



Serve them before you lose them

Canadian insurance customers expect
more from their insurers online

Under the gun from the under-40s

Online services are priority for customers

Deploying more and better online customer services is a critical part of this strategic push, but carriers are often left with the questions, “what do policy holders really want to do online?” and “are we at a risk of losing underserved customers”? Sometimes these questions get short shrift. Many companies, adhering to traditional service models, assume brokers directly meet all policy holders’ needs. Alternatively, technologically enthusiastic companies often shape initiatives around what technology allows rather than what customers are looking for.

To take online customer service to the next level, companies need a strong handle on what customers want and why. To help answer this question, Deloitte Canada conducted an exclusive study of Canadian insurance policy holders. Our findings were highly informative, confirming that a huge, important customer segment is being underserved – one that absolutely wants better online services.

For example, over three quarters of post-secondary educated insurance customers under-40 believe online interaction with insurers is important, and over half are

likely to switch insurers if they feel underserved online. This is only one of several intriguing results, so regardless of your distribution model, we believe you will find this report useful in designing effective, future-facing online customer strategies going forward.

Can we define a high lifetime value customer segment? Statistically, yes

In the insurance business, the most sought after customer is one who poses the least risk to the insurer, has high potential for cross-sell opportunities and enters into a long-term relationship that has growth potential. In other words, it’s a customer with high lifetime value. Such customers are usually established early in the insurance buying cycle when they are young and have a high potential value. Additionally, the higher the customer’s education level, the more likely their profile will have attractive features. As a result, post-secondary educated, under-40 customers are highly desirable and insurers that want to stay competitive must consistently understand and meet their needs.



To attract them, you need to know what they're looking for

Current behaviours

Figure 1: How did you determine which insurer you used the last time you purchased your insurance?

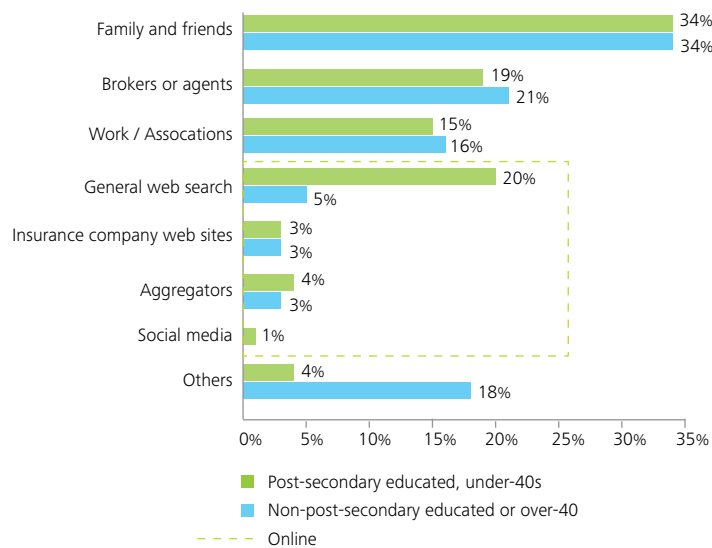


Figure 2: Preferred communication method for post-secondary educated, under-40 customers

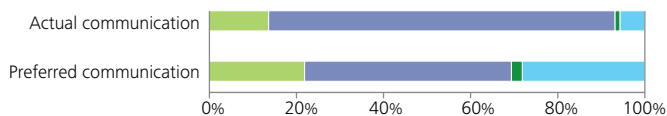
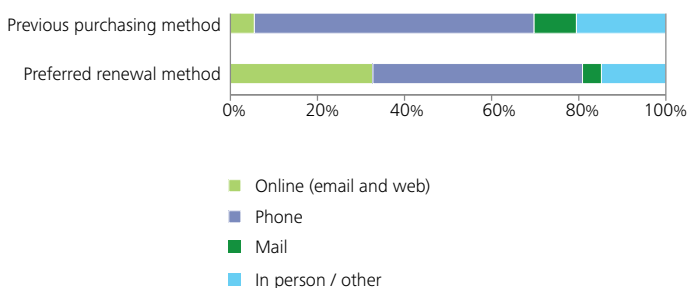


Figure 3: Preferred insurance purchasing method for post-secondary educated, under-40 customers



Our survey reveals that the target customer has some specific and interesting characteristics.

Post-secondary educated, under-40 customers look predominately to family and friends when selecting an insurance company (34%). Not surprisingly, their second preference is 'online' (28%), which means insurers need a strong online presence. In fact, post-secondary educated, under-40s are more than 2.5 times more likely than other customers to turn to the internet to find an insurer.

Closing the gap – where are insurers missing the mark?

When asked about the importance of interacting with their insurers online, over three quarters of post-secondary educated under-40s, felt it was important.

However, while educated, under-40 customers are much more likely than other customers to use online resources during the insurance-buying lifecycle, there is a huge gap between what they need and want and what they find. As can be seen in Figure 2, the gap lies in insurance companies' current capabilities.

Similarly, the number of post-secondary educated, under-40s interested in renewing their insurance online by far exceeds their previous purchasing method. Whereas, the number of post-secondary educated, under-40 customers interested in using traditional methods for renewal appear to be declining.

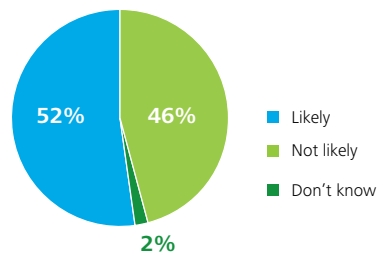
28% of post-secondary educated, under-40 customers surveyed leveraged an online channel to select their insurance company

If you don't build it, they will leave

What is the risk of this demonstrable service lag? According to our survey, the answer is simple – loss of a huge portion of a very high-value market segment. When these customers were asked how likely they would be to change their insurer based on their ability to access more online information and services, a striking, overwhelming portion – over half – said they are likely to switch.

Furthermore, while post-secondary educated, under-40 customers represent 23% of insurance customers surveyed, ten years down the road they will be part of a larger, online-savvy segment that will emphasize online channel access even more strongly. The trend is clear and insurers need to act now.

Figure 4: Likelihood of post-secondary educated, under-40 customers changing their insurer based on their ability to access information and services online



Post-secondary educated, under-40s are more than 2.5 times more likely than other customers to turn to the internet to find an insurer



What do customers want?

Insurers need an online strategy

Like any business, insurers need to mitigate the risk of losing high-value customers while improving their ability to attract new ones. To accomplish this, they must answer a critical question: how do we meet the needs of post-secondary educated, under-40 customers – an industry-desirable segment and future predictor of most customer behaviours?

Provide online portals

Post-secondary educated, under-40 customers are used to having virtually all their financial services needs met online, from purchasing, to regular maintenance and modification. Insurers can no longer ignore customer demand for more complete control over their policies. Neither can they afford to miss related opportunities, such as enhancing customer loyalty and reducing operating expenses involved in traditional, manual approaches to routine tasks.

Focus on developing online services rather than purchasing capabilities

Post-secondary educated, under-40 customers care about convenience. Right now, it's more convenient to speak to a broker or call an insurance company representative to get the complete information and specialized knowledge needed to make policy purchase decisions. At only 4%, a small percentage of customers – including the post-secondary educated, under-40 customers – completed their insurance purchase online.

The data suggests a different story when it comes to taking control of a policy once it's been purchased. Customers want online capabilities to handle simple or tasks that don't require a live representative, such as billing management and coverage maintenance. As such, companies should focus on platforms and services that deliver in those areas to satisfy customer needs while reducing operational expenses.

Predictably, there are customers who want to do everything online, and we anticipate this will continue to grow. As interactive technologies become more sophisticated and customer friendly, online purchasing may also become more popular.

Ensure your business is convenient and transparent

Much of what drives customer demand is the need to have detailed, transparent, easy-to-understand information at their fingertips. They want fast access to comprehensive knowledge and purchasing options, as well as a responsive and uninterrupted online service channel. Carriers providing these features as core service components will be well situated to build their competitive advantage and improve customer retention.

Figure 5: What do post-secondary educated, under-40 customers want to do online?

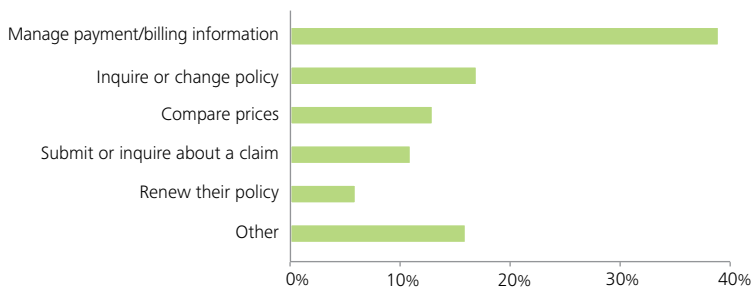
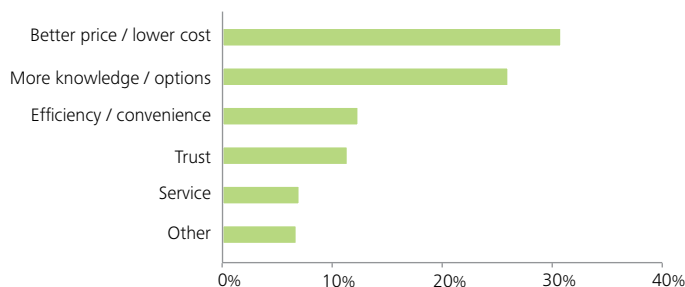


Figure 6: Why would you prefer to purchase insurance through your preferred channel?



About the survey

This proprietary Deloitte survey, focused on insurance shopping habits and service preferences. It was conducted by phone in Ontario and Quebec in 2012. Participants comprised 384 Quebec and 384 Ontario residents aged 18 and older who had purchased home insurance (89%), auto insurance (95%) or both within the last five years.

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