The Voice of the Irish Personal Lines Insurance Customer
Getting the right combination
Contents

Partner introduction ........................................3
Key observations ...........................................4
Market challenges .........................................6
About the survey ..........................................7
  1. Price ......................................................9
  2. Renewal behaviour .....................................13
  3. Channel ..................................................17
  4. Distribution .............................................20
  5. Conclusion ............................................23
Partner introduction

I am delighted to present the results of our 2013 insurance survey ‘The Voice of the Irish Personal Lines Insurance Customer’. We surveyed over 750 Irish adults to better understand consumer needs.

We wanted to understand the prominent drivers of customers’ behaviour, channel preferences and decisions when purchasing and renewing their motor and household insurance.

The aim of this report is to provide timely consumer research to the personal lines insurance market as it continues to face challenges from the current domestic economic climate and increasing competitive pressures. While the macro-economic environment has certainly impacted the market, we believe there are other fundamental factors at play. Driven by their desire to obtain a better deal, consumers are now using multiple channels on their way to a decision (internet, social media, phone and face to face). This means insurers can no longer segment customers based on channel preference and will need to reassess how they engage with consumers and their approach to marketing.

In this backdrop, what are Irish consumers saying?

Price rules when making insurance purchasing decisions with over 90% indicating that price is an important factor when considering changing insurer. Significantly, the majority of respondents were satisfied or very satisfied with both the price and service offered by their motor and household insurers across all key consumer segments.

Price features again in renewal behaviour as consumers are driven to find the best available price. Although there is considerable research activity by consumers at the time of renewal, most intend to remain with their current insurers, suggesting the results of their research helps them negotiate with their current providers.

What then of the role of digital? Multiple channels are used for research with over 50% of insurance customers researching online. However, the phone remains the predominant channel used to purchase insurance with over 54% of those surveyed buying by phone while considerably fewer respondents purchased online (12% for household and 15% for motor). Can insurers use digital channels to influence shoppers during the buying phase?

When asked about distribution choices, the direct route reigned king with 62% buying direct for motor insurance and 49% for household insurance. However, customers appear to see little difference between purchasing directly from insurers or from intermediaries and choose their provider based on price and then purchase via their desired method.

The results of the survey demonstrate the range of challenges insurers and brokers are facing in trying to achieve the correct balance between growth and profitability. From Deloitte’s perspective, deploying a combination of analytics and digital solutions with an operating model that will support them will be key.

In this report, you will find observations and perspectives from Deloitte experts to help tackle some of the challenges highlighted. We hope you find it a valuable tool to enhance your go-to-market strategy.

Donal Lehane
Partner, Deloitte Ireland
Key observations

- Over 90% of respondents said that price would be extremely important or very important when considering changing insurer.

- 90% of respondents said that price would be extremely important or very important when considering changing insurer.

- 62% of those surveyed said that they would be willing to install a telematics device in exchange for potential premium discounts.

- 03 Years

- Respondents become considerably more likely to renew automatically after

- 88% of motor insurance respondents and 81% of home respondents said that they were satisfied with the service provided by their insurer.
Respondents who renewed automatically are as likely to remain with their current insurer as those respondents who searched for quotes.

88% of motor insurance respondents and 81% of home respondents said that they were satisfied with the service provided by their insurer.

50% of those who bought their motor insurance by phone had looked for quotes online.
Insurance companies face important challenges as they seek to successfully balance revenue and profitability targets.

**Market challenges**

- **Declining premium**
  The economic climate and competitive pressures have driven reductions in rate and volume.

- **Price**
  Price is the dominant consideration for customers and the perceived lack of product differentiation results in further price pressure.

- **Cost reduction**
  Reduced premium volumes have resulted in cost reduction programmes and pressure on insurers to “do more for less”.

- **Distribution strategy**
  Cost pressures and customer behaviour are leading insurers to reassess their distribution strategies.

- **Social media**
  Unlike other industries, the use of social media is in its infancy in insurance but how can insurers make the most of evolving technology?

- **Channel strategy**
  Customers are using multiple channels to shop and buy, with the expectation of seamless transitions from one channel to another.

- **Regulation/Solvency II**
  Approaching Solvency II deadlines are driving the need for change to ensure compliance with the new regime.

- **Low interest rate environment**
  The persistence of low interest rates and bond yields has resulted in further pressure on profitability for insurers who invest mainly in bonds and cash.
This survey was conducted in April and May 2013. 751 computer-assisted telephone interviews were conducted by Amárach Research on behalf of Deloitte. The respondents reflect a representative cross-section of the Irish insurance market.

The tables below detail the proportion of respondents within each segment across key customer demographics.

<table>
<thead>
<tr>
<th>Gender</th>
<th>TOTAL</th>
<th>MOTOR</th>
<th>HOUSE</th>
</tr>
</thead>
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<tr>
<td>Female</td>
<td>56%</td>
<td>56%</td>
<td>58%</td>
</tr>
<tr>
<td>Male</td>
<td>44%</td>
<td>44%</td>
<td>42%</td>
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<th>Age</th>
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<tr>
<td>18-25</td>
<td>7%</td>
<td>8%</td>
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<tr>
<td>26-34</td>
<td>16%</td>
<td>17%</td>
<td>10%</td>
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<tr>
<td>35-54</td>
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<tr>
<td>55+</td>
<td>44%</td>
<td>42%</td>
<td>52%</td>
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<th>HOUSE</th>
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<tr>
<td>ROL</td>
<td>25%</td>
<td>25%</td>
<td>23%</td>
</tr>
<tr>
<td>Connaught/Ulster</td>
<td>27%</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>Dublin</td>
<td>29%</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Munster</td>
<td>20%</td>
<td>21%</td>
<td>18%</td>
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<tr>
<td>AB</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>C1</td>
<td>31%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>C2</td>
<td>22%</td>
<td>22%</td>
<td>19%</td>
</tr>
<tr>
<td>DE</td>
<td>22%</td>
<td>21%</td>
<td>22%</td>
</tr>
<tr>
<td>F50-</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>F50+</td>
<td>4%</td>
<td>5%</td>
<td>4%</td>
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<th>MOTOR</th>
<th>HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married/Committed Rel</td>
<td>68%</td>
<td>69%</td>
<td>77%</td>
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<tr>
<td>Single</td>
<td>22%</td>
<td>22%</td>
<td>12%</td>
</tr>
<tr>
<td>Widowed</td>
<td>7%</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Separated</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
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<table>
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<th>TOTAL</th>
<th>MOTOR</th>
<th>HOUSE</th>
</tr>
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<tbody>
<tr>
<td>&lt;$25k</td>
<td>28%</td>
<td>27%</td>
<td>22%</td>
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<td>€25 - €50k</td>
<td>34%</td>
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<td>34%</td>
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<td>€50 - €75k</td>
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<td>16%</td>
<td>18%</td>
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<td>€75 - €125k</td>
<td>9%</td>
<td>9%</td>
<td>10%</td>
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<td>€125 - €250k</td>
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<td>2%</td>
<td>3%</td>
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<tr>
<td>&gt;€250k</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
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<td>No response</td>
<td>12%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Family status</th>
<th>TOTAL</th>
<th>MOTOR</th>
<th>HOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No dependents</td>
<td>56%</td>
<td>56%</td>
<td>51%</td>
</tr>
<tr>
<td>Dependent children</td>
<td>32%</td>
<td>33%</td>
<td>35%</td>
</tr>
<tr>
<td>Dependent adults</td>
<td>9%</td>
<td>8%</td>
<td>10%</td>
</tr>
<tr>
<td>Dependent children and adults</td>
<td>3%</td>
<td>3%</td>
<td>4%</td>
</tr>
</tbody>
</table>
High volume of activity at renewal
The search for a lower premium is a key driver of customer behaviour with 61% of motor customers saying that they research at renewal. 92% of customers said that price is extremely or very influential when considering changing insurer.

Multi-channel usage during the renewal process is the norm
The survey results demonstrate that multi-channel usage is now the norm across all customer segments. 50% of motor policyholders who bought by phone had conducted price research online.

High levels of customer satisfaction with price and service
78% of motor customers said they were satisfied or very satisfied with the price of their current insurance suggesting that customers believe they are getting value for money from their products. Similarly 91% of customers said they were satisfied or very satisfied with the service from their current insurer.

Telematics
There is a reasonably high level of willingness amongst customers to install a telematics device. Although commonly viewed as a product aimed at young drivers, the results of the survey show that the level of interest in telematics is similar across all age bands, with 62% of customers willing to install a device.
The household market shows higher retention levels than motor. There are high levels of satisfaction with current premium and service levels.

Price is less influential in household than motor
Across a number of questions in the survey, the results show that price is less influential on the purchasing decision of household customers than motor customers. 63% of household customers cited price as the reason they bought their current policy compared to 71% of motor customers.

Household customers are less active and stickier
Consumers are 10% less likely to research household insurance prices at renewal than to research motor insurance prices. Household insurance consumers are more likely to have either been with their current insurer for three years or more or to have never switched.

Face to face is still an important channel at point of purchase
While 9% of respondents said that they had searched for quotes face to face, 28% said they had bought via that channel. This figure reached almost 40% for customers who lived outside of Leinster.

Happy customers mean loyal customers
As with motor, the results of the survey show that there is a high degree of satisfaction with both price and customer service amongst household customers. Unsurprisingly, there is a very strong correlation between those customers who said they are happy with the price of their current premium and those who said they intend to remain with their existing insurer.
1.1 Market trends
The results of our survey demonstrate that price is consistently the primary stimulant of customer movement in the market. It is cited as the main influencer of past decisions by respondents to switch insurers, their current choice of insurer policy and considerations about future switching.

The market has seen increased competition in recent years, driven by a number of factors such as:
• Increasing price sensitivity of customers;
• Economic pressures resulting in a reduced exposure;
• Traditional insurers launching direct offerings.

These factors create a challenge for insurers’ underwriting capability as they try to balance maintaining or growing market share with achieving sustainable profitability. For intermediaries, falling commissions have focussed attention on the need to achieve a sustainable volume of business in order to maintain viability.

1.2 Price reigns supreme
Respondents were asked about the last time they switched insurer. 72% of motor and 65% of household customers switched insurance at some time in the past. For both products, 13% said they had switched during the last year. Of those that had switched at some point, over 75% said that the main reason was a lower premium offered by a new insurer.
Based on the results, respondents will again be focusing on price at the next renewal. Over 90% of customers said that price would be extremely or very influential when considering changing insurer. The response was common across all key demographic variables and although retention levels have been historically higher for household, suggesting that consumers of household insurance might be somewhat less price sensitive, we found that price was equally important when buying both motor and household insurance.

When asked the reason for choosing their current distributor an overwhelming majority of both motor and household customers again cited price. Coverage and customer service have a low level of influence in driving customer behaviour which could indicate that customers do not feel that there is a substantial difference between competing products. It could also suggest that consumers do not necessarily value customer service or extra levels of cover. This poses a particular challenge to brokers whose traditional point of differentiation was their ability to provide additional value-add services.

* Figures do not add to 100% as respondents could give multiple answers
1.3 Satisfaction levels
Respondents were asked to rate their level of satisfaction with the price of their current policy. The results demonstrate that customers are largely satisfied with their current premium perhaps because they feel that after “shopping around” or negotiating with their existing insurer, they have secured a good deal. Unsurprisingly, the lowest level of satisfaction with price amongst motor customers is in the 18-25 year old age band where premium is several times higher than for older cohorts. Amongst household customers, satisfaction with price is relatively uniform across all age segments.

Figure 4 – How satisfied are you with the price of your current insurance coverage?

<table>
<thead>
<tr>
<th>Satisfaction Level</th>
<th>Motor</th>
<th>Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very satisfied</td>
<td>30%</td>
<td>30%</td>
</tr>
<tr>
<td>Satisfied</td>
<td>48%</td>
<td>44%</td>
</tr>
<tr>
<td>Neither</td>
<td>11%</td>
<td>13%</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>Very dissatisfied</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

*Figures do not add to 100% as respondents could give multiple answers

The results also show similarly high levels of satisfaction with the service being delivered by providers. Similar levels of satisfaction were reported regarding claims service. Of those who had made claims during the last three years, 83% of motor claimants and 77% of household claimants indicated that they were satisfied or highly satisfied with claims service.
1.4 Telematics

There is a reasonably high level of willingness amongst customers to install a telematics device to track driving behaviour in exchange for a potential discount on premium. Though commonly viewed as a product aimed at young drivers, the results of the survey show that the level of interest in telematics is similar across all age bands. While the overall level of willingness to use telematics is consistent with recent Deloitte surveys in the US and UK, the wider acceptance across all age bands is unique to Irish customers. Of those respondents who said they would be willing to install a device, 33% said they would expect a discount of 11% to 20% with a further 47% expecting a discount in excess of 20%.

Deloitte perspective

Consumers responding to our survey are, on the whole, satisfied with both the price and service offered by their motor and household insurers. However, competitive pressures and the strong focus of consumers on price could lead to unsustainably low premiums.

Insurers who can meet customer needs, while at the same time offering a competitive but sustainable price, will win in the long term. A sophisticated approach to pricing and underwriting is required to meet the challenges posed by this market. Product offerings that include new features which are valued by consumers could help both insurers and customers make the most of their insurance policies.

The focus of consumers on price reflects in part, the low level of interaction between consumers and their insurer. Unless a policyholder makes a claim, the insurer will only interact with the consumers once a year, at the time of renewal. However, there is an increased market trend to focus on the customer and meeting the customer’s needs. More interaction with the customer can help drive loyalty and allow the insurer to gain a better sense of consumer needs and adapt its products accordingly. We believe that telematics, and the constant interaction between customer and insurer that it provides, can offer insurers an opportunity to build customer loyalty through increased customer engagement. It also allows the insurer a means to provide a suite of additional services that meet specific customer needs. However, in order for it to be successful it needs to deliver a meaningful service to the customer.
Renewal behaviour

This section addresses how customers behave during the renewal process and seeks to identify the key drivers of that behaviour. In general, there is a considerable amount of customer activity during this period. Consumers are influenced by the growing trend towards searching for the best available price.

2.1 Market trends
Attracting and retaining customers remains a big challenge for Irish insurers. As shown in the last section, customers are heavily influenced by price. The ability to build loyalty based on other factors has proven extremely difficult. The renewal process is the only time of the year when the provider is guaranteed to have the opportunity to engage with its customers and demonstrate value. For other providers it also offers an opportunity to attract customers in their direction.

The survey suggests a variety of customer behaviours at renewal:
- The motor market witnesses more customer activity at renewal than the household market;
- Behaviour varies by customer segments; and
- A considerable amount of renewal research activity is driven by searching for a lower premium from another provider which may be used to negotiate with the current provider.

The ability to understand and predict the behaviour of different customer segments at retention helps insurers to manage the composition and profitability of their portfolios.

2.2 Renewal action
When asked about actions taken at their last renewal, 61% of motor and 51% of household policyholders said they searched for quotes from competitor insurers.

Figure 7 – At your last renewal did you do any research or did you renew automatically?
Based on the survey, the best predictor of customer behaviour at renewal was tenure with customers’ existing insurer. 84% of respondents who have been with their existing insurer for less than three years said they sought quotes from competitors. However, of those respondents who have been with their current insurer for more than three years, only 54% sought quotes. We also noted considerable differences in renewal behaviour based on purchasing channel. 77% of respondents who bought motor insurance online said that they performed some research, while only 47% of those who bought face to face had done so.

2.3 High volumes of quotes generated
Respondents who said that they had researched were asked about the number of quotes that they had received. 68% of motor customers and 59% of household customers said that they had received three or more quotes. The relative ease of obtaining quotes via the internet has encouraged customers to actively shop the market for the best prices.
2.4 High levels of intended retention

Despite the levels of research reported, only 8% of motor customers and 10% of household customers indicated that they were unlikely or very unlikely to remain with their current insurers at next renewal. 43% of both motor and household customers said they were extremely likely to remain with their existing insurer. There is a considerable difference in results based on age, with the under 35s considerably less certain about their intentions compared to older respondents.

While this result suggests customer loyalty, the previous section demonstrates the importance of price.

One of the most interesting findings from our research is that respondents who renewed automatically at last renewal indicated that there are as likely to remain with their current insurer as those respondents who searched for quotes at last renewal. This could suggest that consumers who search for quotes use this information to negotiate with their current provider. The high level of intent to renew with existing insurers does not necessarily reflect loyalty, but could reflect the expectation that existing insurers will reduced their quoted premium to retain customers.

Figure 10 – How likely are you to remain with your current insurer when your policy expires?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Motor</th>
<th>Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very likely</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td>Likely</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Very unlikely</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Figure 11 – Percentage of customers who said they are likely or very likely to stay with their current insurer at their next renewal

<table>
<thead>
<tr>
<th>Renewal action</th>
<th>* Loyal</th>
<th>* Loyal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>80%</td>
<td>82%</td>
</tr>
<tr>
<td>Renewed automatically</td>
<td>84%</td>
<td>80%</td>
</tr>
<tr>
<td>Don’t know</td>
<td>57%</td>
<td>71%</td>
</tr>
</tbody>
</table>

* Loyal means very likely or likely to remain with existing insurer
Although there is a considerable amount of research activity conducted by consumers at the time of renewal, most intend to remain with their current insurers, suggesting that they use the results of their research to negotiate with their current providers. This raises questions about the effectiveness of discretionary discount schemes. Is there too much focus on retaining the customer rather than on profitability?

Understanding the factors that drive retention levels can allow insurers predict customer behaviour at renewal, including behaviour by customer segment and sensitivity of customers to premium changes.

Over 60% of consumers who conducted research at last renewal received at least three quotes, indicating that every year insurers have contact with a substantial number of potential customers through the renewal quote process. This can provide insurers with a wealth of information about their potential market and the needs of that market. It also provides information about why certain potential customers convert and others don’t. Analysing this information can help insurers respond better to potential customers and improve conversion rates.
Customer engagement

3.1 Channel trends
Both insurers and intermediaries are now offering a greater number of channels to customers. The continuing challenge for them has been to convince the customer to migrate to lower cost channels. While the move from the branch to the phone has largely been successful, the Irish consumer has shown a particular reluctance to complete the purchase online.

Developing a coherent channel strategy is proving a difficult task for providers as they seek to resolve a number of issues:
• Achieving the balance between reducing costs and providing adequate customer service
• Identifying the channel preferences of their target segments
• Understanding how to handle the variety of technologies required to support digital communication.

The customers’ channel usage is becoming an increasingly important means of understanding their wider purchasing behaviour. Providers that can identify and understand the implications quicker than their competitors will be better placed to bring propositions to the customer that better suits their needs.

3.2 Channels used for research
Those respondents who said they researched were asked to identify which channels they had used to conduct their renewal research. 27% had used more than one. The phone is the most popular channel with 61% of motor and 63% of household customers using it. This is closely followed by online, with 58% of motor and 53% of household.

* Figures do not add to 100% as respondents could give multiple answers

Figure 12 – What channels did you use to complete your renewal research

Across all industries customers are increasingly using multiple channels to interact with their providers and insurance is no different. This challenges insurers to understand the channels their customers want to use at each stage in the process and to provide a seamless experience across each of them. This section examines the scale of multi-channel usage by Irish insurance customers.
3.3 Channels used for purchase

All respondents were then asked to identify which channels they used to purchase their product. Phone is the most popular with 59% for motor and 54% for household. Somewhat surprisingly, face to face surpasses online across both products. The fact that the two channels that enable negotiation are the most popular is an indication of the importance of price to customers. Price not only dictates behaviour when renewing; it affects the method and channel and is the supreme deciding factor in this environment, which we do not see changing in the near future. It appears that most consumers choose a purchasing channel on the basis of their ability to negotiate effectively in that channel.

When the results of purchase channel are analysed by customer segment some surprising outcomes appear. There is little difference in purchase channel between the various age bands. Instead geographic location is the biggest differentiator. Customers from outside Dublin were considerably more likely to use face to face at the expense of online. This may be caused by a combination of greater availability of branches for both insurers and brokers and lower levels of internet access outside of Dublin.

Figure 13 – What channels did you use to purchase your insurance?

<table>
<thead>
<tr>
<th>Channel</th>
<th>Total</th>
<th>Conn/ Ulster</th>
<th>Dublin</th>
<th>Munster</th>
<th>ROL</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone</td>
<td>56%</td>
<td>64%</td>
<td>56%</td>
<td>59%</td>
<td>59%</td>
<td></td>
</tr>
<tr>
<td>Face to Face</td>
<td>25%</td>
<td>8%</td>
<td>29%</td>
<td>22%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Online</td>
<td>16%</td>
<td>19%</td>
<td>11%</td>
<td>13%</td>
<td>15%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 14 – Purchase channel by location?

<table>
<thead>
<tr>
<th>Region</th>
<th>Conn/ Ulster</th>
<th>Dublin</th>
<th>Munster</th>
<th>ROL</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone</td>
<td>45%</td>
<td>61%</td>
<td>47%</td>
<td>59%</td>
<td>54%</td>
</tr>
<tr>
<td>Face to Face</td>
<td>40%</td>
<td>17%</td>
<td>38%</td>
<td>25%</td>
<td>28%</td>
</tr>
<tr>
<td>Online</td>
<td>10%</td>
<td>14%</td>
<td>12%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>
When asked the reason for choosing their purchasing channel, over 70% of respondents cited convenience. This score is common across all three channels, indicating that certain customer segments have a particular preference.

3.4 Channel switching

Another key finding from the survey is the high level of channel switching throughout the renewal process. As mentioned earlier, 27% of respondents who researched used more than one channel to do so. This trend continues with purchasing where 50% of motor customers who purchased over the phone said that they had done research online. Similarly of the customers who bought face to face, 64% of had used the phone and 60% had used online to get quotes. A similar trend exists for household. This suggests that customers believe that these channels offer the best chance of achieving a lower premium through negotiation.

Figure 15 – For what reason did you choose your channel?

<table>
<thead>
<tr>
<th>Reason</th>
<th>Phone</th>
<th>Online</th>
<th>F2F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience</td>
<td>72%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>70%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed</td>
<td>11%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Perceived lower premium</td>
<td>8%</td>
<td>6%</td>
<td></td>
</tr>
<tr>
<td>Prefer face to face</td>
<td>7%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Accessibility</td>
<td>7%</td>
<td>7%</td>
<td></td>
</tr>
</tbody>
</table>

* Figures do not add to 100% as respondents could give multiple answers

Figure 16 – Proportion of customers who used channel to research

<table>
<thead>
<tr>
<th>Channel</th>
<th>Research</th>
<th>Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone</td>
<td>71%</td>
<td>25%</td>
</tr>
<tr>
<td>Online</td>
<td>50%</td>
<td>92%</td>
</tr>
<tr>
<td>F2F</td>
<td>10%</td>
<td>8%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Channel</th>
<th>Research</th>
<th>Purchase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phone</td>
<td>74%</td>
<td>60%</td>
</tr>
<tr>
<td>Online</td>
<td>44%</td>
<td>51%</td>
</tr>
<tr>
<td>F2F</td>
<td>8%</td>
<td>14%</td>
</tr>
</tbody>
</table>

* Totals do not equal 100% as respondents could provide multiple answers
3.5 Channels options as a purchasing decision influencer

The responses show that customers are increasingly interacting with insurers through multiple channels. When asked how much the availability of multiple communication channels would influence their consideration of changing insurer, 30% of respondents said it would be ‘extremely influential’ with a further 30% saying it would be ‘very influential’. These combined scores are some 20% behind price and coverage in terms of their level of influence, indicating that customers see having multiple channels as the norm rather than a unique selling point.

Figure 17 – How much influence does offering multiple communication channels have when considering changing insurance policies?

Deloitte perspective

The results of the survey demonstrate that though customers are not heavily influenced by the ability to communicate via multiple channels, they make use of them during the renewal process and a provider’s absence in one of them may result in them missing out on potential customers. Thus there appears to be an imperative for providers to provide a multi-channel offering.

This generates a number of challenges for providers. They are required to invest in the technologies and processes to provide a seamless cross-channel experience for their customers. The ability to do so in other industries has raised the bar for insurance providers. Secondly, with regard to technology, the difficulty is further enhanced by the number of platforms they have to contend with. Based on the results of the survey, smart phones and tablets are not yet seen as core communication devices for insurance. However as customer trends continue to move away from PCs and laptops, providers must be able to respond in a way the retail banking sector has done before them. Implementing an operating model that enables the provision of traditional customer service and digital offerings to multiple customer segments in a cost efficient manner is a challenge many providers are grappling with.

Deloitte’s perspective on the use of digital technology in insurance is that it offers providers with the opportunity to both increase customer engagement from just one point at renewal to throughout the policy life cycle at a lower costs than the current model.
4.1 Distribution trends
The fall in market size has increased the imperative for both insurers and intermediaries to try to expand their reach. As discussed in the previous section, multi-channel offerings have been at the core of these strategies. The perception is that direct insurers have been more successful than intermediaries in implementing this. The reasons for this include:
• Their ability to generally charge lower premiums due to the lack of commission makes them appealing to customers;
• The advent of the internet has made searching the market considerably easier for the customer, negating the need for a broker; and
• The commoditisation of products means that customers are more aware of what they are covered for and are less likely to rely on intermediaries to provide explanations.

Bank distribution has never been as successful in Ireland as in other European countries. However, Irish banks are now showing increased interest in raising revenue through non-core products, such as selling insurance. As with brokers, the challenge for banks is to compete with cheaper direct products. However, banks hold a significant advantage if they can make use of their existing customer base to cross-sell, thereby demonstrating an ability to meet the wider financial needs of their customers.

4.2 Distribution choices
More survey respondents bought directly from insurers than from other distributors. Just over one third of both motor and household customers bought from brokers, with banks taking 10% of the household. Interestingly, there is no clear variation in distribution choice between customer segments.

Figure 18 – How did you purchase your current insurance?
4.3 Distribution and channel mix

There is little variation in purchasing channel usage between distributors. Purchasing by phone is equally popular for customers of direct insurers, brokers and banks. Unsurprisingly, banks have the highest level of face to face sales due to their strong branch presence. Online sales are marginally higher for direct motor customers, but they are at similar levels across all three distribution types in household.

4.4 Broker

The characteristics of those who purchased using brokers is very similar to those of all respondents, indicating that brokers do not necessarily attract a particularly customer segment. One area of differentiation between customers who used brokers and those who bought directly from insurers is with regard to the importance of price. Across both motor and household, customers of brokers said it played a less influential role in their purchasing decision.
4.5 Bancassurance

Banks have struggled to cross-sell their insurance products to their current account holders. As part of the survey we asked respondents to identify the bank where they held their current account. Based on the responses, less than 20% of the customers of the four large retail banks bought their household insurance through their bank. This would indicate that there is a large growth opportunity for banks if they can identify their customers’ requirements and offer an attractive product.

Deloitte perspective

The current environment is a challenging one for intermediaries. In addition to the overall fall in market volumes and premiums, the proportion of customers using brokers is declining.

The rise of online sales channels has seen many brokers suffer, as consumers are shopping around and investing time in securing the best deal. In a market where a broker’s key proposition is the time they save their customer searching for the best quote, it is becoming more and more difficult to compete effectively with other sales channels.

Although signs are positive on the economic front, access to finance still remains a major barrier to growth for intermediaries. Securing bank financing remains a lengthy process with no guarantee of success. Those who succeed generally do so on stringent terms. Other forms of finance such as mezzanine debt and equity financing are available, but are not suited to a majority of brokers.

From a regulatory viewpoint, on-going regulatory requirements place many intermediaries in a difficult position, whereby additional resources are often required to ensure compliance. This additional cost leads to shareholder value erosion in the short term.

In summary, the insurance intermediary sector is largely at a crossroads, with structural change likely. The current fragmented structure will evolve, with consolidation likely. The businesses that devote time and effort to shape an effective strategy to take advantage of opportunity will emerge the strongest.
Conclusion

As our findings make clear, insurers face significant challenges. The increasing price sensitivity of customers has generated a challenge for insurers to maintain and grow market share while achieving sustainable profitability. While the results from our survey vary somewhat between home and motor insurance what is most striking is the consistency in consumer views on price.

Customers use multiple channels for research and purchase and insurers need to respond across these channels in a coordinated manner. From Deloitte’s perspective, deploying a combination of analytics and digital solutions with an operating model that will support them will be key.

Analytics - Get comfortable with big data
While insurers already use the power of analytics in some elements of their business, there are opportunities to further utilise existing data to address some of the challenges identified in the report.

• The practice of customers contacting providers to negotiate discounts at renewal can erode a considerable amount of income. What is not clear is whether providers are assessing the financial impact of these discretionary discounts and whether they are justified. Applying profitability and pricing optimisation models and enabling front-line staff to utilise the results can deliver substantial profitability increases.

• With on-going pressure on premium volumes, insurers are keen to attract new customers at the right prices. Insurers gather a significant amount of data about potential customers at renewal but are they making the most of this information to offer customers interesting products and therefore increase conversion rates?

• Predicting the particular channel a customer will use at a given stage in the renewal process and being able to meet them there with personalised content will allow insurers and brokers to provide enhanced customers experiences. As the results of the survey show there is a strong relationship between a customers’ service satisfaction and their intention to retain.

Digital - Embrace digital transformation
There is significant marketing spend on mass market advertising to achieve broad brand recognition. Price messages are forcing consumers to view the product as a commodity – leading them to shop around and bargain for lower prices. Embracing digital technology is non-negotiable.

• While mobile and tablet insurance usage is low at present, it is expected that they will rapidly increase over the coming years. Providers need to start planning how they will use these platforms in their value chain and design exciting user experiences that will retain existing or capture new customers.

• Improved returns on marketing spend can be achieved by developing new marketing skills and shifting emphasis from television to digital marketing which allows targeted marketing to reflect the needs and interests of specific customer groups.

Product - Introduce personalised products
Create new product offerings with features that are valued by consumers.

• Building a telematics proposition based on delivering value-add features to customers, rather on price, facilitates constant interaction between customer and insurer which builds customer loyalty through increased engagement.

Operating model – Enabling business transformation

• The investment in ‘customer analytics’ in the industry is well underway. However in our view the industry has not yet fully integrated analytics insight into the decision making process. This requires revisiting the structure and operational processes around analytics and strategic decision making.

• Moving from a channel or product focus to a customer-solution focus will require a total rethink of business models. For most providers, this process will require implementing an operating model that supports the provision of traditional customer service and new digital offerings to multiple customer segments in a cost efficient manner.
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Consumer adoption of web and mobile technologies is driving how consumers want to engage with insurers and brokers – from price shopping, product research, purchasing and renewing, exchanging customer experiences over social media and claims processing. The approach to marketing and the current service models need to change to reflect this new dynamic.

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