

3 ways to avoid the race to the bottom in the insurance price war

By [Robin Wagner](#)

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Let's face it. For most consumers, insurance falls firmly under the list of grudge purchases - especially short-term insurance. It's often one of the first items that people let go when they're forced to cut their budgets. As a result, the South African insurance industry has become largely fixated on selling on price.



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Right now, most insurers are facing significant challenges around retention and churn. Cash-strapped consumers are actively looking for the lowest possible premiums for their insurance, and are switching for as little as a few rand per month. With the bottom falling out of the car market, [up to 20% of car insurance quotes are going to disappear](#). Insurers are scrambling to retain their clients, and take new ones away from their competitors. It's a dog-eat-dog world out there.

But here's the problem: when you sell on price, you lose on price. You're not making a client; you're renting a customer. By focusing on price, insurers are encouraging consumers to buy the minimum amount of insurance they need, instead of basing their decisions on what should be the real goal, which is protecting their valuable assets from loss.

There has to be a better way. It's time for the industry to look beyond simply offering an effective price, and find ways to offer greater value and differentiate their offerings.

1. Bundle more products together

[Industry research](#) across the world is unequivocal: the more products clients buy from their insurers, the more likely they are to stay loyal. Insurers selling two products together—like car and home contents insurance, for example—have long seen customer retention improve; when they turn that into three or four, retention rates increase exponentially.

People also buy [perceived value more than price](#). That value can come in the form of a cloud of services locked around the insurance ecosystem, which includes a range of non-insurance products, loyalty programmes and even rewards for certain behaviours. Net promoter scores (NPS) increase dramatically as the ecosystem of services and perceived value grows around the core offering.

2. Meet your customers where they are

Modern customers want to buy their insurance online. They want to be serviced digitally. That means insurers need to make their distribution more automated, more streamlined, more digital and as friction-right as possible. Industry surveys from the UK show that when onboarding is perceived to be difficult, NPS scores are affected and long-term loyalty is compromised.

A [study](#) on the impact of Covid-19 on consumer digital behaviour found that in a post-pandemic world, 24% of consumers will use digital channels more, and 26% will switch to brands that offer a better online experience. In other words, people don't just want to transact more easily, but they will make buying decisions based on that ease of experience.

CapGemini's 2020 [world insurance report](#) offers a sobering view on the future of insurance: right now, 36% of consumers are prepared to buy insurance from the so-called tech giants, like Apple, Amazon and Google. Why? Not because they know anything about insurance, or that they offer the lowest prices. It's because they offer smooth integration, and a frictionless onboarding and servicing environment.

3. The role of the broker is not lost

A look at the NPS scores of life insurance customers in selected countries shows a [digital-only servicing channel](#) yielded the lowest NPS scores. In-person, or by phone, ranked second lowest, with multi-channel distribution offering the highest NPS scores. The reason for this is that while people want the option of digital servicing and onboarding, the role of the adviser remains crucial in the modern insurance industry.

Fact is, some products are complex, and require a level of human interaction and consulting. If brokers can become more digital in their approach, they can ensure they remain relevant in a rapidly-shifting insurance landscape.

The call to action for South African insurers? Don't just think about sharpening your pricing knives: think about the broader value proposition, and how to meet your customer in the digital dimension, because that is where they want to interact with you. This transformation is not a nice to have – it's an absolute necessity.

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