by insurer behaviour during the COVID-19 outbreak, close to one in five (17%) said they did not think that the insurers did enough to help people in need.

While insurers may be relieved that this percentage is not higher, a lower percentage (13%) said the actions of insurers to support people had made them think more positively about the industry, and a quarter (25.5%) said the pandemic had not changed their opinion because they already thought negatively of insurers. Notably, those customers who have made a claim think even more strongly that insurers have not done enough – 23% compared to 17% on average.

The problems that some people experienced in making claims may mean that customers will scrutinise the terms of their policy more in the future. When asked if, following the COVID-19 outbreak, they will be more careful in understanding exactly what their insurance policy covers them for, nearly one in three (31%) said yes, they would.

So, it seems the pandemic has either hardened or extended negative attitudes for a sizeable proportion (42%) of customers. Of course, this was a sounding of opinion early in the crisis and it may have changed since.

How has your opinion of insurers been changed by their actions during the COVID-19 outbreak?



How can insurers make themselves relevant for the new ways people will live as the lockdown eases?

Question

A result of the lockdown is that many of us are working from home and becoming more digitally dependent, whether it is using the office network, shopping, or streaming TV and films. Access to these services is controlled by how we protect our digital identities. Will there be a shift in attitudes on how they are valued and protected?

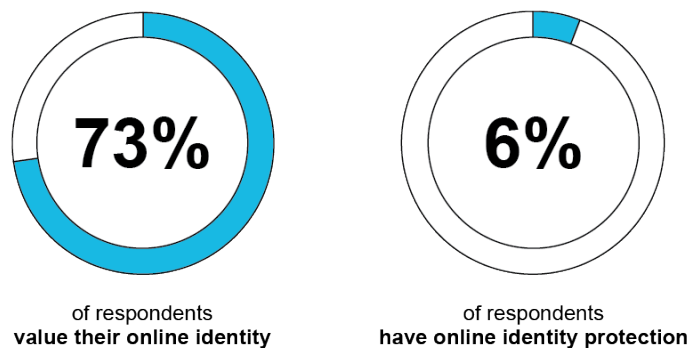
Findings

When we looked at how customers' attitudes to insurance products were changing there were some interesting insights that insurers could explore to make themselves more relevant to how people want to protect their lifestyle and possessions.

At a time of increased reliance on digital services for work and home life, the research throws up some anomalies in what people regard as vital to them and what they are willing to pay to protect.

When asked what was most important to them, online digital identity was the second highest answer from respondents after protecting their mobile phone – though this was almost a tie at 73% and 74% respectively. Traditional valuables ranked much lower – for example, clothes (5th), furniture (6th) and jewellery (11th).

Nonetheless, when asked what insurance they had in place already, only 6% said they had online identity protection insurance.



The pandemic and its economic effects may trigger new demand for insurance products that have been undersold in the past or fallen out of favour, like payment protection. When we asked respondents following the COVID-19 outbreak, which insurance products they would be more likely to ensure that they were covered for, now and in the future, 12% said online identity protection, which is almost double the reported existing purchase of this kind of policy.

However, the insurance products customers seem most likely to buy now because of the pandemic is travel cancellation (1st at 27%), job loss and payment protection (both at 2nd at 20%), sickness (4th at 19%) and then online identity (5th at 12%).

How do customers want insurers to interact with them?

Question

For a long time, insurers have known they need to be more relevant to their customers to improve rates of customer retention and satisfaction. What is the feedback from customers as to how well insurers are doing in customer service, especially as insurtechs and Big Tech target the sector with smarter, customer-centric offers?

Findings

We wanted to understand how strong the bonds are between insurers and their customers especially when non-insurers are offering insurance products.

We asked UK consumers to consider – of all the organisations that they can buy insurance from – which do they think would provide the best customer service when buying an insurance policy and making a claim?

Reassuringly, for all UK respondents, insurers came out top with a comfortably large percentage (29%). Notably, this increases significantly (40%) when you only look at the answers from respondents who have made a claim.

By comparison, none of the alternative providers of insurance products is rated as highly when interviewees were asked if they expect a positive experience when obtaining a policy or making a claim. Unlike insurers, expectation for a good customer service is all in single figure percentages – from a retailer like John Lewis (7%), and a car dealership/manufacturer (5%). Ecommerce companies such as Amazon, or big tech firms like Apple, that are cited as having the customer service capabilities to steal business from insurers and offer, or are reported to be planning to offer, basic insurance products, like warranties, do not rank highly either, with (5%). For social media giants like Facebook, it is 4%.

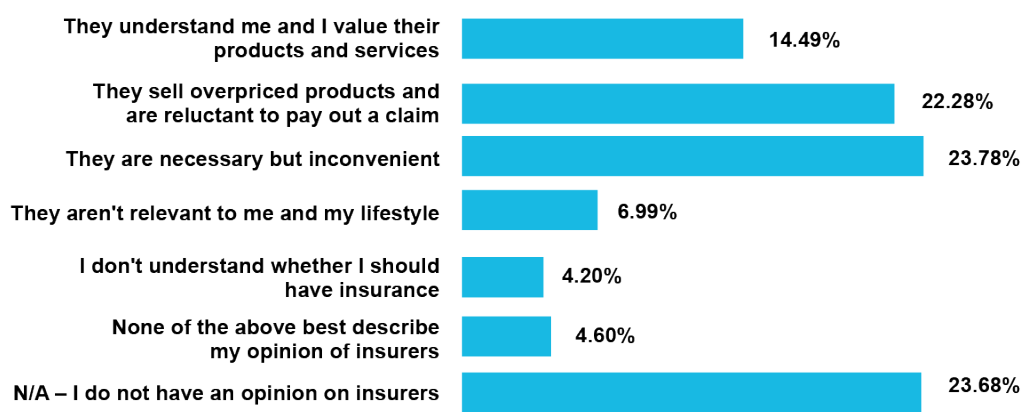
The extent to which UK consumers would expect better customer service from an insurer than other vendors appears stronger for women than men. The gender divide is reasonably wide, with women rating insurers higher for customer service (35%) compared to men (24%). Men even seem more willing than women to consider retailers like John Lewis better at selling insurance and processing a claim (9% versus 5%). Similarly, men are marginally more willing to accept ecommerce brands like Amazon are best (7% versus 3%).

While insurers can take some comfort from this finding, the study does reveal there remains a major opportunity for improvement on customer service experience because the largest percentage of responses to the question of who would be best at customer service is not sure (34%) and one in ten (11%) of all respondents, and more than one in ten of men (14%), say none of them. While women are stauncher advocates for insurers than men, even they are more likely than men to say not sure (41%), which is above average.

We might have expected to find that younger customers would be less inclined to anticipate better customer service from an insurer and certainly they are saying this less strongly, with only 12% of those aged 16-24 choosing insurers. Yet, this may be because the younger age group is less likely to have bought or used an insurance product. Indeed, most of this age group – 37% – are not sure what they would expect from an insurer.

There is little room for complacency for insurers on customer service. Despite consumers seeming to believe insurers are best at customer service for insurance products compared to non-insurance challengers, what they think about the value of that service is less positive. Only 14% of respondents believe insurers understand them and therefore value insurers’ products and services. This compares to 22% who say insurers sell overpriced products and are reluctant to pay out a claim or are a necessary but inconvenient part of life (24%).

Which of the following best describes your opinion of insurers?



Will new personalised service models and technologies like AI and ML help bridge the gaps between insurers and customers?

Question

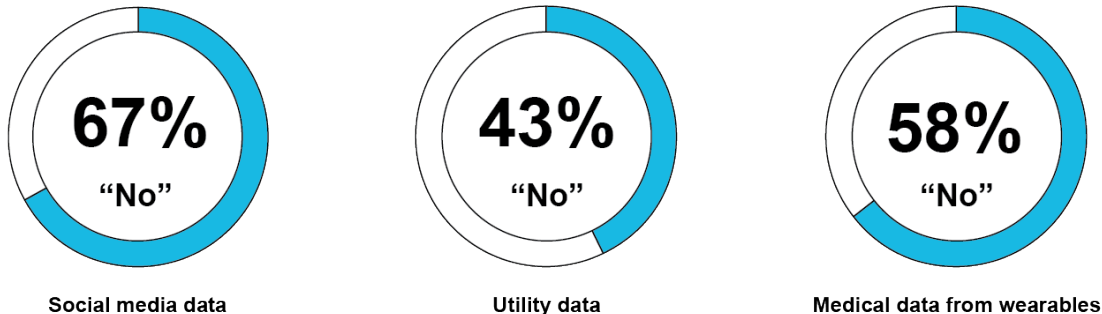
There is evidence that many insurers are accelerating their digital transformation programmes to offer more relevant, personalised services. This includes more use of data analytics and intelligent automation, and the use of artificial intelligence (AI) and machine learning (ML), to make policy and claims management operations more efficient and personalised. But what do customers think?

Findings

How insurers can be more relevant and better connected with their customers is another area the study explored, and we wanted to understand what basic level of relationship there was between customers and insurers. To get closer to their customers and deliver products that may be better suited to their needs, major insurance brands recognise increasingly the importance of data analytics and access to the best possible data to make the decisions that are mutually beneficial for the customer and the insurer.

However, our research confirms that public willingness to give up personal data to their insurer for better personalised services and new products is shaky. In most cases – social media data, utility data, personal medical data from a wearable device – customers say no (67%, 43% and 58% respectively). For those who say they would give up their personal data, most say they would do this only in return for a cheaper price (28%) not better service (23%).

Would you be willing to share with an insurer the following personal data to get either a better service or a cheaper price?



What is the room for manoeuvre for insurers on personal data? As expected, it seems younger customers could be more willing to give up their personal data. For example, most (62%) of those aged 16-24 would be willing to hand over their social media data, but they represent a small segment of the market and overall there is resistance to share data either at all or only in return for a cheaper deal.

Real time information services that could alert a customer to risk and prevent damage occurring might be expected to be more acceptable. Indeed, when asked if their insurer offered a service that sent warnings about issues to help prevent damage instead of just covering losses, almost one in two (49%) respondents said they would want access to such a service. However, most who would access the service said they would not pay for it (52%) and the most some (22%) would pay is between £5 and £10 a month. The greatest number (81%) said they would expect to a discount on their premium.

Regardless of what they are paid for, the ability of insurers to introduce such loss prevention services runs up against customer resistance to sharing their personal data. Even when it is clearly explained how data about the condition of a house or performance of a car is collected via sensors, customers are more uncomfortable (33%) than comfortable (25%).

Exactly how insurers might deliver high value service while controlling or reducing operational costs increasingly depends on how they can automate processes and introduce more artificial intelligence to reduce the need for manual intervention that is costly, as well as sometimes slow and error prone.

Yet, it seems insurers will need to educate their customers about the value of the AI and automation revolution. When we asked respondents a series of questions about whether they thought insurers using more AI than human support to serve their insurance needs would make for a better customer experience, the response was divided – 28% disagreed, 26% agreed. Even a function like claims handling, where AI and automation could deliver real benefits in streamlining and improving processes, customers are not that impressed, with an almost equal percentage agreeing (27%) or disagreeing (28%).

What should insurers do?

Most insurers would accept that they need to continually review how they engage with customers and that there is room for improvement in how they interact, understand, and serve their customers’ needs. The pandemic crisis may change customers’ attitudes to insurers, or it may be confirming and even hardening negative ones.

The study does provide foundations for insurers that may help them to improve customer perceptions in the next normal. When asked to state the top qualities for an insurer to have, the top three responses were:



Low premiums featured just below the top three (32%), ahead of *Clear and understandable terminology* (26%) and *Can communicate online* (14%).

For insurers to meet these ideals largely requires a greater use of automaton and AI, as well as real time data analytics. Explaining how these technologies are crucial in delivering the qualities that customers desire in an insurer will help to remedy any confusion or scepticism about whether AI and automation are of any real value to customers instead of being simply about saving money.

Insurers have a positive story to tell about how AI, data analytics and modern omnichannel systems enable intelligent automation that brings insurers closer to their customers and their customers’ needs especially in a modernised claims process. For example, dynamic and automated claims intake can lead to reduced cycle times and better customer satisfaction. Additionally, greater use of operational analytics helps segment and prioritise claims through a better understanding of the claims impact early in the cycle.

When insurers have the right levels of automation and an always up to date single source of truth about a customer, the omnichannel experience thrives. There is much more transparency about current claims status with digital notifications and this makes it easier to give customers access to human interactions that are fully informed and empowered to help in case of questions or concerns.

The ability of AI to close the gap in how customers value insurers extends to how AI-powered analytics can enable insurers to be on the front foot in proactive risk and loss management. While the study suggests customers need to be persuaded about paying for a service that directly prevents their losses, the merit of this technology stands and should be developed. And, of course, advanced AI and analytics will be pivotal to how insurance businesses manage risks better for themselves and their customers overall.

The very close second ranking of the importance of keeping personal data secure suggests that customer resistance can be reduced if insurers do more to design out the risk of data breaches or cyber-attacks in the development and operation of digital services. Building trust will facilitate the personalised insurance vision of insurers who want to find strong but safe ways to work with customers' data.

The first half of 2020 has been an unprecedented time of forced changes in how we live, work, and run our businesses and public services. Everyone has been affected. In addition to perspectives on data sharing and customer service expectation, our study offers a snapshot on how COVID-19 and the lockdown affected attitudes, and maybe set in train some new trends that could feed into the much talked about next normal.

Insurers are perhaps not entirely loved, but neither are they hated or mistrusted deeply; nonetheless, the indifference that many consumers hold is unfair when you consider the challenges and the huge efforts made to transform insurance businesses in ways that make them more relevant and flexible to customer needs. Innovating around service, products, and processes, while maintaining the highest levels of operational efficiency, availability, and security may be the biggest lesson to come out of 2020 so far.

Guidewire is the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine digital, core, analytics, and AI to deliver our platform as a cloud service. More than 380 insurers, from new ventures to the largest and most complex in the world, run on Guidewire. For more information, contact us at info@guidewire.com.

