3 ways life insurers can best serve their clients

By Michael Goemans

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South Africans have, given the current pandemic, never been more aware of the need for life insurance, not only to look after their dependents if they die but to help them if they survive an illness and can't work. But the sector has also been challenged by the economic fallout of Covid-19, where high unemployment, reduced incomes and a deep recession means consumers are less likely to save and invest. In this environment, where life insurance is often labelled a grudge purchase, it is more important than ever to showcase its value.

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Here unfortunately many insurers fail their clients, because they aren't changing some of the fundamental issues that detract from the experience. For too long now, people have signed up for policies they don't really understand at premiums they can't sustain. If we are to challenge the status quo, we must move away from a transactional relationship where clients only engage with their providers when they need to claim. Sadly, it's at claim time when the wheels often come off. Instead of being a moment of the truth for client service, too many insurers continue to fail at addressing their legacy systems that look for ways not to pay, which defeats the whole point of taking out a policy. Insurers can and must do better. And I can think of at least three ways to get started.

#1: Data is key, but understanding the whole person is important

We know data is a key metric in enhancing the client experience. But data can also distract us from the real source of successful innovation: solving for the actual unmet needs of clients. This requires us to be human and empathetic first – in ways that can't be outsourced to an algorithm. Many insurers are still too rigid in their channel strategies, for example, insisting that clients contact them only via email or telephone, or cold-calling clients who have no need (or desire) to deal with them using purchased data lists. But what if a client wants you to be more relevant, or to meet in person? How do you demonstrate to a client that they're not just an acquisition but someone you'll go the journey with? Even volume-driven insurers must find ways to "re-personalise" the onboarding (and ongoing) experience.

This isn't just a relationship strategy but is core to what life insurance claims to offer in the first place, which is appropriate cover for every life stage. If a client's income increases substantially, why aren't insurers proactively reviewing their cover to ensure the products are always fit for purpose? Conversely, if income decreases, are we not duty bound to make sure clients aren't over-insuring themselves? Part of the challenge here is that too many insurance advisers sign clients up for the upfront sales commission and never follow up, which leads to my second point.

#2: Insurance is still too locked into legacy commission structure

The insurance sales distribution model is still too governed by once-off sales and signups, without enough focus on relationship and retention. There's clearly a problem when an insurance adviser has more incentive to signup new clients and keep them in-policy just long enough to maximise earnings before finding new sources of business (potentially by switching the same clients to another insurer). Too many people tell us, "I never hear from my insurance adviser" or "I can't even remember what their name is". Good financial advisers do the opposite: they demonstrate the value of objective advice, they build relationships, and they deliver real value for the long haul.

#3: Behaviour-based models should not punish clients

Any programme that incentivises clients to improve their physical or financial health will always have value. In fact, proactive insurance can not only help insurers assess risk more accurately, it can also help prevent losses from happening in the first place.

But penalising clients who become less healthy over time, or who can't maintain a reward status because of a medical event (either to themselves or a family member), or who don't buy in to a provider's full basket of products feels punitive. Insurers shouldn't be creating unfair barriers to exit for clients, whether it's holding back a payback, a bonus or a premium discount. Instead they should focus on elevating the core client experience, demonstrating a level of care and attention that creates its own brand affinity and loyalty. Many people also don't realise that a lot of these incentives are built into their premium or cross-subsidised between different services. My own view is that this becomes unnecessarily complicated; good insurance should be comprehensive, lean and efficient, with benefits that are transparent and easy to understand. One should never forget that you don't need insurance during the good times when you are fit and healthy. You need your insurer to be there for you, not to penalise you, in the bad times.

While the future of life insurance is increasingly being led by technology, it will also be grounded (especially in the higher net worth segment) by trusting and trusted human relationships. It will use data to make risk assessments more accurate and transparent, but never at the expense of genuinely knowing the client. It will partner with quality financial advisers who adopt this same approach in their engagements, incentivising them for building bridges with their clients by acting as real advisers rather than salespeople. The future of life insurance is lean, nimble and agile enough to give clients the cover they require at premiums they can sustain, no more and no less.

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