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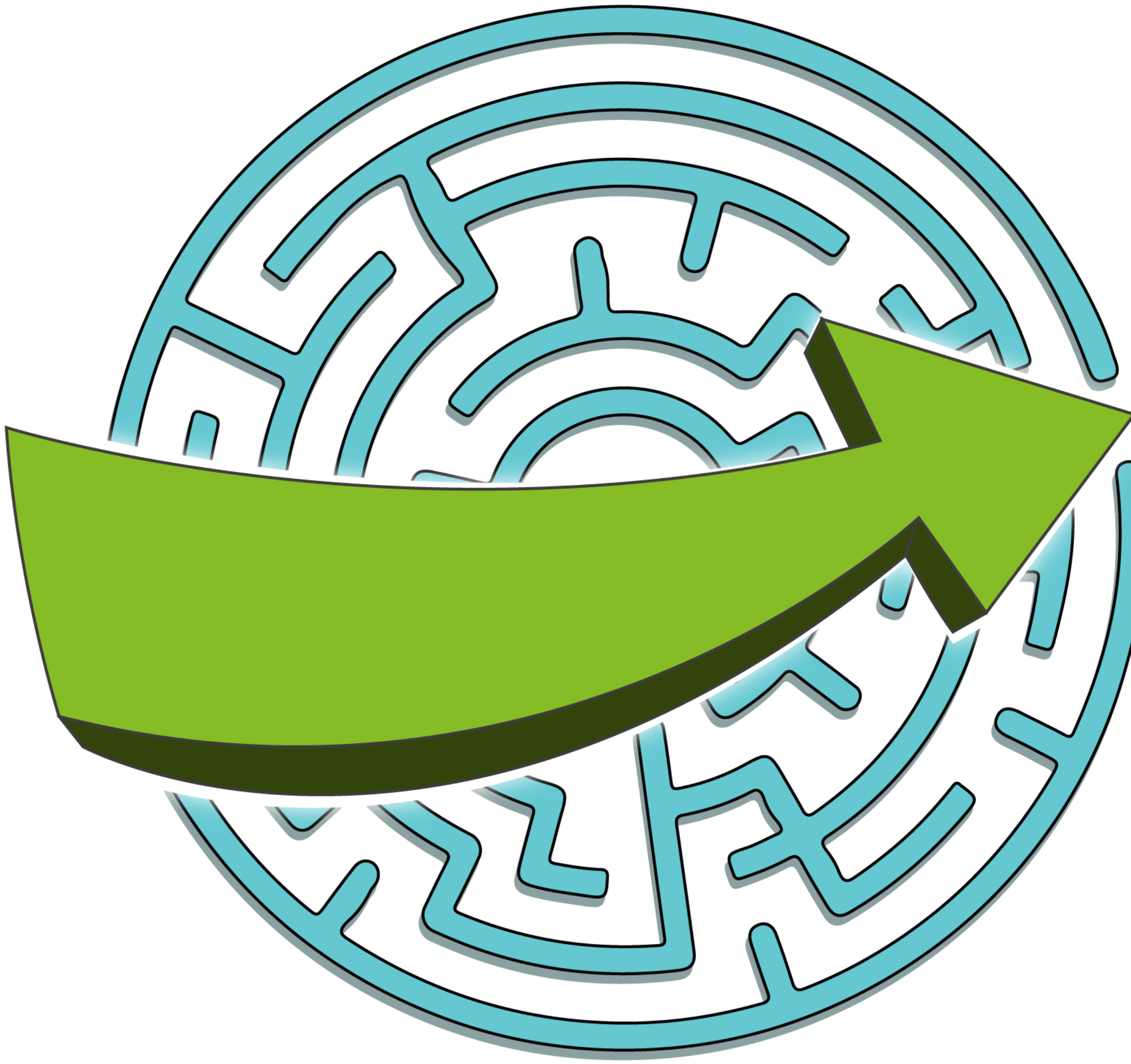


US insurance consumers open to innovative personal lines concepts

Many US buyers surveyed seek flexibility, customization in auto, homeowners' coverage

Deloitte Center *for* Financial Services

Contents

Key messages

While US respondents to Deloitte's global insurance consumer survey indicated a strong preference to stick with traditional personal lines policies, most also want greater flexibility to alter and customize basic coverage based on what they need and can afford.

Although the majority of respondents rarely change their personal lines policies or carriers, the survey found a significant portion—especially among younger buyers—open to trying more innovative coverage alternatives.

Bundling of multiple personal lines policies with one carrier is far more prevalent in the United States than in any other country surveyed except Canada, providing a powerful retention tool for incumbent carriers, while posing a potential obstacle for those looking to expand their customer base and disrupt the market.

Given evolving consumer preferences among respondents for simplicity and convenience, some insurers may want to consider differentiating in an increasingly commoditized, price-driven market by transitioning to a more holistic, relationship-based strategy.

US survey respondents favor familiar products, yet many would consider new coverage options

While personal lines insurers in the United States likely have their work cut out for them differentiating in what appears to be a market dominated by traditional, price-driven, commoditized products, innovation may yet lead to disruption down the road, a Deloitte consumer survey has revealed.

When queried about the types of auto, home, and renters' insurance concepts they'd prefer, the policy features they desire, and their willingness to share information, most of the survey's 1,000 respondents were conservative, opting to stick with the basic, standard policies already familiar to them.

The survey also showed that the vast majority had not switched carriers very often, if at all. Only 36% had changed auto insurers in the prior three years (compared with 73% of respondents in the United Kingdom), while 20% had not switched in over 10 years and 19% had never changed carriers. Among homeowners, only 30% of US respondents had switched in the prior three years (compared to 65% in the United Kingdom), while 29% in the United States had never changed insurers.

Part of the reason for such high retention rates might be that 56% of US respondents bundled their auto and residential coverages—far higher than in any other country surveyed except Canada—making it more challenging for carriers to compete for just one of the paired policies at renewal and discouraging customers from splitting their personal lines coverage.

Yet the survey also showed there is still likely room for innovation, even in standard policies, as many respondents indicated interest in capability upgrades empowering them to adjust price and coverage, reflecting changing needs and usage. In addition, a significant proportion appeared open to far less traditional coverage concepts.

The survey also documented an ongoing transition to a new generation of personal lines buyers more likely to opt for virtual interactions, do-it-yourself applications, and alternative coverage models.

Indeed, a wide range of respondents showed interest in a more comprehensive approach to their personal insurance needs that blurs the traditional silos of standard auto and homeowners' policies. Such a transition might also more effectively address respondent preferences for greater simplicity and flexibility.

Auto respondents intrigued by 'freedom to move'

Figure 1. Auto insurance concept descriptions

Basic or standard
Your vehicle is fully protected. You purchase insurance as you normally do, i.e. 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, i.e. when you drive, how much you drive, and how you drive. The amount you pay for insurance is based on these factors. You receive a report on your driving, which provides information on how to reduce your insurance cost, i.e. by changing your driving habits.

Connected and broad service offering
Your insurer understands some aspects of your driving, i.e. when you drive, how much you drive, and how you drive. Your insurer adjusts how much you pay for insurance based on these factors. 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 automatically provided as 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 coverage depending on your car usage. This helps to ensure that you do not overpay for insurance, i.e., by being charged less when your car is parked in a garage. However, forgetting to adjust coverage 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, or using a ride share.

Source: Deloitte 2020 Global Personal Lines Survey.

To assess the market's preferences and openness to innovation, Deloitte surveyed over 8,000 personal lines consumers during the spring of 2020, split evenly among the United States and seven other countries—Australia, Canada, China, Italy, Japan, Germany, and the United Kingdom—with an even distribution in age among those 18-34, 35-54, and over 55. A separate Deloitte Insights report focuses on global results, including comparisons of responses among the various countries studied, while this article spotlights the key topline findings and takeaways for US insurers.

As part of the survey, respondents were randomly shown three out of six auto insurance concepts (see figure 1) and asked which one they would be most and least likely to purchase. This exercise was repeated three times. The results were converted into an index, with the average concept receiving a score of 100. The scores were directly comparable across concepts, meaning a score of 150 is twice as likely to be purchased as one with a score of 75.

Figure 2 shows that more traditional types of auto insurance—the basic, standard property and liability coverages purchased by the vast majority of US drivers—was very highly preferred by US respondents over all other options, across all age groups (although that preference strengthened substantially with age).

Figure 2. US auto consumers seem very comfortable with the most traditional coverage option, but seek greater control and flexibility and are open to alternatives

Indexed means	All	18-34	35-54	55+
Basic or standard	198	157	180	239
Highly self-controlled and adjustable	120	125	123	114
Freedom to move	96	91	100	96
Connected and cost focused	78	88	79	71
Invisible	60	87	64	41
Connected and broad service offering	47	51	53	38

Significantly above average   Significantly below average

Note: Car owners were asked which of the following auto insurance concepts they would be most and least likely to purchase in a series of discrete choice exercises. 'Average' preference for a concept received a score of 100. The scores were directly comparable across concepts, meaning a score of 150 is twice as likely to be purchased as one with a score of 75.

Source: Deloitte 2020 Global Personal Lines Survey/US respondents.

However, the survey also found strong demand across the board for greater control and adaptability by giving policyholders the ability to adjust their basic coverage depending on how they use their car. One example offered was "being charged less when your car is parked in a garage"—an option that was perhaps top of mind when many respondents weren't driving due to pandemic-prompted stay-at-home recommendations or longer-term shifts to working from home rather than commuting.

The desire for greater flexibility extended to a more radical concept not available today—dubbed "Freedom to move"—an all-encompassing policy that would cover the use of a wide range of vehicles, from borrowing a friend's car, to rentals, biking, or perhaps even riding a motorized scooter. Respondents intrigued by this concept are also likely expressing a desire to be insured no matter how they go from place to place, rather than be limited to a traditional auto policy tied to one vehicle they own. This segment may be seeking a more holistic coverage solution for those using a variety of transportation options.

Connected coverage has yet to gain widespread support

It's interesting to note that what is perhaps the biggest innovation in the history of auto insurance has yet to gain traction among a majority of buyers surveyed—that being the use of sensors (either installed in vehicles or via a smart phone app) to monitor where, when, and how a policyholder drives in real time.

Such "connected" policies drew well below average interest among most respondents when compared to the other concepts presented. Still, outside of the survey's discrete choice exercise, 78% indicated they would be willing to share information with an insurer about how they use their car, while 57% said they would share where and how they drive to get a lower premium or more coverage. However, most didn't seem interested in getting broader service offerings as part of the deal, such as remote diagnostics, maintenance reminders, and retail offers.

The connected model might not become the market's dominant choice. Some respondents may have privacy concerns, while others might be skeptical about their driving behavior and performance earning them a long-term discount. There does appear to be an opportunity, however, to expand adoption of usage-based policies if insurers can convince more prospects—particularly those who consider themselves better drivers—to give telematics a test drive.

The remaining concept, dubbed "invisible coverage," in which insurance is included as part of a car purchase or lease agreement, only generated interest among the youngest respondent segment, even though less effort would be required on the buyer's part, and such a concept would seem to satisfy respondents' general preference for simplicity and holistic service. It appears other downside factors won out. When asked what they liked and didn't like about the concept, respondents indicated concerns about a lack of transparency and loss of control, as well as trust issues with having their car dealer also handling their insurance.

However, that doesn't mean some are not likely to target policyholders with this integrated "invisible" model. Consider the efforts of Tesla, which has been testing an insurance product for its California drivers with the intention of offering the coverage in additional states and eventually nationwide. Tesla recently called for "revolutionary actuaries" to help assess correlations and probabilities from data captured in their cars and reassess premiums on a monthly basis.[1]

The takeaway here is that while most US respondents appear to be much more comfortable with the standard auto policies they already have and usually renew, it doesn't mean insurers should assume customers will always prefer to stick with the status quo if provided with a new and improved version of basic coverage or a more compelling alternative model.

Indeed, given the strong desire expressed for greater customization, along with interest in more nontraditional product designs, greater experimentation is likely called for—particularly in an economy increasingly dependent on sensors and digital platforms. Using personal sensors to track an individual while they are in transit rather than tying coverage to a particular vehicle, for example, could form the basis for a "freedom to move" policy.

Homeowners/renters could gravitate towards 'invisible' coverage

Figure 3. Home/renter insurance concept descriptions

Basic or standard
Your home is fully protected. You purchase insurance as you normally do, i.e., 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 involving your home. You get access to a repairperson.

Connected and cost focused
Your insurer understands some aspects of how you use your home, i.e., how much electricity/gas/water you consume. The amount you pay for insurance is based on these factors. 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 (i.e., how much electricity/gas/water you consume) or who is living there, i.e., an elderly person. You receive alerts when an issue is detected (i.e., 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 coverage depending on whether you are at home. Similarly, you can choose the level of coverage for specific items, such as jewelry.

Source: Deloitte 2020 Global Personal Lines Survey.

Preferences for traditional policies (overall sample index of 198) was even more emphatically expressed for those surveyed about homeowners' and renters' insurance (index of 221), especially for respondents over age 55 (index of 276, versus 239 for auto). Once again, however, most respondents were keen on having greater adjustability to control and customize coverage and cost (see figures 3 and 4).

The demand for connected coverage also trailed among homeowners and renters. However, keep in mind the smart home concept is much newer for this line than it is for auto, where usage-based policies have been marketed for much of the past decade.

Connected coverage may yet catch on over time thanks to greater engagement with younger homeowners. The preference level for a connected policy among the 18-34-year-old segment of respondents was much higher than for their older counterparts, particularly if the policy's value went beyond cost savings to preventative features, such as alerts about a pressing maintenance or safety issue. That was one key difference from auto insurance preferences, which could complicate attempts by insurers to bundle connected coverages. However, the notion of "invisible" coverage, in which the respondent

Figure 4. US home/renter insurance respondents recorded an even stronger preference for more traditional basic/standard policies, but also want greater adjustability

Indexed means	All	Own	Rent	18-34	35-54	55+
Basic or standard	221	240	172	163	198	276
Highly self-controlled and adjustable	128	121	148	134	138	117
Home concierge	79	76	87	86	79	76
Invisible	66	59	82	72	86	46
Connected and preventative protection	64	64	63	86	59	54
Connected and cost focused	41	39	48	58	42	31

Significantly above average   Significantly below average

Note: Homeowners/renters were asked which of the following residential insurance concepts they would be most and least likely to purchase in a series of discrete choice exercises. 'Average' preference for a concept received a score of 100. The scores were directly comparable across concepts, meaning a score of 150 is twice as likely to be purchased as one with a score of 75.

Source: Deloitte 2020 Global Personal Lines Survey/US respondents.

would automatically get insurance through their mortgage or rental contract, with claims support provided by the bank or real estate agent, received more interest among the 35-54-year-old segment (index of 86) versus the same concept in that age group for auto coverage (index of 64), although the youngest age segment was less sold on the concept than they were for auto.

Also drawing significant support was the novel concept of having a "home concierge" to provide 24/7 support and serve as a kind of personal risk manager, including priority access to repair specialists, which again may be indicative of respondent preference for more holistic coverage solutions.

Meanwhile, an entirely different concept not presented during the discrete choice exercise was a parametric policy, which was cited by 51% of respondents as a very desirable home insurance feature. Such a policy would insure against a specific type of occurrence by automatically paying a preset amount based on a covered event's magnitude, rather than having to wait to determine the actual damage and loss to the insured property. Parametric policies would likely attract those living in earthquake, hurricane, or flood zones, and could be added to standard property as well as supplemental flood coverage to differentiate carriers from the competition.

This concept is more than theoretical, as one insurance company in Hawaii recently launched a parametric product designed to close coverage gaps, simplify the claims process, and accelerate recovery. It is meant to cover damages that fall below deductibles on standard hurricane coverage for homeowners and renters, including emergency supplies, debris removal, and food spoilage.[2]

Figure 5: Traditional auto/home insurance most popular because it is familiar, simple and unintrusive, but there are advantages to alternative business models that can be leveraged

Relative preference	Product / service	Likes	Dislikes
	Basic/standard	✓ Simple, most familiar ✓ Least intrusive, respects privacy ✓ Easy to compare	× Not personalized or customized × May be more expensive × Too simple, no features
	Self-controlled and adjustable	✓ Freedom to choose, more control ✓ Flexible, customizable ✓ Cost-effective	× Too complicated × Inconvenient, too much input × Could be underinsured
	Freedom to move (auto)	✓ Covers all modes of transport ✓ No need for additional cover ✓ Flexible	× Do not need it × Belief that it's already covered
	Connected and preventative (home)	✓ Preventative, potential savings ✓ Personalized ✓ Access to a repair person	× Intrusive × Concern with privacy/use of personal data
	Connected and cost focused (auto)	✓ Can save money, if drive less ✓ Seems fair ✓ Rewards good driving	× Too invasive × Lack of trust in insurer × Concern with monitoring system
	Home concierge (home)	✓ Access to a repair person ✓ 24/7 support, peace of mind ✓ Simple	× Sounds expensive × Don't need a repair person
	Invisible	✓ Convenient ✓ Less to worry about ✓ Repairs by car manufacturer	× No control, not transparent × Worried about hidden costs × Don't trust bank, real estate agent
	Connected and broad service (auto)	✓ Tailored ✓ Potential savings, rewards safety ✓ Remote diagnostics and discounts	× Concern cost outweighs benefits × Lack of trust in insurer × Concern with monitoring system
	Connected and cost focused (home)	✓ Personalized ✓ Potential cost savings	× Invasive × Concern with personal data use × Do not see need

Note: Relative preference represents the likelihood of survey respondents purchasing a product or service relative to others. The widths of the bars represent relative preference scores among respondents.

Source: Deloitte 2020 Global Personal Lines Survey.

Respondents identify selling points, obstacles

The survey also captured in open-ended questions what auto, homeowner, and renter respondents "liked" and "disliked" about the various insurance concepts presented. Respondent feedback was very similar for both sides of the personal lines business (see figure 5). These qualitative points could perhaps be translated into the marketing and sales pitches insurers need to make and the biggest objections to be overcome for each concept.

For example, while respondents cited basic coverage for being the least intrusive, competing usage-based insurers could emphasize that standard coverage is limited in its pricing customization capabilities, then show how a connected policy could reward good driving and save them money without a significant loss of privacy.

Others may opt for other models that give them greater control and flexibility, if insurers can demonstrate that the policy isn't overly complicated or requires too much effort, and that automated systems can raise a red flag if customers are inadvertently underinsuring themselves.

Objections to having a "home concierge" to provide 24/7 support because it "sounds expensive" might be overcome if the insurer provides a competitive price versus basic coverage. And those marketing connected/preventative coverage for residences can point out how proactively identifying and mitigating maintenance and repair problems—such as notifications being sent if an insured's pipes were showing signs of freezing in winter—can save policyholders much more than they would pay in premiums.

How might insurers innovate and disrupt a market set in its ways?

The survey data indicates that personal lines insurers may have a hard time getting beyond pure price competition, whether in retaining customers or expanding market share. However, the survey did spotlight areas where carriers can improve their competitive position with incremental upgrades to standard policies, as well as with more fundamental shifts in design, distribution, and customer engagement.

To start, insurers likely need to offer customers of all ages more control and additional options to alter coverage and price—for some, not just at renewal, but during the policy year. Many auto and homeowners' policies already have some flexibility built in—the ability to add coverage for newly acquired valuables or additional drivers, for example. Yet greater adjustability may be called for at a time when more people are working from home, driving less frequently, and are more often using their personal property (car or residence) for commercial purposes in the sharing economy.

This option may be especially compelling given how open many respondents appeared to be to a wider-ranging relationship with personal insurers. This might give the industry room to innovate not only in addressing a more diverse set of emerging risks in the sharing and digital economies, but also in creating opportunities to move competition beyond pure price concerns to encompass broader service options as well.

How far might such flexibility go? Can insurers really offer "freedom to move" policies that would cover the policyholder no matter what type of vehicle they use? The actuarial and underwriting challenge might be considerable, yet a policy that automatically adjusts coverage and price depending on how customers travel at any given moment may be worth testing—especially since the option was well received across all age groups. Urban dwellers, who are frequently getting around with bikes, scooters, rideshares, and other motorized and muscle-driven vehicles they either own or rent for brief periods, could be prime targets.

The need to innovate will likely be particularly important to appeal to younger prospects, who are digital natives and seemed more open to alternative concepts. While basic/standard coverage produced the highest preference index for younger and older respondents alike, the youngest (under age 34) came in far lower (around 160 for both auto and home) than among those over 55 (239 for auto and a whopping 276 for home).

Meanwhile, personal lines carriers are being challenged to adapt to a market where product lines are blurring between personal and commercial coverage. More auto and homeowners' carriers will likely have to start incorporating simple switchovers to commercial coverage if a policyholder uses their car or residence for business purposes. Of those surveyed, 29% indicated a desire for such an option with their cars, along with 25% who said they'd like the ability to switch to a different coverage when they use their home as a workplace—an attractive option these days given the number of individuals working from home due to the COVID-19 pandemic.

Connecting with consumers on usage-based coverage

Usage-based "connected" coverage—in which an insurer monitors in real time a driver's performance and location, or elements of their residence such as temperature, gas lines, or access while policyholders are away—trailed in preference among all age groups, although the concept did resonate more with younger respondents (especially for homeowners' insurance). And while there were clear areas where respondents in general weren't comfortable providing personal data for underwriting and pricing—such as video recordings in a policyholder's car or home, or monitoring of social media history—most seemed open to having insurers track their actual driving activity and performance, while one-third were willing to share home sensor data (see figure 6).

If individuals don't believe they will be rated as better than average drivers or maintainers of their property while being monitored by sensors, it will likely be difficult to convince them to make the switch from standard coverage underwritten with traditional proxy data,

Figure 6. Home/auto insurance customers willing to share a broad range of data for lower premiums and coverage that better fits their needs

Insurance history (claims, policies purchased)	83%
My car usage (distance driven, time of driving)	77%
Credit history	67%
Criminal history	63%
How I drive (speed, braking, turning)	56%
Where I drive	55%
Energy (electricity/gas) usage of your home	52%
Home sensor data (temperature, humidity, smart home sensor data, etc.)	34%
Video recording from your car or home (outside car, home security camera)	27%
Spending history	22%
Social media history (posts, likes)	16%

Source: Deloitte 2020 Global Personal Lines Survey/US respondents.

even though consumers are frequently offered a discount just to sign up and give the coverage a test drive. However, in the long run, such self-selection might end up benefitting insurers by attracting the more careful drivers who are less likely to get into accidents and have to file claims, especially among younger drivers whose age might actually work against them under standard underwriting criteria.

If the main objection to usage-based policies is over loss of privacy, insurers can perhaps overcome those concerns by being more proactive in disclosing what data they seek, why they need it, how it will be used, and most importantly, what's in it for the consumer.[3] For auto consumers surveyed, the main attraction appears to be financial savings, while homeowners' respondents were more interested in loss prevention.

Bolster digital capabilities to draw younger buyers

Digital platform development could also be a crucial competitive advantage, especially for younger prospects. In the United States, when drilling down into more granular generational differences, Gen Y and Gen X respondents were more likely to buy their auto coverage online—either on their computer or mobile device—than were Baby Boomers (see figure 7). The same preferences held for respondents with home and renters' insurance.

This is an important consideration, because the global survey found a much higher level of policy turnover in the United Kingdom, which may be at least partly attributable to the greater availability of online comparative shopping platforms for insurance in that country. Among UK respondents, 80% said they prefer to buy personal insurance either on their computer or mobile device, compared to 47% in the United States. In the United Kingdom, 53% of respondents between 18 and 34 had switched auto insurers in the past year, compared to 26% among younger American respondents.

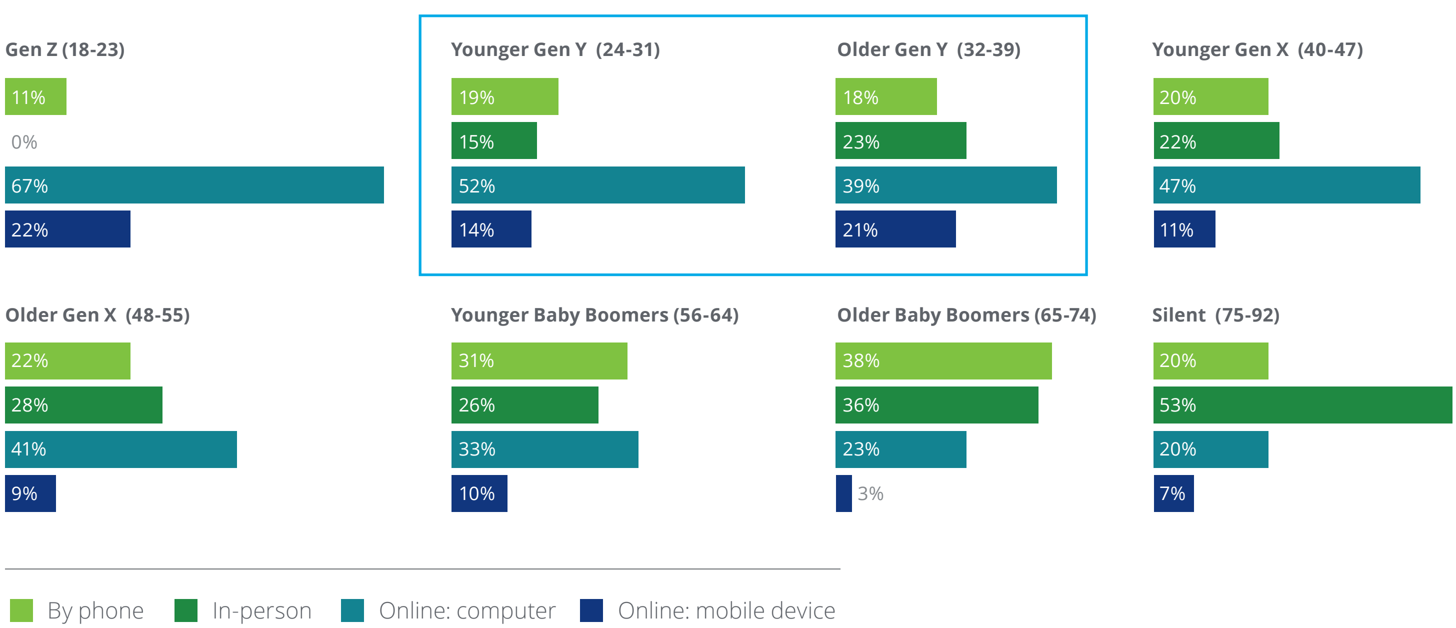
The pandemic may have already jump-started a surge in online shopping in the United States. One platform reported an average increase of 147% in online auto insurance quote requests between March-August 2019 and the same period this year.[4]

In addition, about 43% of Gen Y and 36% of Gen X respondents to Deloitte's survey indicated they would find it very desirable to buy personal lines through a website that not only offers do-it-yourself capabilities but also provides advice on what coverage to buy. This could involve a robo-advisor such as one commonly available to investors for their retirement accounts or making a live agent available via phone or text.

As more young drivers hit the road and purchase or rent homes, the transition to digital shopping, sales, and service is very likely to accelerate. Insurers therefore need to prepare for a more dynamic marketplace, one in which turnover may eventually become far more frequent.

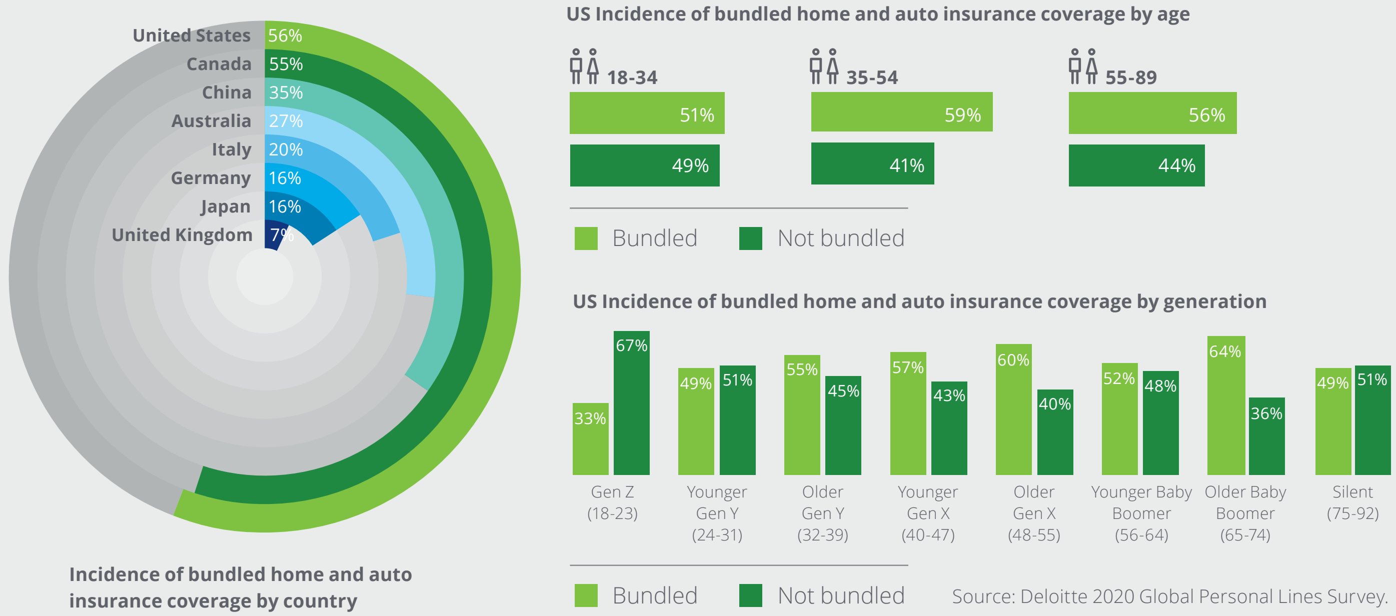
Such competition may not be limited to traditional distributors and carriers. One online retailer, for example, recently partnered with an auto insurer to sell coverage in India over its website and mobile app, in a process that the company says would take less than two minutes and require no paperwork.[5] Twenty percent of respondents to Deloitte's consumer survey expressed interest in buying auto insurance from an online retailer such as Amazon, allowing them to "buy insurance quickly from a full range of insurers."

Figure 7. Younger respondents were far more likely to buy their auto coverage digitally, while older buyers are often still dealing with an agent in person



Source: Deloitte 2020 Global Personal Lines Survey/US respondents.

Figure 8. US, Canadian respondents were far more likely to have their policies bundled across age groups



Source: Deloitte 2020 Global Personal Lines Survey.

The power of bundling

As noted earlier, perhaps the most defining characteristic in the US market (shared only by Canada) is the pronounced tendency of respondents to buy auto and residential insurance from the same carrier—usually earning a discount in return (see figure 8). For bundling carriers seeking long-term retention, this is great news. But the power of bundling also likely makes it considerably more difficult for those looking to expand market share, especially those hoping to introduce more innovation and diversity into the market.

Many US insurers and their agents have been actively cross-selling auto and homeowners' or renters' policies for years, usually on the basis of cost-savings and convenience. Once sold on a package, it is likely much more difficult for a competing carrier to peel off one policy or the other from the bundle for a number of reasons. One is that the policyholder may end up paying a higher price for the "orphaned" policy unbundled and left with the existing carrier. Another is the time it takes to share all the necessary underwriting data to shop with various carriers (although the growth of carrier-agnostic online platforms could alleviate that).

Meanwhile, among the 44% of the respondent pool that does not currently bundle, 59% said they would do so for a total savings of as little as $100 annually, while 37% said they'd bundle to make it easier to manage their insurance portfolio. Only 21% of the unbundled said they would not consider bundling for any reason.

The greater likelihood of US respondents to bundle may be an expression of a broader desire among consumers looking to cover their personal exposures in a simple, easy-to-manage package of coverages and services. This particular trait may make the US a prime candidate for more comprehensive coverage solutions down the road—particularly for younger, more connected and tech-driven buyers.

Given these circumstances, at a minimum, insurers seeking growth in either auto or homeowners' volume may have to fight bundles with bundles, rather than targeting either coverage individually—and not just for basic/standard policies. Those selling connected coverage could try bundling usage-based policies for a smart home and smart car.

As a result, monoline personal lines carriers may face the biggest growth challenge in an increasingly bundled market. To offset their disadvantage against multiline carriers, they may want to partner with insurers offering the other half of a personal lines package, or perhaps seek a merger or acquisition to fill out their product portfolio.

Innovation may yet overcome stagnation in personal insurance

Most of our survey respondents indicated that, all things being equal, they would likely stick with tried and true standard policies under normal circumstances. Yet these are anything but normal times, and not just because of the recent COVID-19 outbreak.

Even before the pandemic altered our lives in so many ways, the insurance market was already becoming increasingly virtual, with digitization and connectivity offering the promise of heightened flexibility and adaptability—the added elements this respondent pool rated very highly in terms of preference.

Meanwhile, with sensors proliferating in vehicles, buildings, tools, appliances, and wearables, some people will likely become more accustomed and perhaps more comfortable with having their property and actions monitored by insurers in real time. If concerns about privacy can be overcome with greater transparency, more proactive communication, and offers of compelling value, connected coverage may yet prevail for a greater number of consumers.

Overall, insurers may need to expand their focus beyond commoditized products marketed mostly based on price in order to disrupt the market. In a highly regulated, increasingly transparent marketplace, modest differentiation among basic products likely only lasts for a short time before others copy or even enhance any new twists offered. Helping consumers address a variety of exposures in a more holistic package of coverages and services may enhance differentiation and customer relationships.

As for those carriers skeptical about the viability of more radical alternative concepts—from insuring a person rather than a vehicle while in transit, to automatically embedding coverage in bigger transactions, to bolstering web platforms with robo-advisors or offering a hybrid site with live support, and perhaps even making a personal risk manager available—consider this: If legacy insurers don't keep pushing the envelope with new models and pilot programs, more entrepreneurial competitors and InsurTechs, as well as additional players from outside the industry, almost certainly will.

Consumers have come to expect ongoing innovation by a wide array of their product and service providers. Enticing buyers with increasingly engaging iterations of auto and homeowners' insurance should be no exception.

Contacts

Industry leadership

Gary Shaw
Vice chairman, US Insurance leader
Deloitte LLP
+1 973 602 6659
gashaw@deloitte.com

Authors

Rohit Malhotra
Principal
Deloitte Consulting LLP
+1 917 370 1303
rmalhotra@deloitte.com

Anuj Maniar
Principal
Deloitte Consulting LLP
+1 312 486 3765
amaniar@deloitte.com

Deloitte Center for Financial Services

Jim Eckenrode
Managing director
Deloitte Center for Financial Services
Deloitte Services LP
+1 617 585 4877
jeckenrode@deloitte.com

Sam Friedman
Insurance research leader, co-author
Deloitte Center for Financial Services
Deloitte Services LP
+1 212 436 5521
samfriedman@deloitte.com

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Mark Patterson, partner, global general Insurance leader, Deloitte UK
Peter Evans, senior manager, head of insurance and investment management research, Deloitte UK
Kevin Banas, senior manager, Deloitte Consulting LLP
Abhi Gupta, senior manager, Deloitte Consulting LLP

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