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Cutting-edge consumer research points insurers towards sharper customer engagement

Insurers will explore new strategies and tools for providing policy information based on the findings of a ground-breaking study into how consumers buy insurance.

The research was a key recommendation of the Insurance Council of Australia's Effective Disclosure Taskforce, which noted a lack of evidence about how consumers made decisions on which policies to buy.

ICA CEO Rob Whelan said the research would enable insurers to better help customers find the most appropriate policies for their needs

"Insurers want to make the policy information they provide clear, simple and easy to navigate. The Product Disclosure Statement (PDS) is the key means of doing this. Unfortunately many customers find these legal documents too long and complex," Mr Whelan said.

"Presenting information that is more engaging, useful and relevant requires a better understanding of how customers use insurance documents and other information sources at the moment. That is what this research provides.

"Insurers can now use these findings to develop practical tools, introduce innovative technologies and design new strategies to improve how they engage with their customers.

"No single method works for everyone, and insurers may try various approaches with a range of products to engage different types of consumers."

The research, undertaken by The Lab and Nature, confirmed that most customers (about 80 per cent) don't read the legally mandated PDS before purchasing a policy.

Other key findings included:

- Consumers focused most on price when buying insurance, rather than policy detail
- Most consumers believed they had considered all of the details when buying insurance, even though most do not look into policy exclusions and limits
- Policy renewal letters were the most trusted and commonly used document for insurance customers
- While most consumers (88 per cent) were confident they understand the detail of their policy, actual understanding of policy exclusions and limits were poor
- Many consumers do not consider the specific risks they need to cover when purchasing insurance
- Policyholders who had previously made claims were typically better informed, and more likely to read the PDS.

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Mr Whelan said the findings suggested insurers should look beyond the PDS to ensure customers understood the details of the policies they were buying.

“The PDS will remain central to policy disclosure, but insurers are developing innovative methods to make them easier to search and digest,” he said.

“The importance of policy renewal letters to existing customers presents an opportunity to provide more focused information. Online quotes might be used to more effectively reach first-time purchasers.”

Mr Whelan said it was crucial that consumers understood the features of the policies they were buying, rather than simply focusing on price.

“Customers are exposed to dozens of brands offering multiple policies that differ on price and features. Finding the most appropriate one can sometimes be challenging,” he said.

“If a customer doesn’t understand a policy’s exclusions and limits or buys the wrong level of cover, they can end up financially devastated. For insurers, these situations create angry customers, bad publicity and costly disputes. It’s in everyone’s interest to avoid misunderstandings.”

The full report can be found [here](#).

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