Insurance in a digital world

What makes Dutch consumers tick?
Digital enables changes in the ways consumers can gather information, buy products and communicate with insurers. Our research amongst 900 Dutch consumers shows high consumer willingness to adopt all six categories of insurance related services we assessed. The three most promising digitally enabled services are: usage- and behavior based insurance, mobile based insurance solutions, and risk detection and prevention services.

**Usage- and Behavior based Insurance (UBI)**

The larger scale use of UBI (usage based and/or behavior based) is at a tipping point in the Netherlands. Consumers interest is increasing and so is the number of insurers introducing UBI propositions. Telematics-based UBI growth will be accelerated by technological developments, which will drive down costs and increase convenience and effectiveness of using telematics devices. Telematics will enable insurers to collect driving data, which in turn enables them to link a driver’s individual risk more closely with premium. Through UBI programs, insurers are able to differentiate products, gain competitive advantage, attract low-risk policyholders and influence policyholder behavior reducing the number of claims. Recognition of the societal benefits and growing consumer acceptance of personal data collection and usage will further increase demand for telematics-based UBI products in the future. UBI propositions offer a unique opportunity to intensity the traditional low policyholder – insurer contact ratio and therefore be a catalyst in enhancing brand loyalty. UBI is really about monitoring an individual’s behaviors. Correlations likely exist between how someone drives and what they may be interested in buying or how they maintain their home. By analyzing data provided by a growing variety of sensors—from wrist health monitoring devices to product and in-home sensors—insurers can gain valuable insights into consumer behavior and developing trends. Being able to gain insight into how a person ‘thinks’ will likely have implications for other lines of insurance, including homeowner’s and small business insurance, life, disability, long-term care, and health insurance more broadly.

**Mobile based insurance solutions**

Despite strong growth in the consumer use of smart phones and tablets, both usage and client satisfaction for insurance related services is still very low. As consumers indicated willingness to use mobile devices for insurance related purposes we strongly believe mobile has the potential to fundamentally change the insurance game. While the internet has enabled a new level of efficiency and convenience, mobile has truly enabled “anytime, anywhere” customer engagement. Mobile will always need to be complemented by other channels, but it enables insurers to reach current and potential customers in new ways with new offerings. For instance through sensors, location-based services and telemetry, mobile empowers insurers to collect data that correlates with risk and enables the delivery of custom offerings.

**Risk detection and prevention services**

Historically insurers have used their knowledge about risk and claims predominantly for pricing purposes. By individualizing the data, they can offer risk reducing products or services (e.g. smoke detectors, burglar free locks or a fire dispenser) in return for further benefit on their insurance premium. The amount of available data will grow significantly through the growth of smart homes, smart cars and smart cities. Insurers who can get a hold of parts of that data and translate this into personalized risk related information will be the ones that can not only optimize their traditional pricing engines but are also best equipped to provide truly differentiating services in this area.

**And the winner is?**

Consumers indicated that privacy is an important topic when considering adopting these kind of digitally enabled insurance services. But as our research revealed consumers are much more inclined to share their personal data with insurers versus companies like Apple and Google, insurers are well positioned to conquer these new markets. Insurers that have the vision, courage and endurance to design and build these types of insurance services, can regain customer loyalty, increase revenue and profitability and will be the winners in the future insurance market space.
As in many other industries, digital has changed the rules of the game in the insurance marketplace. Consumer behavior has changed fundamentally with the continued growth of digital channels over traditional intermediaries and banks, increased use of online aggregators and strong growth in sharing consumer experiences through social media. Using digital technologies, insurers have automated many front and back office processes enabling straight through processing, real-time decision making and point of sale customer sales. However, the flipside is that digital has also enabled intensified price competition, reduced customer loyalty and as a result margin erosion. To ensure future growth it is of vital importance that insurers fully understand the digital potential, so they can fully reap the benefits.

So what makes consumers tick when it comes to insurance in a digital and mobile world? Following our digital insurance benchmark (2014) we assessed the willingness of consumers to adopt new digital enabled insurance related services. We commissioned an online survey with over 900 Dutch consumers to assess the willingness to adopt six types of digitally enabled insurance services. Consumers revealed interest in all six categories therefore we are convinced that these types of services can provide the next step in customer interaction and product offerings in the Dutch Insurance market.

We hope that you find our insights useful and welcome your feedback.

“Digital enables a new way of interacting with Insurance customers anticipating on new trends in our economy leveraging the new technical capabilities. This will be the key driver for innovation of not only services but also future insurance products and offerings.”

Pieter Hofman
Partner | Insurance Lead

“Insurers with the vision, courage and endurance to design digital enabled insurance services will be the winners in the digital insurance market space.”

Frank Bovée
Director | Insurance Innovation Lead
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DIGITAL INSURANCE SERVICES: WHAT MAKES CONSUMERS TICK?
So what do consumers value with regard to insurance services in the digital world? After an international benchmark we identified six categories of potentially valuable insurance related services for the Dutch Insurance market. We asked respondents which of these categories they would consider useful and/or valuable.

![Graph](image_url)

"Dutch consumers are most interested in usage- and behavior based insurance and mobile enabled insurance services."

In the following paragraphs each category is analyzed in more detail, predominantly focusing on the most promising insurance services from a consumer perspective.
**UBI in the Netherlands: a market waiting to be captured**

Usage-Based Insurance (UBI) is an innovation that more closely aligns individual policyholder usage behaviors with premium rates.

The telematics based car insurance market is estimated to grow to €50 billion premium income by 2020 in Europe. In recent years, Telematics based car insurance products have been introduced in the Netherlands by companies like Whoosz! (T-Mobile and Zurich Financial Services) and Polisvoormij (Reaal and Fatum Insurance). Both companies monitor client driving behavior through a mobile phone app. Recently VOOROP (Risk Insurance and Nationale Nederlanden) entered the market using a car plugin monitoring device. Although all these companies claim to be commercially successful with their new UBI propositions, the vast majority of newly purchased Dutch car insurance policies is still non-telematics based.

We are convinced Telematics based car insurance has strong growth potential in the Netherlands as consumer willingness to adopt is increasing and technology advances will quickly drive down cost and increase convenience and effectiveness of telematics devices. Furthermore recognition of the societal benefits and growing consumer acceptance of personal data collection and usage will increase the demand for telematics-based car insurance in the upcoming years.

For insurers the combination of remote sensory technology and data analytics permit three revolutions in auto insurance: understanding of risk, product decommoditization, and customer engagement. The first is related to capturing, analyzing and refining premium based on driving behavior related data. The second and third are linked to the ability of an insurer to create reward systems for good driving and to advise drivers on weather and road conditions that promote the well-being of a driver in contrast to the traditional role of an auto insurer as a protector against financial loss. For instance analysis of data captured with Deloitte’s mobile based D-rive telematics solution shows that on average, half of D-rive users engage with the D-rive App at least once a day, drastically increasing a policyholders engagement with its insurer and boosting customer loyalty.

Smart-phone based telematics offers the best proposition economically and functionally; on the latter the phone-based telematics is driver-centric vs. car-centric. In addition, in-car black boxes or OBD2 devices can be hacked or malfunction leading to major risks for the car and driver.

As US experience shows that when offered a UBI product, consumers adopt it, the first movers in the Dutch insurance market could benefit greatly at the expense of non-movers or laggards.
Behavior based insurance services
US based health insurer Humana rewards a healthier lifestyle. Customers can earn points by measuring and sharing health information, donating blood and taking a flu vaccine.

Earned points can be exchanged for movie tickets, hotel vouchers, digital cameras and other rewards. We analyzed Dutch consumer willingness to change their behavior in return for rewards and found that 65% of consumers is willing to change their driving behavior when offered a financial reward. The challenge seems to be the cost of the financial reward in relation to the already low margin and sharp pricing on car insurances in the Dutch market.

Fig.3: Consumer willingness to change behavior for (financial) rewards
I am willing to change my behavior...

“65% of consumers is willing to change their driving behavior when offered a financial reward”

Success factors: the Four I’s of productive tension
The fundamental tenet of behavioral-based design for promotion programs is to increase the level of productive tension, so it is sufficient to initiate positive behavior change. Productive tension is the balanced increase of an individual’s ability and accountability for their actions. Optimum productive tension requires four aspects:

- **Information**: Information increases knowledge, but on its own does not always initiate action. Although many people know what to do, they still don’t take action.

- **Incentives**: Offering financial or motivational incentives increases accountability, but in itself does not necessarily create action.

- **Infrastructure**: The right combination of programs, practices, tools and technologies is helpful to inform and assist people. Yet even the most sophisticated infrastructure is not always enough to initiate action.

- **Imperatives**: Imperatives are critical for accountability. People need to know what must be accomplished; the reasons why; the implications of failure and the rewards of success; and their role in achieving that success. Imperatives are critical to understanding, but without the other levers—information, incentives and infrastructure—imperatives will not initiate action.

Balancing these “Four I’s” is critical to managing productive tension and improving individual behavior.

Success factors: the Four I’s of productive tension
Mobile enabled insurance services

The consumerization of technology has put an array of mobile technologies and services in the hands of insurers and their policyholders, changing the way they interact. Mobile enables insurers to reach current and potential customers in new ways with new offerings.

French Insurer MAAF offers clients a mobile app that assesses driving feasibility after drinking alcohol. Based on weight, length and number of alcoholic beverages consumed, the app calculates the blood alcohol level and gives an indication of the proposed non-driving time, plus a risk indication for getting involved in an accident when the driver decides to leave anyway. Interpolis Achmea offers its clients a mobile app that can be used to submit a claim. Using the GPS location, it provides advice with regard to relevant nearby emergency services.

Despite the enormous growth of the number of smartphones and tablets in the Netherlands in recent years, our survey shows that 61% of the respondents did not use their mobile phone or tablet for insurance related purposes in the last 12 months. The ones that did, mainly used their mobile devices to view policy terms or policies obtained. Client satisfaction for insurance services provided through a smartphone or tablet was rated with a meager 37%. Surprisingly, for the subcategories we assessed, satisfaction varied between 66% and 73%. Apparently, current services provided through the mobile websites and apps of Dutch insurers are not considered bad in themselves. They are currently just not the types of services and/or functionalities that satisfy consumers!

Fig.4: Mobile phone/tablet usage for insurance related services
For which Insurance related purpose did you use your mobile phone or tablet? (% of respondents)

Fig.5: Consumer communication channel preferences with insurers
Which type of distribution channel did you use for communication with your insurer? (% of respondents)

“Client satisfaction for insurance services provided through a smartphone or tablet was rated with a meager 37%”
With typical low customer-insurer interaction rates, customers might forget their login IDs with insurers. Kroodle (an Aegon and Unirobe Meeûs Groep initiative) eliminated this issue by linking its own authentication process to a client’s Facebook account. We assessed consumer willingness to adopt such services and found that consumers are interested in a link with DigiD (generic login ID for Dutch government services) and e-mail, but 85% of consumers are opposed to the concept of using their social media accounts to login at insurers.

"85% of consumers are opposed to the concept of using their social media accounts to login at insurers"
Mobile as a game changer
One response could be to state that mobile is just another distribution channel that insurers have just not mastered yet, but will do so once they bring their current (internet) services to mobile platforms in the upcoming years. However, we are convinced that the opportunities that this channel has to offer are much wider than that, and that mobile has the potential to fundamentally change the insurance game. While the internet has enabled a new level of efficiency and convenience, mobile has truly enabled “anytime, anywhere” customer engagement. Mobile will always need to be complemented by other channels, but it enables insurers to reach current and potential customers in new ways with new offerings. For instance through sensors, location-based services and telemetry, mobile empowers insurers to collect data that correlates with risk and enables the delivery of custom offerings. Here there are two examples of how mobile could be used in an insurance context.

GPS based micro insurance
Japanese insurer Tokio Marine & Nichido Fire (TMNF) offers “One-Time Insurance” products in partnership with Japanese telecom company NTT Domoco. The One-Time insurance program uses Domoco customers’ GPS functionality to make location specific insurance recommendations. The products - that can be purchased anytime, anywhere via mobile devices - cover potential risks from rare and short-term events.

Insuring the sharing economy
Another interesting area to consider is the sharing economy, which is also referred to as Peer2Peer (P2P) economy and which is projected to grow from $ 15 billion in 2013 to $335 billion in 2025. Newcom research published interesting awareness and usage figures about some P2P initiatives in the Netherlands that illustrate that the P2P economy is already serious business in the Netherlands.

Table 1: Awareness and usage figures of Peer2Peer initiatives in the Netherlands (2014)

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>NL consumer awareness</th>
<th>Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbnb</td>
<td>Rent your own home</td>
<td>3.7m</td>
<td>214,000</td>
</tr>
<tr>
<td>Peerby</td>
<td>Rent your equipment to others</td>
<td>2.2m</td>
<td>99,000</td>
</tr>
<tr>
<td>1%club</td>
<td>Do-good crowdfunding</td>
<td>1.7m</td>
<td>73,000</td>
</tr>
<tr>
<td>Thuisafgehaald</td>
<td>Share your meals with others</td>
<td>1.6m</td>
<td>126,000</td>
</tr>
<tr>
<td>SnappCar</td>
<td>Rent your car to others</td>
<td>1.3m</td>
<td>66,000</td>
</tr>
</tbody>
</table>

As P2P transactions entail risks (e.g. damage, theft or malfunction), one or both sides in the potential transaction could require insurance. This is a market that for instance Peerby and Centraal Beheer Achmea recognized, as they recently decided to close a deal to develop an optional insurance guarantee for Peerby transactions. As the market for P2P transactions is expected to grow 20-fold in the upcoming years, so might the P2P insurance related market. A market that is perfectly suited for mobile based micro insurance and that is waiting to be conquered by innovative insurers.
Accident detection and risk reduction/related services
The extensive amount of historic risk- and claim related data enables insurers to calculate accurate risk based premiums. Insurers could provide policyholders with information about the most important risk variables and provide risk reducing information and/or products. The ACE Insurance group offers clients a mobile app that is based on GPS locations and that provides information about natural disasters, political turmoil and other relevant risk related information. Interpolis Achmea offers customers up to 50% discounts on risk reducing articles such as smoke detectors, safe locks and emergency kits in its online prevention store.

With regard to risk prevention informational services, 50% of the respondents state that prevention related information increases the quality of life. For instance, 66% of the respondents would appreciate it if their insurer would inform them about a recently increased burglary risk in their neighborhood. 54% of the respondents would adjust their behavior if they had insight into their personal risks.

![Figure 7: Consumer interest in personalized risk mitigating related services](image)

“66% of Dutch consumers would appreciate insurers informing clients if the risk of burglary in their neighborhood had recently increased”
52% of respondents are willing to install risk reducing devices (e.g. smoke detectors, burglar free locks or a fire dispenser) in return for a monthly benefit. Of those respondents, 33% state they are only willing to install these devices if they would receive a premium discount.

**Fig.8: Consumers’ financial sensitivity accident detection & risk reduction services**

*Please indicate to what extend you agree with the following statements:*

- I am willing to pay additional insurance premium if this decreases my risk on an accident
- I am willing to obtain accident detection and/or prevention services only for a monthly reduction on my insurance premium

**Success factor: data analytics**

Historically insurers have used their knowledge about risk and claims predominantly for pricing purposes. Analyzing this data on a more granular level and individualizing the data, they could offer risk reducing products or services (e.g. smoke detectors, burglar free locks or a fire dispenser) in return for further benefit on their insurance premium.
**Proactive suggestions to update insurance coverages**

Providing more personal information enables insurers to propose insurance offers that better fit individual needs. Using client GPS data, an insurer could pro-actively suggest to add a winter sport coverage to an existing travel policy when the customer has arrived at a winter sport destination. Also, an insurer could offer suggestions to adapt a customer’s health care policy based on data analytics of his own, and/or his peers’, claims history.

The majority of respondents indicated they are willing to fill out an annual checklist to verify if their insurance policies are still up to date. Of those respondents, 49% would appreciate it if the insurer showed choices of peers on similar occasions. Only 27% of respondents think insurers would suggest more premium increases than decreases with these types of services indicating insurers have a trustworthy reputation in this area. Offering these types of services could therefore not only be commercially attractive but also an opportunity to further regain consumer trust.

**Fig.9: Consumer interest in insurer driven pro-active adjustment of policies suggestions**

*Please indicate to what extend you agree with the following statements*

- **I am willing to fill out an annual checklist from my insurer to verify if my insurance policies are still up to date**: 63% Agree, 3% Disagree
- **I would appreciate it if my insurers shows what kind of policies my peers choose in similar occasions**: 49% Agree, 25% Disagree
- **I trust my insurer that the advice I will receive includes both premium reductions and increases**: 41% Agree, 27% Disagree
Personalized risk related dashboards
The use of personalized risk related dashboards offers customers insight into personal usage and/or risk profiles in comparison with (selected) peers. Leaseplan, a Dutch lease company, offers drivers insight into their actual performance with regard to fuel efficiency, speeding tickets, and number of accidents in comparison with their peers.

Fig. 10: Consumers’ expectations from insurers with regard to personalized risk related dashboards
To what extent do you agree with the following statements:

- I consider the option to compare my personal risk on damages & accidents with peers valuable (age, area etc.)
  - Agree: 44%

- I consider it as a responsibility of my insurer to compare my driving behaviour with others and reward positive behaviour
  - Agree: 36%

- I appreciate it if my insurer shows me the effects of my sporting activities in relation to health related risks
  - Agree: 34%

- I expect my Insurer to play an active role in sport stimulation and sharing of sports results
  - Agree: 28%
Consumers would like to receive personal risk related information from their insurer in the areas of Burglary/Fire and Liability and are most likely to take corresponding action in the categories Burglary/Fire and Health.

Success factor: differentiation through data analytics
Advanced but cheap sensor technology combined with available wireless communication will stimulate the growth of devices and smart objects connected to the internet to up to 50 billion by 2020©. The smart homes, smart cars and smart cities resulting from this, will provide an enormous amount of additional data. Insurers who can get a hold of parts of that data and translate this into personalized risk related information will be the ones that can not only optimize their traditional pricing engines but are also best equipped to provide truly differentiating services in this area.

Fig.11: Consumer interest in personal risk related dashboards and willingness to take action if a risk occurs
A: I would like my insurance company to give me insight into my personal risks related to:  
B: When I face above normal risk I will take action to reduce that specific risk
Many of the types of insurance services that we analyzed require personal customer data to a much larger extent than typical current insurance products do. Therefore, we asked respondents to what extent they are concerned about their privacy with these types of insurance related services. Results vary from 32 to 48% of respondents who are concerned about their privacy.

Results show that 45% of the respondents are willing to share general personal data and 35% car related data. Strikingly, 71% of the respondents are opposed to the use of information shared on social media by insurers.

**Fig.12: Willingness to share personal data for personalized insurance services**

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>General personal data (e.g., stage of life, insurance history)</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Location data (car)</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
<tr>
<td>Messages that my friends and I share on social media (e.g., Facebook, Twitter and Linkedin)</td>
<td>71%</td>
<td>71%</td>
<td>71%</td>
</tr>
</tbody>
</table>
“As consumers are less inclined to share their personal data with companies like Apple and Google versus insurance companies, insurers are well positioned to conquer this market.”

Consumers share a lot of personal information with technology companies, but over 50% indicates that they do not prefer to share data about their location or health with Apple or Google versus rather than to share the data with insurers.

**Fig.13: Consumer willingness to share personal data with Google and Apple versus insurers**

*Please indicate to what extent you agree with the following statement*

So to a certain extent, consumers are still slightly reluctant to share their personal data. Yet they do want to benefit from the aggregate data that insurers collect for a better understanding of how to manage health, property and lifestyle risks. As consumers are much more inclined to share their personal data with insurers versus companies like Apple and Google, insurers are well positioned to conquer this market. But in order to increase the willingness of consumers to share their personal data, insurers need to be able to show tangible consumer benefits. Insurers who move ahead without getting their policyholders on board, by explaining the benefits offered and the way individual privacy is guaranteed, may be putting themselves at risk.
Endnotes

4. The sharing economy – sizing the revenue opportunity. See: http://www.pwc.co.uk/issues/megatrends/collisions/sharingeconomy/the-sharing-economy-sizing-the-revenue-opportunity.jhtml
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