

**The future of home and motor
insurance: what do customers want?**
Perspectives from Japan



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Introduction

Which products and services do customers really want? This question has been at the top of mind for executives in the home and motor insurance markets in recent years. Now, the ongoing social and economic consequences of COVID-19 have led many customers to question the value they are receiving from their insurance product which in turn, is increasing customers' focus on product offerings and flexibility.

To explore demand for different types of product and service, 8,000 customers were surveyed across the US, China, Japan, Germany, the UK, Italy, Canada and Australia. This survey results give a clear indication of what customers want. Insurers can use this feedback to guide the launch of successful new products, services and partnerships with InsurTech. The results of the global survey can be found [here](#):

In terms of Japan context, about 1,000 customers were surveyed and this report outlines some of the key findings related to Japan market:

- **Customers highly favor simplicity.** Across home and motor insurance, consumers have favored basic/standard insurance as they find it simple and easy to understand which makes them feel confident about their preferences.
- **'Connected and cost focused' insurance is second most preferred choice across home and motor insurance.** However, consumers are concerned about sharing personal information with insurers, in addition to difficulty in understanding policy content.
- Younger consumers especially in the **age group 18-34 have shown higher affinity towards adjustable and flexible** insurance offering.
- **Invisible insurance was the least preferred across home and motor** due to high premiums, difficulty in understanding coverage content, and lack of transparency and freedom in choosing the insurer.

Top three desirable home insurance features

- Instant payment of a pre-agreed amount soon after the natural disaster
- Ability to adjust cover based on the need and affordability
- Alerts from insurer when an issue is detected at home

Top three desirable motor insurance features

- Relevant information and notifications (e.g. safer driving, alerts about potential hazards, etc.)
- Ability to adjust insurance based on need and budget
- Insurance premium based on driving (e.g. when you drive, how much you drive, and how you drive)

Based on consumer voices, the research identifies key themes and recommendations for insurers to address consumer's concerns and launch successful products. The themes include **simplicity, data privacy, flexibility and support guidance.**

Assessing consumer preference for different types of insurance services

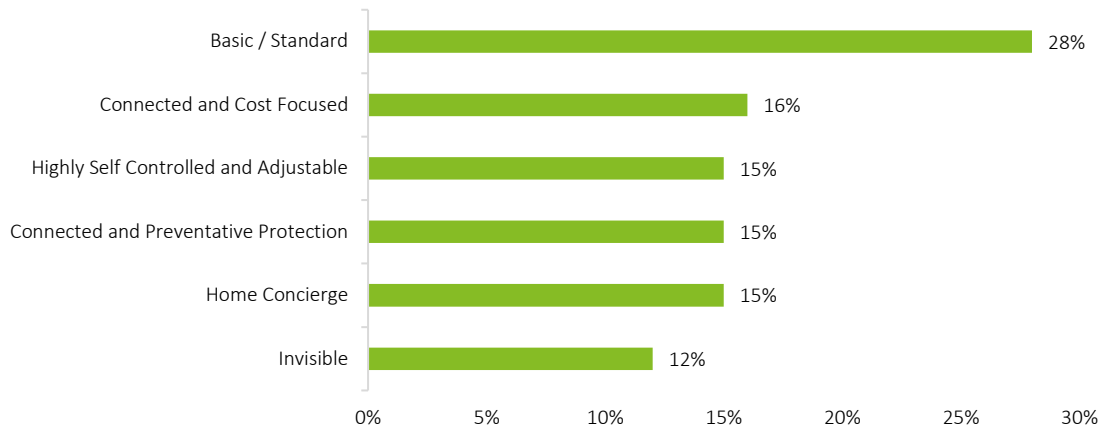
Home Insurance

Consumers in Japan have highly favored simplicity with ‘Basic / Standard’ product being the most preferred choice among other types of home insurance. The primary reason for this is high familiarity and the simplistic nature of the offering that helps consumers easily understand the insurance coverage content. On the other hand, respondents were least likely to purchase ‘Invisible’ due to lack of transparency and flexibility.

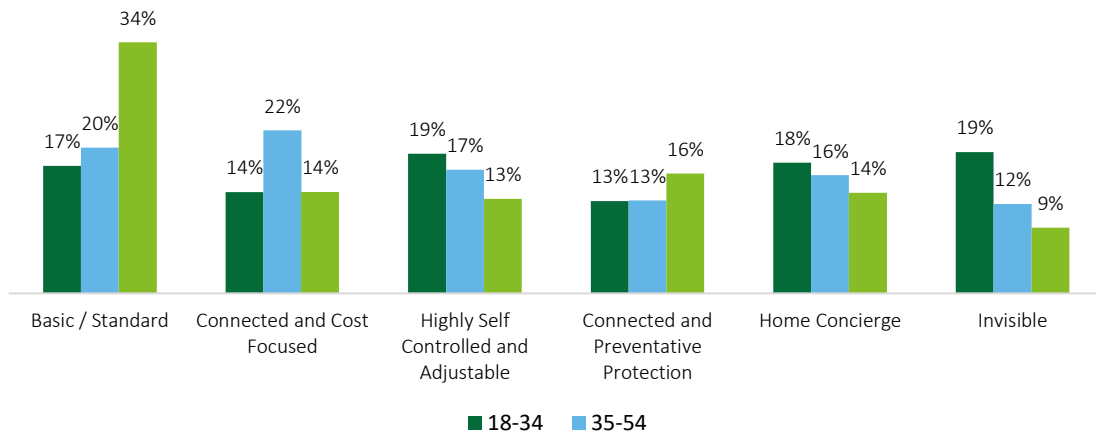
Product/ Service	Percentage share of times each product was ranked as number one choice	Likes	Dislikes
Basic / Standard	28%	<ul style="list-style-type: none"> ✓ Simple and easy to understand ✓ Convenience and familiarity ✓ Security and peace of mind 	<ul style="list-style-type: none"> X Less options to customize X Cannot be personalized to one’s needs X Premium based on past insurance history
Connected and Cost Focused	16%	<ul style="list-style-type: none"> ✓ Cost optimization ✓ Suggestive measures on reducing home maintenance costs 	<ul style="list-style-type: none"> X Access to personal information and privacy concerns X Difficult to understand
Highly Self Controlled and Adjustable	15%	<ul style="list-style-type: none"> ✓ Flexible coverage options ✓ Customizable as per one’s need ✓ Freedom of choice 	<ul style="list-style-type: none"> X Service content difficult to understand X Evaluation process X Self-management is a hassle
Connected and Preventative Protection	15%	<ul style="list-style-type: none"> ✓ Cost optimization ✓ Safety and peace of mind ✓ Helps remain alert ✓ Convenience 	<ul style="list-style-type: none"> X Access to personal information and privacy concerns X Expensive and difficult to understand X Unnecessary extra service coverage
Home Concierge	15%	<ul style="list-style-type: none"> ✓ 24/7 support convenience ✓ Assurance, security and peace of mind 	<ul style="list-style-type: none"> X Expensive X Coverage could be underinsured X Unnecessary extra service coverage
Invisible	12%	<ul style="list-style-type: none"> ✓ Easy and convenient ✓ Hassle-free 	<ul style="list-style-type: none"> X Lesser clarity and understanding X No freedom to choose insurance provider X Expensive and third-party intervention X Not applicable if no mortgage/lease

(Refer to appendix for insurance product/service description)

Home insurance- Percentage share of times each product was ranked as number one choice



Home insurance- Percentage share of times each product was ranked as number one choice across different age groups



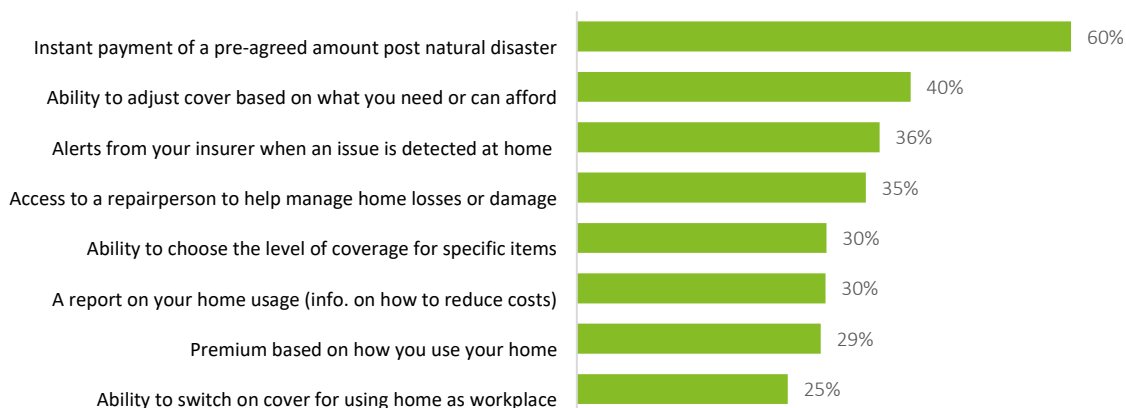
‘Basic/Standard’ home insurance is most preferred due to familiarity with the product, in addition to simplistic nature of the offering that helps in easier understanding of insurance coverage content.

Respondents in the age group 55-89 prefer ‘Basic/Standard’, while the other age groups 18-34 and 35-54 rated ‘Highly self-controlled and adjustable insurance’ and ‘Connected and Cost Focused’ as their preferred choices, respectively.

The age group 35-54 have ranked ‘Connected and cost focused’ as their best preferred product in comparison to other home insurance offerings.

In comparison to motor insurance, ‘Invisible’ home insurance is preferred particularly amongst 18-34 age group which can be assumed as lessees or renters, and prefer insurance included in the contract.

Home insurance – Respondents who rated home insurance feature as extremely or very desirable



Japanese consumers prefer features related to transparency, flexibility, and real-time alerts and support access.

Consumers have favored insurance policy features that provide financial security during uncertain times as they prefer receiving instant pay-out post natural disaster, while they undergo the entire claims and settlement process.

Also, respondents have expressed desire for products that offer flexibility based on their personal needs. Hence, features with adjustability in terms of risk cover based on their affordability are highly preferred.

Case study: Instant payout plans

AIG 損保

- In Aug 2019, AIG General Insurance announced industry-first payout plan for personal property insurance products.
- As part of this new offering, policyholders will be able to receive partial payout of up to 50% in the initial stages of damage investigation.
- These payments will be made before loss determination thereby giving consumers financial support for early recovery from natural disasters such as torrential rains and typhoons.
- Previously, these plans were available for corporate customers only to ensure business continuity. However, these plans are now available to individual customers to provide financial security and peace of mind.

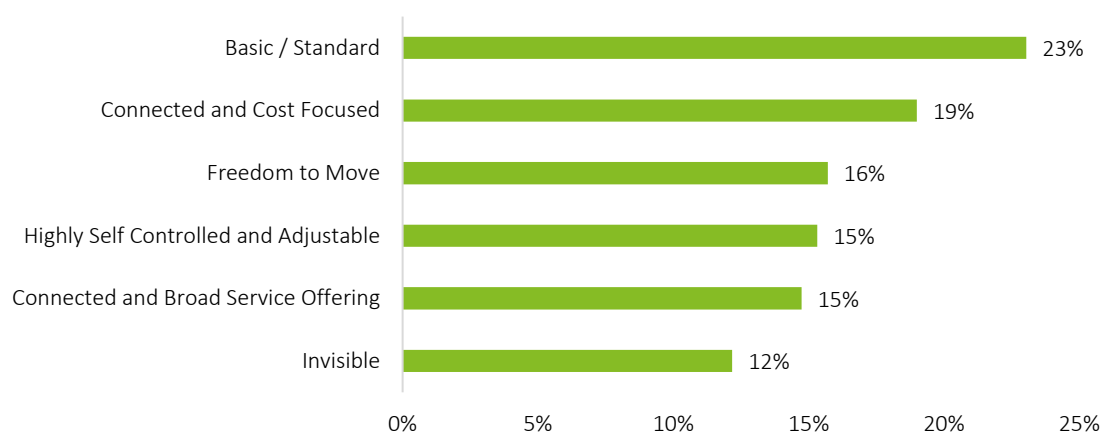
Motor Insurance

Similar to the trends observed in home insurance, 'Basic/Standard' is the most preferred product. However, preference for 'Connected and Cost focused' is relatively higher in motor insurance.

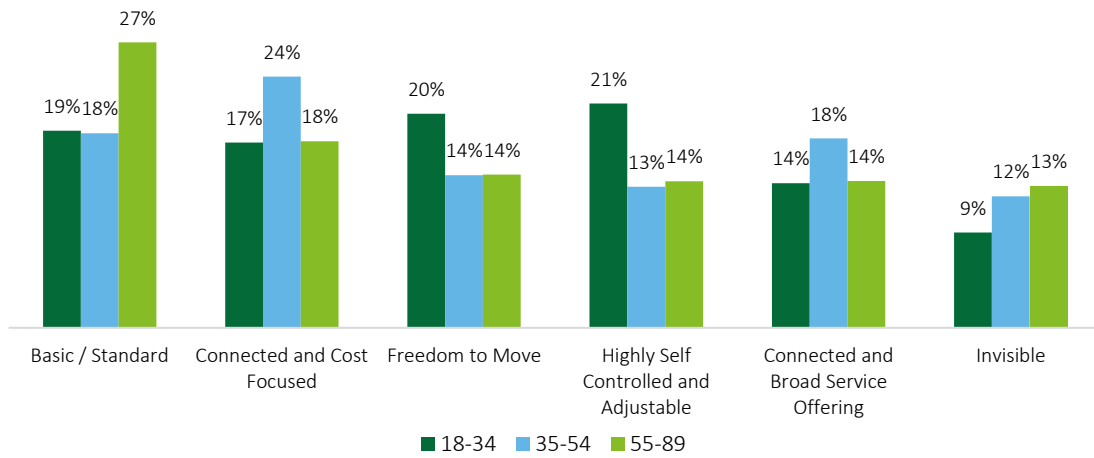
Product/ Service	Percentage share of times each product was ranked as number one choice	Likes	Dislikes
Basic / Standard	23%	<ul style="list-style-type: none"> ✓ Simple and easy to understand ✓ Convenience and familiarity ✓ Safe and secured 	<ul style="list-style-type: none"> X Lack of value-added features and attractive services X Basic coverage and no personalization
Connected and Cost Focused	19%	<ul style="list-style-type: none"> ✓ Guidance on safe driving behavior leads to low premiums ✓ Cost-effective 	<ul style="list-style-type: none"> X Constantly being monitored X Access to personal driving history and information
Freedom to Move	16%	<ul style="list-style-type: none"> ✓ Flexible service, worry free ✓ Secureness and convenience ✓ Wide coverage options 	<ul style="list-style-type: none"> X Do not need wide coverage options X Expensive
Highly Self Controlled and Adjustable	15%	<ul style="list-style-type: none"> ✓ Freedom of choice ✓ Flexible options and better control ✓ Cost-effective 	<ul style="list-style-type: none"> X Could forget to adjust coverage X Self-management is troublesome X Lack of complete guarantee
Connected and Broad Service Offering	15%	<ul style="list-style-type: none"> ✓ Safe driving behavior leads to low premiums ✓ Cost-effective ✓ Remote diagnostics & discounts 	<ul style="list-style-type: none"> X Constantly being monitored X Access to personal driving history and information X Unnecessary extra service coverage X Difficult to understand
Invisible	12%	<ul style="list-style-type: none"> ✓ Easy and convenient ✓ Hassle-free procedure 	<ul style="list-style-type: none"> X No freedom to choose insurance provider X Could be expensive X Difficult to understand coverage content X Lack of transparency

(Refer to appendix for insurance product/service description)

Motor Insurance- Percentage share of times each product was ranked as number one choice



Motor Insurance- Percentage share of times each product was ranked as number one choice across different age group



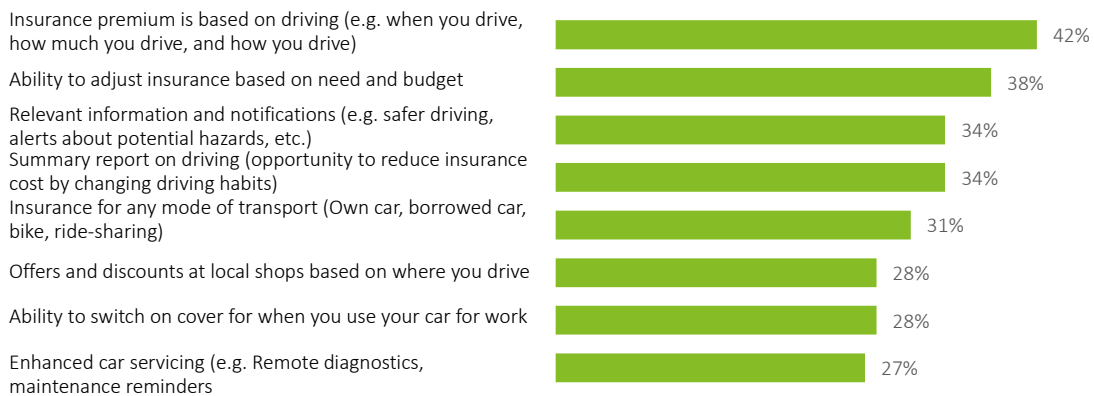
‘Basic/Standard’ is highly preferred by 55-89 age group, while the other age groups prefer product offerings that offer flexibility in adjusting premiums and risk coverage.

Like home insurance, ‘Basic/Standard’ dominates the consumer preference in motor insurance, however, preference for ‘Highly self-controlled and adjustable’ in motor is higher among age group 18-34. This is due to higher affinity towards online tools to adjust insurance for lower premiums.

As compared to home insurance, ‘Connected and cost focused’ is relatively a more preferred choice in motor insurance across age groups, with consumers being less hesitant in disclosing driving information for cost advantage as compared to household information.

‘Invisible’ insurance is least preferred across home and motor insurance due to high premiums, difficulty in understanding coverage content, and lack of transparency and freedom in choosing insurer.

Motor Insurance – Respondents who rated motor insurance feature as extremely or very desirable



Within motor, consumers have shown interest in insurance features that provide flexible premium and insurance coverage options, and relevant guidance and support.

Respondents prefer features where premiums are decided based on usage and their driving behavior. This provides consumers with the advantage of optimizing their premiums amounts. Also, providing flexibility in term of adjusting risk cover is highly favored as consumers would like to opt for insurance products that can meet their budget needs.

With the advent of technologies such as telematics, consumers expressed desirability towards receiving support and guidance as to how they can improve their driving behavior to reduce accidents and promote safer driving habits.

Case study: Usage based insurance



- In March 2020, Sony Assurance Inc., a wholly owned non-life insurance subsidiary of Sony Financial Holdings Inc., launched a new type of pay-how-you-drive (PHYD) automobile insurance, called 'Good Drive'.
- 'Good Drive' is smartphone-only automobile insurance that leverages on the expertise of Sony Assurance through the development of insurance products and services backed by technologies such as artificial intelligence (AI), sensing and cloud computing.
- With this insurance product, consumers can use their smartphones to analyze data related to their driving behavior and assess accident risk.
- This product also provides consumers with an incentive of receiving up to 30% cash back on their insurance premiums based on their driving behavior results.

Case study: Insurance with safety features



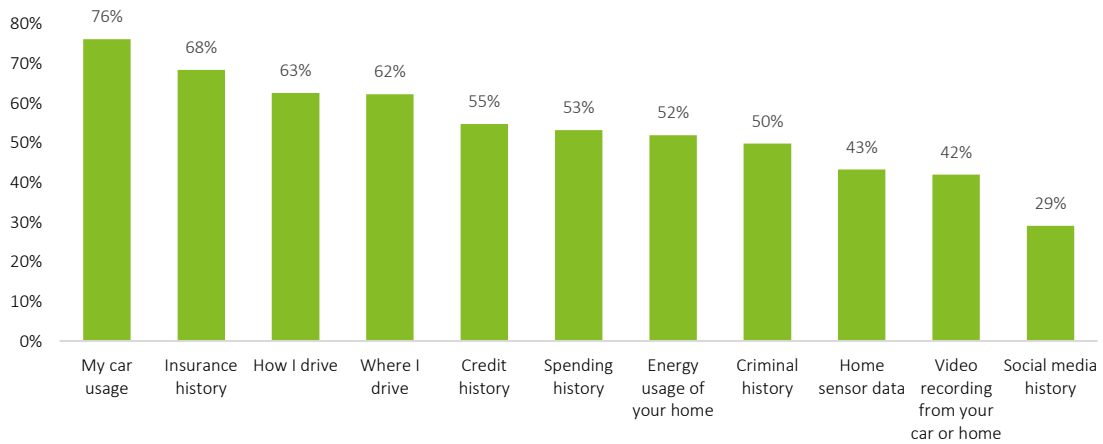
- Tokio Marine & Nichido has been providing Drive Agent Personal (DAP), an industry-first drive recorder service for individual customer.
- More than 200,000 policies are using DAP already. In addition to recording accident footage, DAP helps prevent accident by providing real-time warning and insights about potential risks and dangers based on the user's driving behavior and characteristics.
- Furthermore, in a situation where the driving record registers an accident exceeding a predetermined threshold, the feature enables the system to send default notification to the call center. Thus, helping to expedite response measures which include an ambulance support.

Market context

This section of the report tries to capture consumer's **communication preferences** and their willingness in sharing **personal data** to meet their personalized needs as well as receiving lower insurance premiums.

Personal data sharing preference

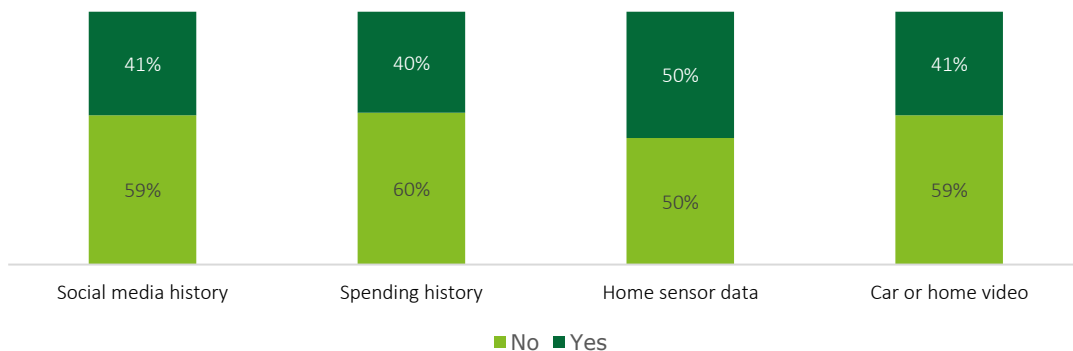
Respondents were asked which of the following types of data would they share with the insurance provider to receive benefits related to lower premium or coverage that better matches their specific needs.



In terms of sharing 'Insurance history' information, 68% of Japanese respondent were willing to share the data, which was lower than the global results of all eight countries that stood at 80%. On the other hand, regarding information like "expenditure history", "home sensor data" and "Images of a car or house", approximately half of the Japanese consumers responded that they would be ready to share the data, which is higher than the global average.

The below graph analyses consumers willing to change their mind on sharing personal data, provided they were offered USD100 annual discount and information on how to reduce risks and an explanation as to how the insurance provider would use the personal data.

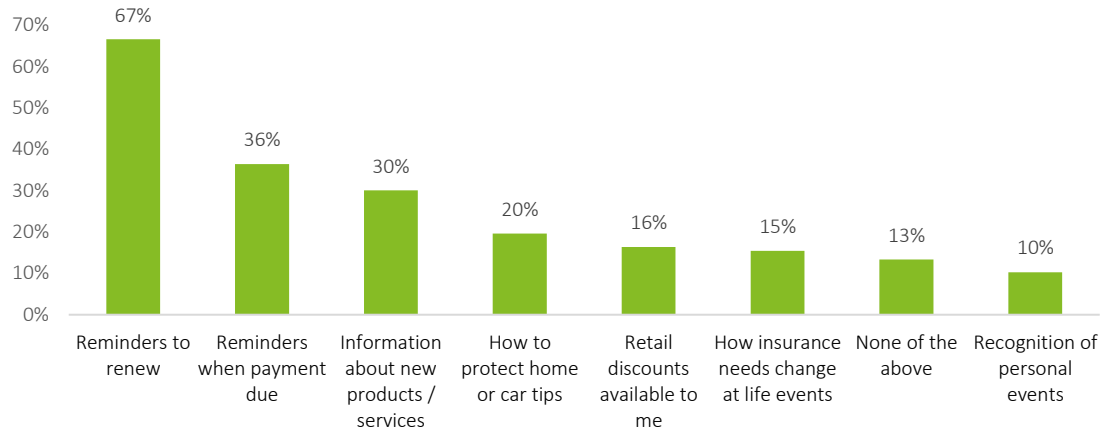
Consumer data is a source of differentiation for Insurance companies. However, more than half of Japanese consumers are still more likely to protect their privacy, even if discounts are offered, and prefer guidance on mitigating risk and transparent explanations of the use of personal data by insurance companies.



Communication preferences

The below chart analyses responses for type of communication that respondents would like to receive from their insurance provider.

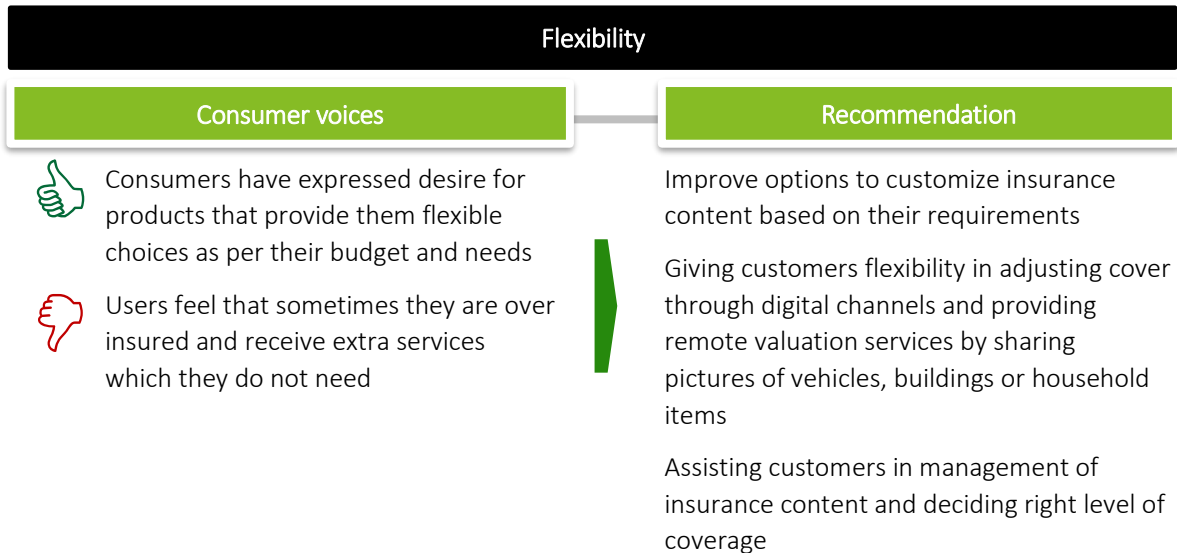
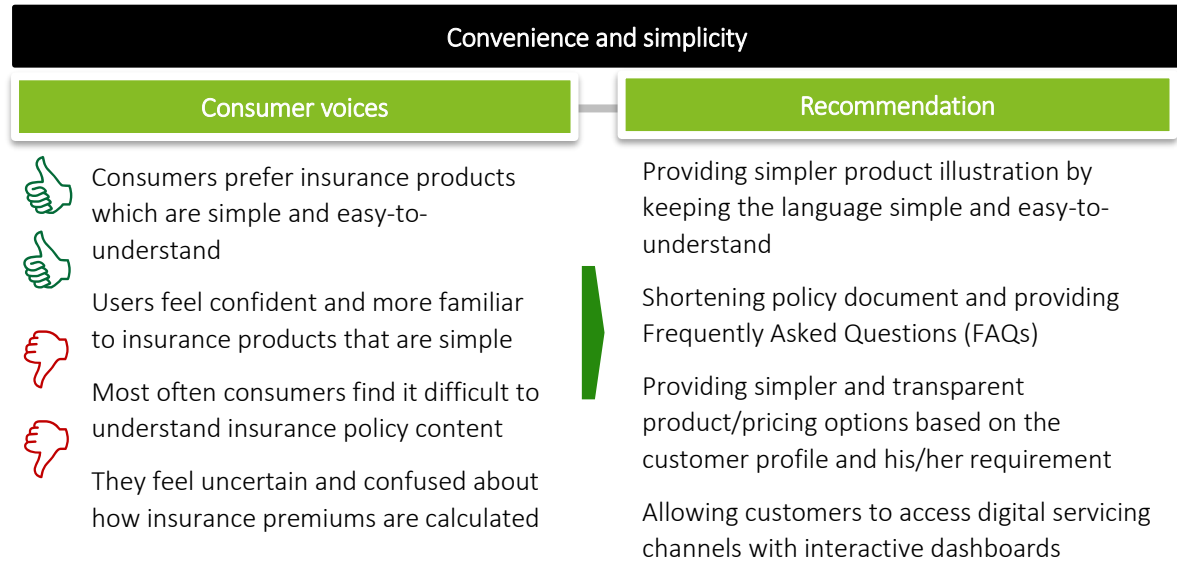
Japanese consumers desire to receive constant alerts on insurance policy renewals as well as regular payment schedule information.



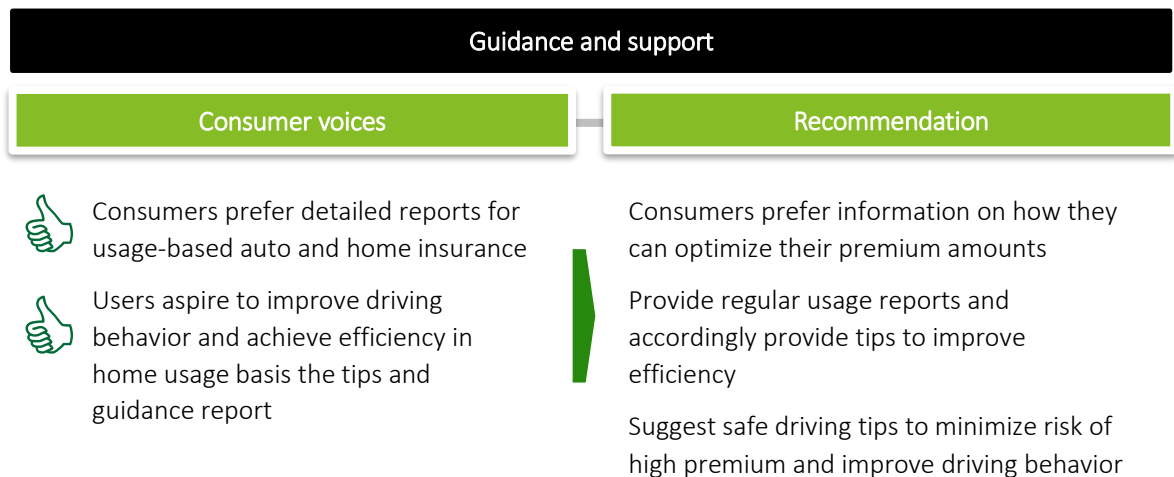
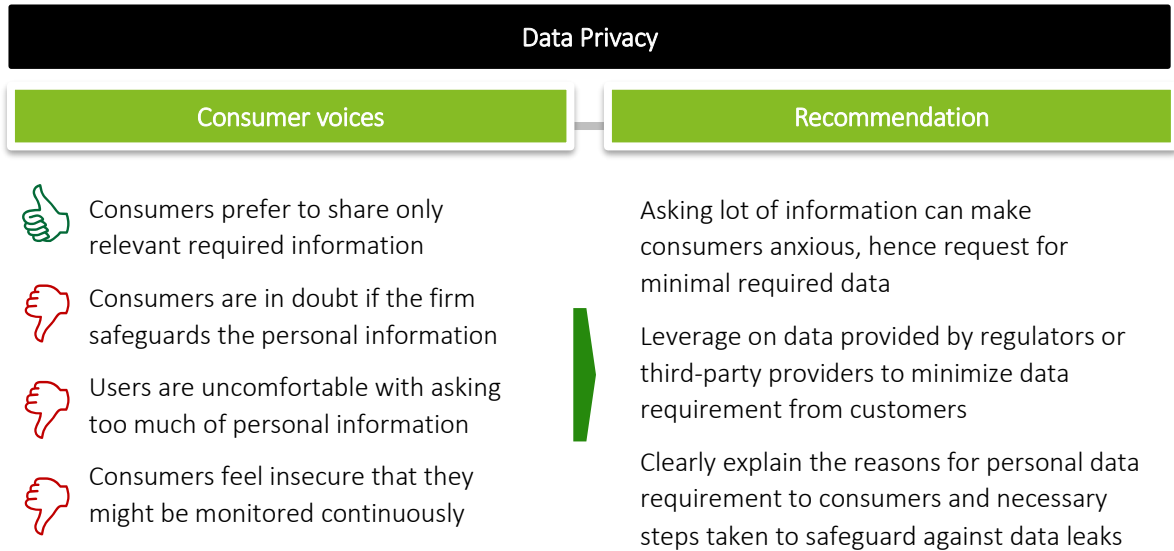
The way forward- suggestions/considerations for home and motor insurance

Based on the consumer likes and dislikes for different types of insurance services, we have derived key themes which could assist insurers in addressing user concerns and helping them meet consumer demands.

Insurers are recommended to focus on products that are easy-to-understand and adjustable as per need and budget of the consumers.



Consumers prefer sharing **minimum personal information** and look forward to receiving **guidance and tips** for optimizing premiums.



Appendix

Home insurance products and services – descriptions

Traditional

Your home is fully protected. You purchase insurance as you normally do, e.g. via a website or broker. The price of your insurance is based on the value, characteristics, and location of your home, and past insurance history.

Home Concierge

You receive a service package that gives you access to 24/7 home support. The package includes the standard set of protections from a home insurance policy, but also provides support to manage losses from your home or damage to it. You get access to a repairperson.

Connected and Cost Focused

Your insurer understands some aspects of how you use your home, e.g. how much electricity/gas/water you consume. The amount you pay for insurance is based on this. You receive a report on your home usage, which provides information on how to reduce your insurance and other household running costs.

Connected and Preventative Protection

Your insurer understands some aspects of how you use your home (e.g. how much electricity/gas/water you consume) or who is living there, e.g. an elderly person. You receive alerts when an issue is detected (e.g. leaking pipe or the elderly person needs assistance). If possible, your insurer sends a qualified person to help with issues. You also receive a report on your home usage, which provides information on how to reduce your insurance and other household running costs.

Invisible

Your home is fully protected, and you receive the same level of service as with standard insurance. However, your insurance is automatically provided as part of your mortgage or rental contract. This means you do not need to arrange insurance. If you file a claim (i.e. a formal request with an insurance company for coverage or compensation for a covered loss or policy event), your bank or real estate agent supports you through the process.

Highly Self Controlled and Adjustable

You can adjust your insurance based on what you need or can afford. You can increase or decrease your level of cover depending on whether you are at home. Similarly, you can choose the level of cover for specific items, e.g. jewelry.

Motor insurance products and services – descriptions

Traditional

Your vehicle is fully protected. You purchase insurance as you normally do, e.g. via a website or broker. The price of your insurance is based on the type of vehicle, your driving record, where you live, etc.

Connected and Cost Focused

Your insurer understands some aspects of your driving, e.g. when you drive, how much you drive, and how you drive. The amount you pay for insurance is based on this. You receive a report on your driving, which provides information on how to reduce your insurance cost, e.g. by changing your driving habits.

Connected and Broad Service Offering

Your insurer understands some aspects of your driving, e.g. when you drive, how much you drive, and how you drive. Your insurer adjusts how much you pay for insurance based on this. You also get enhanced car servicing such as remote diagnostics of car issues, reminders for maintenance and tailored retail offers based on where you drive.

Invisible

Your vehicle is fully protected, and you receive the same level of service as with standard insurance. However, your insurance is part of your car purchase or lease agreement. This means you do not need to arrange insurance. If you have an accident, repairs are handled by the car manufacturer through your local car dealer.

Highly Self Controlled and Adjustable

You can adjust your insurance based on what you need or can afford. You can increase or decrease your level of cover depending on your car usage. This helps to ensure that you do not overpay for insurance, e.g. by being charged less when your car is parked in a garage. However, forgetting to adjust cover could leave you without appropriate cover to drive.

Freedom to Move

You are covered for whatever mode of transport you choose. This includes driving your own car but also borrowing a friend's car, using a bike, using a ride share, e.g. Uber.

Sources :

- <https://www.chubb.com/jp-ip/individuals-families/house.aspx>
- https://www.aig.co.jp/content/dam/aig/sonpo/jp/ja/documents/company/press/2018/20180808_C/aims_Promise_Personal_E_final_web.pdf
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