

Life insurance - demonstrating value in a post-pandemic economy

Covid-19 and 10 years of declining growth put the South African economy into freefall. Insurers are heading into an environment where consumers will be under tremendous financial pressure and questioning the value proposition of all their financial planning solutions.



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The sentiments and views expressed by customers in the latest [South African Customer Satisfaction Index \(SA-csi\)](#) for Life Insurance (2019) conducted by Consulta will ultimately feed into how customers respond in a post-Covid economy. Every household expense will be scrutinised, and customer satisfaction and perceived value for money will be the dealbreakers as to who maintains market share, and who loses it in the months ahead. Loyalty will be challenged as customers look to value and price above all other measures.

The benchmark measurement for Life Insurance (2019) provides important insights into the levels of customer satisfaction of South Africa's major life insurers – Absa Life, Discovery Life, FNB Life, Liberty, Metropolitan, Momentum, Old Mutual and Sanlam – and will have a distinct bearing on how customers respond in an inevitably tough economy.

“For at least the medium term, South Africa faces a heavily constrained economy, high and growing unemployment and technological disruption, all impacting the financial services sector and how it engages with customers. Customer mindsets, approaches to their financial planning products and providers are likely to undergo radical change in a post-Covid economy, as will all consumer discretionary spending.

Brand loyalty will come under significant strain as customers scrutinise aspects such as perceived value for money, overall customer experience with their brands, and whether they trust their providers to pay out in their time of need. If markets were challenging before, they are about to enter unprecedented competition in a recycled and shrinking consumer pool that will demand laser-like focus by insurers on customer satisfaction if they are to keep churn rates in check,” says Ineke Prinsloo, head of customer insights at Consulta.

“After the most severe consequence of the coronavirus pandemic – death – comes retrenchments resulting from a contracting global and local economy. Consumers will be scrutinising every policy and what they are paying for them. The bells and whistles of overly complex benefit designs and loyalty programmes will be moot in a post-Covid economy, where consumers will be scrutinising the underlying value for money in every policy and programme.

“Insurers are going to be challenged like never before to deliver real, tangible value and simple benefit designs and communication on an ongoing basis, and not only at the time of a life claim. On this point, banks offering credit life insurance, together with traditional life insurance, have an added advantage to demonstrate tangible value right now, where customers are being advised to claim under the retrenchment benefits on these policies to assist with debt repayments during the pandemic crisis. Across all providers, those who fail to get a handle on complaints and resolution and who are not responsive to their customers, are likely to see a greater number of customers go the mercenary route to look for better options.

“Finally, effective digital delivery, maintaining customer satisfaction and experience will be key for the effective delivery of service and support. Given how quickly and widely South African consumers have had to integrate digital technology into every facet of their personal and work lives, the delivery of insurance products and advice in future is in for a major shake-up,” says Priinsloo.

Key take-outs from the SA-csi for Life Insurance 2019

In the 2019 SA-csi for Life Insurance, Absa Life, FNB Life and Old Mutual all take leader positions, followed by Metropolitan and Sanlam coming in on par, while Discovery Life, Liberty and Momentum all come in below par on overall customer satisfaction scores. It is interesting to note that two of the three leader positions are held by banks – Absa Life and FNB Life - and not traditional life insurers. Bancassurance – the process of selling insurance products through banking channels – is making inroads into the traditional insurer space. This warrants attention given the ability of banks to integrate life insurance into trusted and digitised banking systems as part of a more holistic financial services offering, as well as integrate insurance offerings into their customer rewards programmes – this is likely to become increasingly important when customer cashflow is under pressure.

Customer satisfaction – overall index

- Absa Life at 83,2 FNB Life comes in at 82,2 and Old Mutual at 80,3 – are leading the industry.
- Metropolitan (79,6) and Sanlam (78,6) both come in on par, however both brands show a slight decline in their 2018 scores.
- Discovery Life (75,7), Liberty (75,2) and Momentum (74,5) all come in below par on overall Customer satisfaction scores. Both Liberty and Momentum managed to show improvements in previous scores.

Customer expectations and perceived quality

- All brands measured met or exceeded the expectations of customers, with the exception of Discovery and Momentum. These brands showed the biggest negative gaps particularly around the reliability of the offering – showing that customers experienced more problems than they expected to.
- Both these brands come in below par on customer expectations and perceived quality scores.
- Old Mutual leads the way on meeting and exceeding customer expectations with a score of 84,1, and a perceived

quality score of 84,7. Absa life also performs well with scores of 82,9 and 85,0 on customer expectations and perceived quality respectively. FNB Life follows with 82,0 and 84,6 respectively, however it has the biggest gap between customer expectations and actual experience.

Perceived value

- Perceived value is a measure of the quality, relative to the price paid. The perception of value for money is a very strong predictor of future usage and company growth.
- Discovery Life (75,0), Liberty (76,8) and Momentum (75,1) remain below the industry par (79,9).
- Absa Life (86,6), FNB Life (84,8) and Old Mutual (81,7) take the lead on perceived value.
- Effort levels have a big impact on perceptions of value, with customers being at risk of moving their cover when it becomes too high (as a result of poor service and feedback) and benefits do not deliver what customers were led to believe.

Complaints incidence and resolution

- In terms of complaints incidence and handling, Absa Life has the lowest complaint incidence (6,2) which is well below the industry par (10,6) and it also has an exceptionally high complaint resolution rate (70,6).
- Liberty also performs well on this front, with a complaint incidence score of 9,2 and a solid complaint resolution rate of 63,2.
- Both Absa Life and Liberty show massive improvements in their complaint handling scores, which suggests that this has been a key focus in the businesses since the 2018 index.
- Discovery Life performs worst on this measure with a high complaint incidence rate of 10,8 and the lowest complaint resolution rate of 38,7 – both scores fall well short of the mark in terms of industry par, and both scores have shown significant decline when compared with 2018 scores.
- Discovery Life and Sanlam all show a big pickup in complaint incidence compared with their 2018 scores.

Customer loyalty

- Absa Life (75,6%), FNB Life (73%) and Old Mutual (70,3%) have the highest percentage of loyal customers, are above the industry par of 68% and have all shown an improvement in loyalty scores compared with 2018.
- All other brands are below par when it comes to customer loyalty.

Net promoter score

- Net promoter score measures the likelihood of a person recommending a brand.
- Absa Life with a net promoter score (NPS) at 54,2 and FNB Life at 52,2 both have NPS scores much higher than the industry (33,7).
- This is followed by Old Mutual at 40,8 and Metropolitan at 35,2.
- All other brands score lower than industry average, with Momentum (16,7) and Discovery Life (19,9) falling well below par. While Momentum has shown an improvement of 6-points compared with its 2018 score, Discovery has taken a big 10-point decline from its previous year's score of 29,4. Sanlam (29,9) also showed a decline in their score compared with 2018.

Treating customers fairly (TCF)

- The degree to which customers feel they are being treated fairly by their insurer is highest with Absa Life (86,5), FNB Life (85,6), Metropolitan (83,5), Old Mutual (83,3) and Sanlam (82,4) - all above industry par of 81,9.
- Discovery Life (75,9), Liberty (77,7) and Momentum (77,7) are on par with the rest of the industry.

The SA-csi for Life Insurance is the most comprehensive survey of customer satisfaction, and is a causal model that links customer expectations, perceived quality, and perceived value to customer satisfaction (the SA-csi score), which in turn is

linked to customer complaints (and recovery), and customer loyalty intentions. As a strategic tool for gauging the competitiveness of individual firms and predicting future profitability, an organisation's customer satisfaction performance, as measured by the SA-csi methodology, provides a predictive indication of how well the firm will perform in terms of future revenue and earnings growth. Supported by both the scientific and practitioner community, the SA-csi is the first independent, comprehensive national customer satisfaction index with international comparability in South Africa and has collected data from more than 400,000 consumers since its inception in 2012. The SA-csi forms part of a global network of research groups, quality associations and universities that have adopted the methodology of the American Customer Satisfaction Index (ACSI) via its Global CSISM programme.

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