

# Rebuilding Trust in Insurance



The pandemic threw into sharp focus the inter-connected nature of our society: from frontline healthcare and power plant workers, to delivery drivers and grocery clerks, it was a time to cheer on those essential workers on whom we depend. Yet while many brands found their reputations enhanced by their efforts during the lockdown, insurance companies did not fare so well, with customer trust undermined by difficulties, delays and a perception that many claims were denied.

Indeed, research recently published by E&Y found that more than one in five (22 percent) customers believe providers aren't "honest and transparent" and almost half (46 percent) think life providers will find loopholes to avoid paying out claims<sup>1</sup>. Little wonder then, that regulators are now casting their eyes over consumer trust levels: in the UK alone, the FCA's flagship research *Financial Lives 2020*<sup>2</sup>, published in February 2021, found that trust in insurance companies suffered a net decline over the course of the year, with 22 percent of adults now trusting insurance companies less as a result of Covid-19. According to the FCA's findings, more than one in three (36 percent) of UK adults believe the insurance and protection industry did not do enough to help consumers in their response to Covid-19, while a third of adults (34 percent) think insurance companies rarely pay out—up from around one in five (22 percent) in February 2020.

This trust deficit comes at a real cost. The FCA survey, for example, found that one in three (33 percent) adults with insurance products were now more likely to shop around in the future—and indeed, one in six (17%) adults with insurance or protection products have already switched to a new provider to lower the cost of a policy (this proportion increases to 24% for adults who were employed in February but lost their job due to Covid-19).

**91% expect trust to be further eroded.**

As global relief plans such as wage subsidies and payment deferral schemes come to an end, consumers will inevitably

<sup>1</sup>[https://www.ey.com/en\\_uk/news/2020/12/life-and-health-insurers-must-keep-building-trust-as-financial-wellbeing-is-reassessed-amid-covid-19](https://www.ey.com/en_uk/news/2020/12/life-and-health-insurers-must-keep-building-trust-as-financial-wellbeing-is-reassessed-amid-covid-19)

<sup>2</sup><https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

continue to feel the pinch and be increasingly price-driven in their insurance choices, thereby putting further downward pressure on premiums. As the market hardens and premiums inevitably rise, our survey<sup>3</sup> of more than 200 senior insurance executives finds almost nine out of ten (91 percent) expect trust to be further eroded. This matters—trust isn't some intangible nice-to-have but the foundation of a sustainable business and the gateway to the data flows that will fuel the insurance industry of the future.

## Communication *really* matters

Broken promises are the enemy of trust. The industry pays out on more than 95 percent of all claims, yet there's still a widespread perception that carriers balk at their obligations, finding loopholes and exemptions to wriggle out of payment. This damaging perception grows in the murky spaces where consumers struggle with the wording of complex policy documents and fail to understand the long lists of exemptions; as a result, customers feel promises have been broken even when the insurer can point to a clause that proves no promise was ever made.

The issue isn't lost on the industry. Almost nine out of ten (90 percent) of our surveyed insurers believe mistrust starts with confusing descriptions of product features and add-on products at the point of sale. Little wonder then that 84 percent think optimizing customer communication and touchpoints would have a significant effect in ensuring that customers more readily trust their insurers.

**77.5% believe poor customer understanding of the scope of cover played a significant role in denting customer trust when claims proved contentious during the pandemic.**

<sup>3</sup>Research by Insurance Innovators, Smart Communications and Salesforce Industries

What would this optimization look like? Our survey suggests advanced personalization could be a game-changer as it helps customers choose the right coverage to suit their needs. After all, too often customers buy off-the-shelf, lowest cost premium policies that are ill-suited to their needs, leaving them exposed in the event that they need to make a claim. This exposure clearly cost some customers dearly last year, with 77.5 percent of our respondents believing that poor customer understanding of the scope of coverage played a massive or significant role in denting customer trust when claims proved contentious during the pandemic.

It's unsurprising then that the industry recognizes the urgent need to overhaul the sales process so that customers can quickly and clearly understand their coverage, leaving no scope for later confusion or distress. According to more than eight out of ten of our respondents, personalized documents that compare add-on coverage with features of the core policy, sent instantly via the customer's channel of choice, and full individualization of product suggestions to ensure the customer has exactly the right coverage, could have a significant to massive impact on trust. Deploying data analytics to predict which policy terms would be most likely to cause contention with a particular customer at claim, and tailoring the emphasis of sales messaging accordingly, would also help protect trust.

Smart virtual assistants can also deliver guided assistance to help customers navigate policies and understand the options that best suit their needs. Aviva Life Insurance in India, for example, has developed an AI-powered chatbot ALISHA, which uses natural language processing capabilities to have human-like conversations with customers and guide towards the most suitable life insurance plans and solutions.

# Claims: there when you need them

Communication matters throughout the whole insurance journey, but perhaps never more than during the claims process. After all, this is when trust is at its most fragile: two thirds (66 percent) of our respondents think that delays in the claims process during the pandemic dented trust to a massive or significant extent. Yet the point at which customers make a claim is also the most potent moment for building trust—get this right and customers will not easily forget. Zurich UK for example, now offers free counseling with a qualified mental health expert to customers hit by flooding, while Aegon provides access to a free health and wellbeing service for those claiming under its protection policies.

Technology can play a key role in improving the claims journey. Investment in automation and self-serve channels reduces delays and pain points. Smart algorithms and AI-powered chatbots can redefine the art-of-the-possible; Lemonade's AI chatbot set a world record when it reviewed and settled a claim for a \$1,000 coat in three seconds and with no paperwork.

Automation can also facilitate frequent, personalized communication to help manage expectations and allay fears that a claim has disappeared into a corporate black hole: 81 percent of respondents believe that real-time updates, similar to those used by food delivery and taxi services, would have a significant effect in minimizing loss of trust and 85 percent advocate providing estimated timeframes tailored to the individual's specific circumstances at the outset of a claim in order to set expectations. Automated updates not only improve the customer experience, but they are cost-effective, lowering the cost-to-serve by reducing or even eliminating the need for customers to call contact centers to check on progress—a private client service at a mass market price.

# It's good to talk, often

Traditionally insurance is a low contact industry, with customers only interacting at point of sale, renewal or when they need to make a claim. This can often lead to a 12-month gap between communication and with such a highly commoditized product, there's little scope for insurers to build meaningful relationships or brand loyalty with customers.

Our research shows a sizeable minority (30 percent) of the industry engage with their customers only at point of sale, renewal or claim—and the vast majority do not engage more than a few times a year other than to push sales messages. The industry recognizes this radio silence risks undermining headway made elsewhere: 94 percent of our respondents worry there's a disconnect between the frequently caring tone of their marketing messages and how the general lack of communication actually makes customers feel.

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However, the instinct to communicate more in a bid to shore up trust should not be rushed, with 90 percent of our respondents cautioning that unless a touchpoint is personalized, frictionless and adds value, it is a potential source of irritation to the customer. More frequent communication has to be well judged if it is to be welcomed. This means it has to be personal—both in its content and its delivery—and add real genuine value to the customer.

The good news is that insurers are well-placed to deliver invaluable guidance and insights that can help the customer make smarter decisions, save money and live better. With access to reams of data that can be sliced and diced to help customers better understand the risks they face—whether it's weather warnings, local crime numbers or looming travel disruption—insurers face a very live opportunity to rebuild their reputation.

As insurers deliver regular and useful insights, they will begin to be seen as trusted partners, helping customers to navigate this uncertain world: 98 percent of respondents believe regular, personalized and genuinely effective tips on reducing risk would increase customer trust in insurers.

And as they rebuild trust, insurers will earn access to more personal data—whether it’s from smart home kits or wearables—enabling them to generate ever more meaningful and personalized insights, creating a virtuous circle: 95 percent of respondents believe that providing useful and tailored advice to help customers protect themselves from risk would fulfil a brand promise and as a result build trust.

The growing appeal of usage-based insurance as a means of giving customers more control over their cost exposure could prove a useful stepping stone to this new model, with customers willing to share more data from their connected devices in return for lower premiums—a tangible value exchange. Indeed, 84 percent of our respondents believe that the price appeal of usage-based insurance will play a crucial role in easing customers into providing the insurance industry with the data from their connected devices—a step that’s required for insurers to transition their proposition to risk prevention.

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This is just the beginning: 94 percent believe that acting as trusted advisors, who reduce risks in customers’ lives in real time through personalized advice, will eventually become core to the insurance proposition. Some companies are already making this transition: Generali for example, is piloting the term “life partners” to describe the newly personalized relationship between insurer and insured. What’s more, the industry expects the majority of insurers to offer personalized risk management advice based on real-time data from the customer’s connected

devices in as little as three years' time, with motor and health insurance leading the way.

For insurers embarking on this journey, there are some health warnings from our surveyed respondents, with 94 per cent warning that to become trusted advisors, insurers must make sure that their advice translates into tangible reductions in the levels of risk presented in customers' lives. Moreover, securing these tangible risk reductions will require customers to be active participants, willing to engage with insurers and act on their advice. And for this to happen, 88 percent of our respondents said the advice must be delivered through the optimum channel at the optimum time for the customer. This will take insurers out of their comfort zone, venturing onto new platforms such as WhatsApp and Facebook Messenger, or partnering with third-parties as part of a wider ecosystem.

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One thing is clear, however—get this right and it's possible to reframe the insurance proposition and restore trust. Our findings suggest there's widespread industry confidence in the potential of digital: eight out of ten said a superb end-to-end digital experience has the potential to be just as effective in building trust as human contact. It's now time for insurers to work smarter and more creatively than ever before to realize that potential.



# Viewpoint: Communication, talking the talk and walking the walk

The pandemic fractured many things: lives, livelihoods, health, sports, the arts, normal family interactions and of course business. Some companies digitized, pivoted and soared to meet new needs in new ways. Others, however, struggled to adapt to a world knocked out of kilter, leaving their customers frustrated and distrustful. Our research suggests the insurance industry was among those that failed to rise to the challenge, with our surveyed insurers agreeing that poorly communicated policy terms and delays in the claims process eroded trust over the course of 2020.

Clear, honest and personal communication is essential to rebuild trust. Customers need to have confidence that the product is best suited to them as an individual, with coverage and exemption clauses spelled out in simple language. Digital solutions can help. With analytics helping to match customers to the best policies for their needs, identifying which clauses create confusion and enabling personalized guidance so customers make smarter decisions and feel empowered in their insurance choices. Automation allows personalization at scale, with timely and relevant communications delivered via the optimum channel at the optimum time to manage expectations, keep customers in the loop and ensure customers feel valued.

But it's essential that insurers don't just talk the talk. They must also walk the walk, deploying digital solutions that ensure a slick and seamless user experience that underpins the brand values. Whether it's using third-party data sources to generate quotes in minutes or smart algorithms to automate and settle

simple claims in seconds, digital solutions have the potential to eliminate many of the pain points of the insurance journey.

But, perhaps more fundamentally, today's digital technologies, combined with data from connected devices and smart sensors, enable a complete rethink of the digital proposition. Insurers can use new data points to deliver meaningful insights and personal guidance to customers that not only build brand engagement but also help mitigate and even eliminate many everyday risks. This is communication supercharged to add real value to a customer's daily life and build a deep bond based on both parties working together to protect what matters most in the world. This is Insurance 2.0.

Smart Communications is a leading technology company focused on helping businesses engage in more meaningful customer conversations. Its **Conversation Cloud™** platform uniquely delivers personalized, omnichannel conversations across the entire customer experience, empowering companies to succeed in today's digital-focused, customer-driven world while also simplifying processes and operating more efficiently. Smart Communications is headquartered in the UK and serves more than 650 customers from offices located across North America, Europe, and Asia Pacific. Smart Communications' Conversation Cloud platform includes the enterprise-scale customer communications management (CCM) power of **SmartCOMM™**, forms transformation capabilities made possible by **SmartIQ™** and the trade documentation expertise of **SmartDX™**. In 2021, the company acquired Assentis, a leading European software solutions provider specializing in customer communications management (CCM) with a focus on the financial services industry.

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