



ReImagine
insurance



The Surge Toward a Behavioural Toolkit

How a behavioural framework can be
leveraged within the insurance industry

March, 2017 | Matthew Lawrence & Melaina Vinski, MSc, PhD



THE 62nd ANNUAL
CANADIAN
REINSURANCE
CONFERENCE

The State of Affairs: What are we seeing in the market?



Consumerism

Gaps in desired service and demand for services, education, & advice



Use of Technology and Data

Technology & big data providing new opportunities



Changing Distribution

Aging & shrinking broker/agent population



Health/Wealth Convergence

Integrating the client priorities across health & wealth



Drugs & Mental Health

Increasing RX and mental health Claims

Consumerism: Minding the gap



48%
Accessibility



45%
Products tailored to
customer needs

Building a brand-centric culture about brand
writing is a self-evident imperative, a like
nothing to your brand's great-grandfather
that in the middle of a crowded marketplace
about the omnipresent glare of social media
and the fast pace of technology, how to public
and yet, somehow, how to not become obsolete

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42%
Clearly articulated
policy language



pwc

Technology & Data: The new frontier

Digital Transformation

~70% Transforming Infrastructure

- Rising Expectations
- Increased Cross/Up Sell
- Better Insights
- Streamlined Processes
- Customer Acquisition

Source: Forrester

Robotics & RPA

Relative cost differential



Digital FTE



Offshore FTE



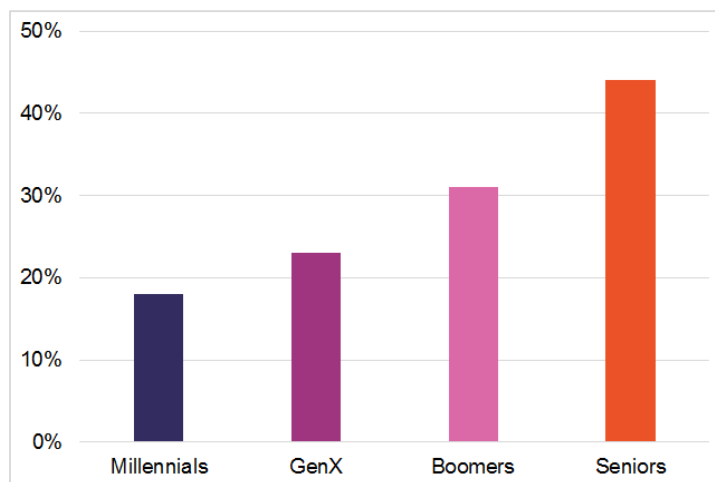
Top Canadian Risks

	2017	2015
1	Change management	Regulation
2	Technology	Cyber risk
3	Cyber risk	Interest rates
4	Competition	Macro-economy
5	Human talent	Change management

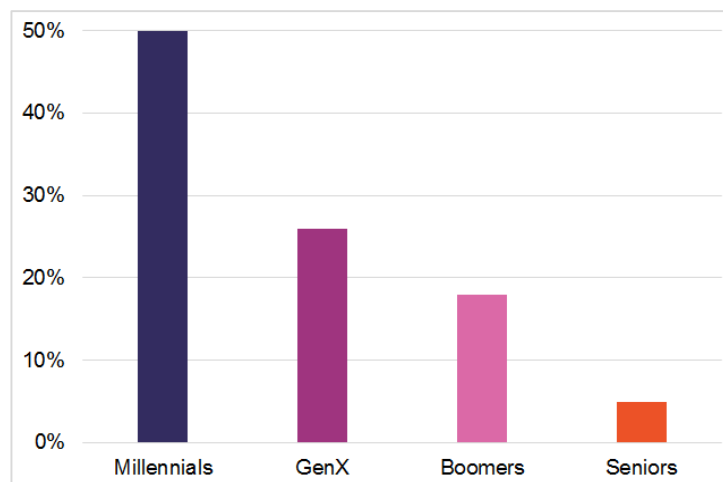


Changing Distribution: Toward an online experience

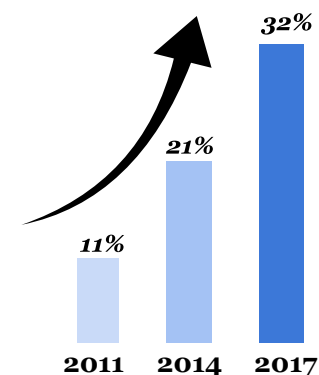
Individual life insurance ownership in the US



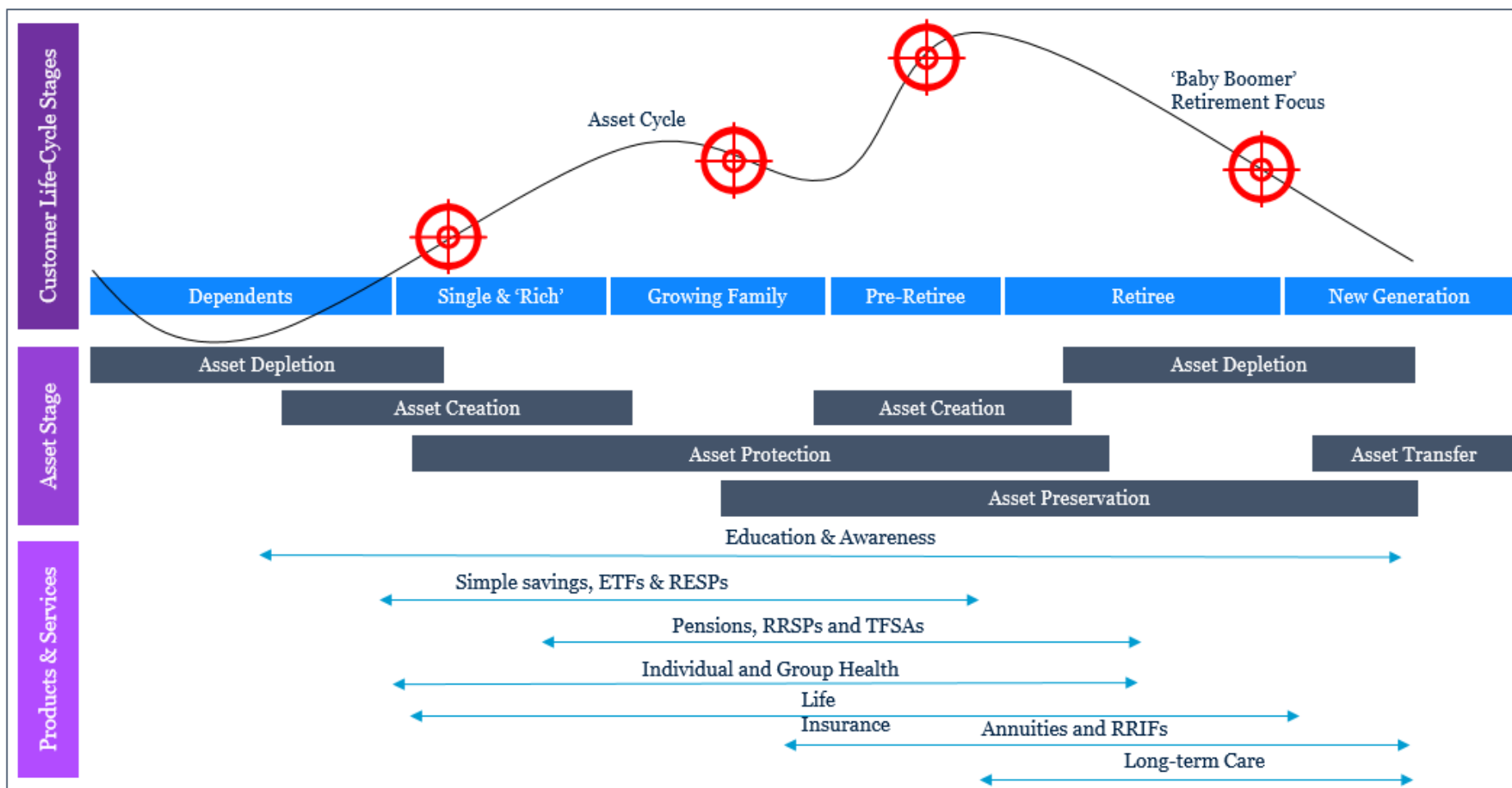
Never been approached by an agent



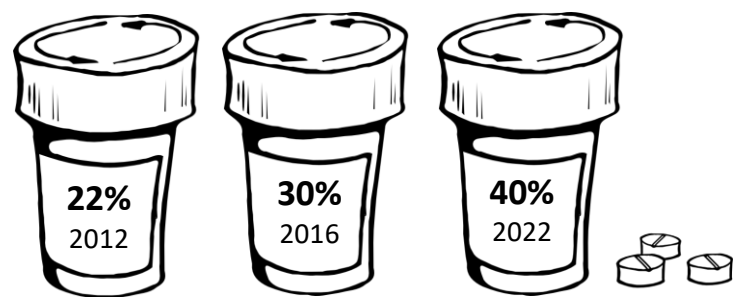
Purchased/Attempted to Purchase Online



Health & Wealth: A shift in our priorities



Health & Wealth: A shift in our priorities



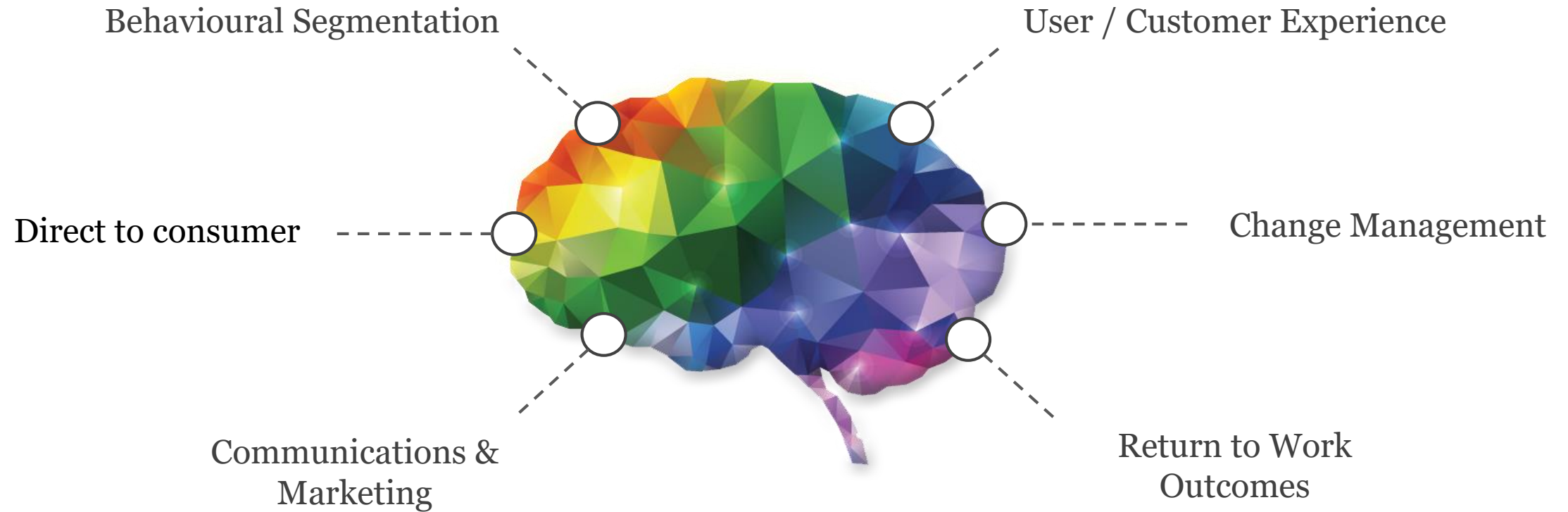
Specialty drugs are estimated to account for **40% of claims cost** by 2022, despite accounting for **2% of claims**



1/3 of short and long-term disability claims are related to mental health problems.

70% of disability costs in the workplace are attributed to mental illness

A new toolkit: Behavioural Economics

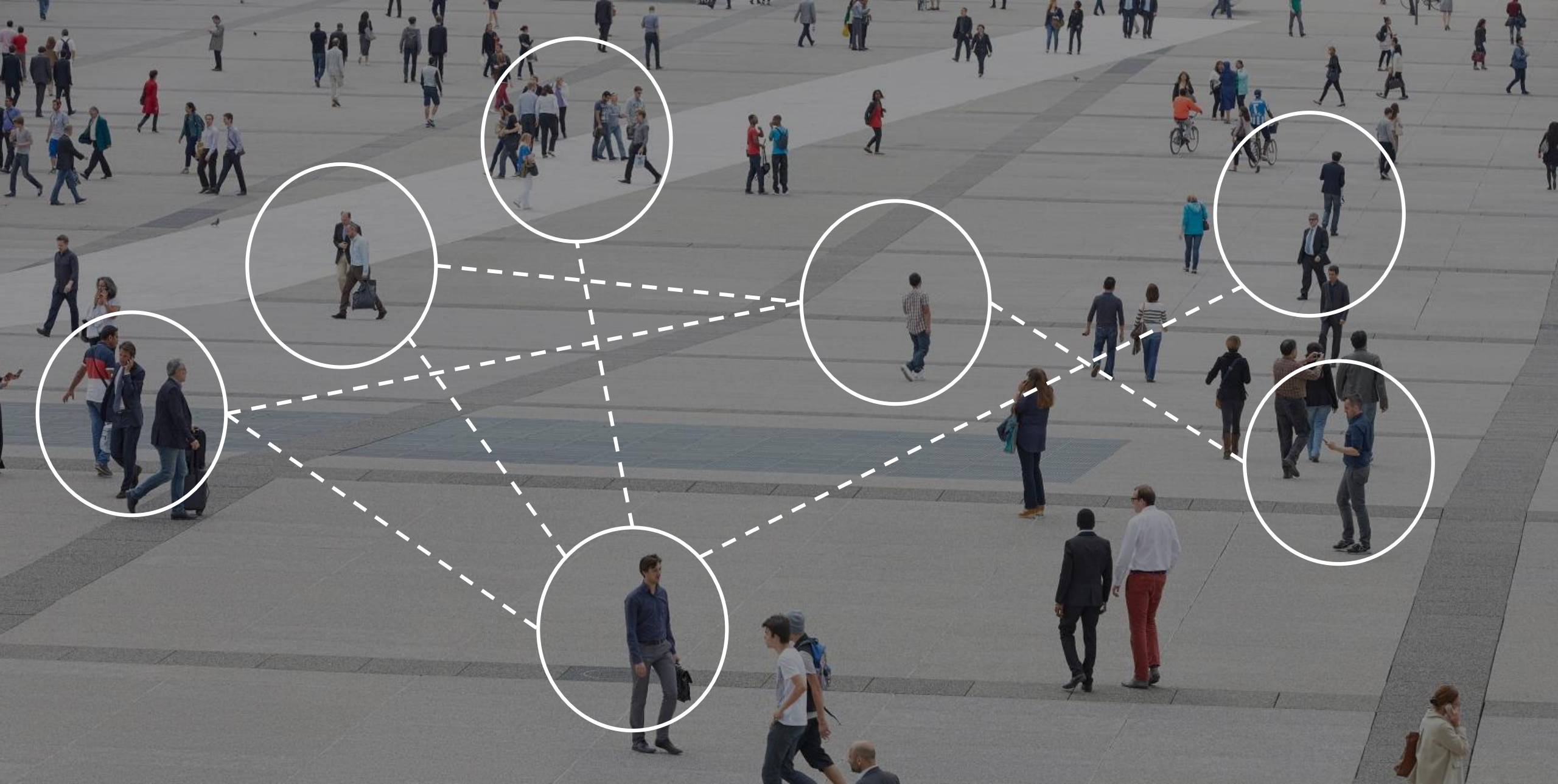


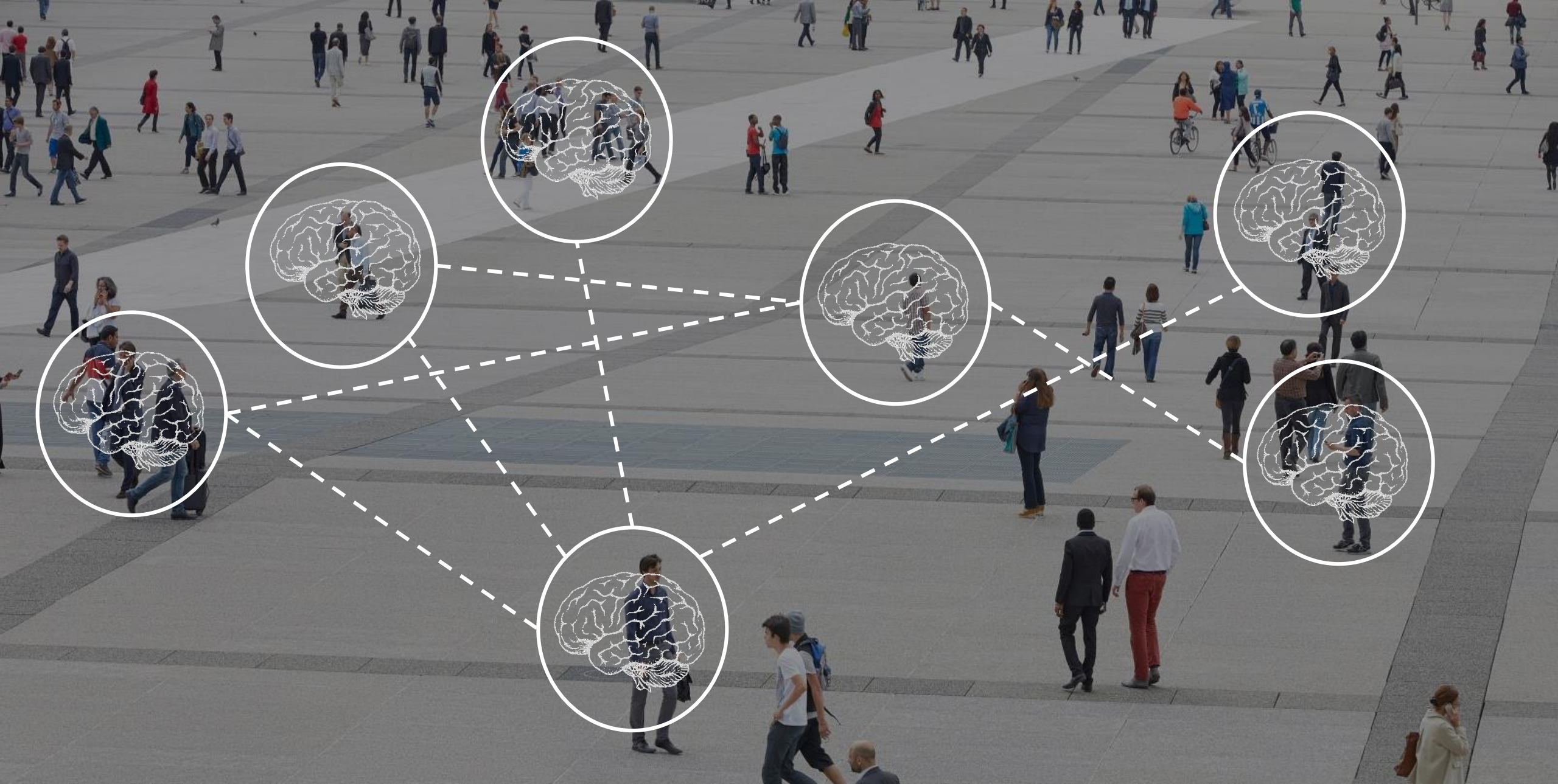


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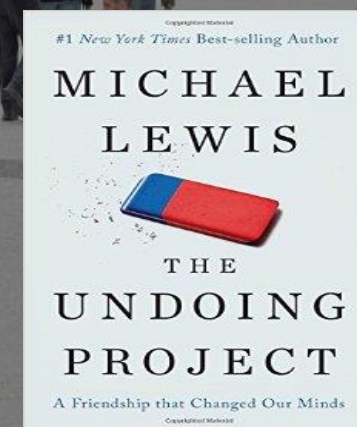
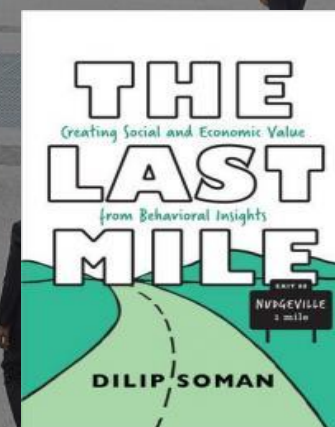
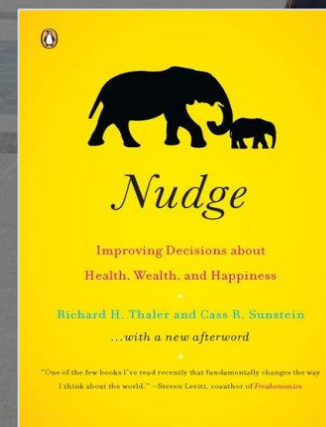
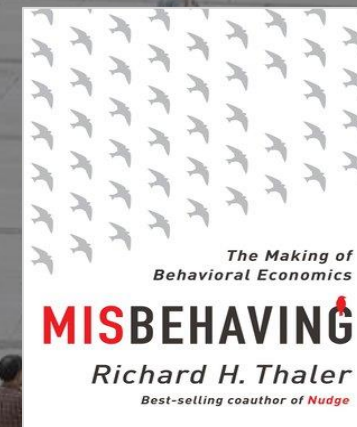
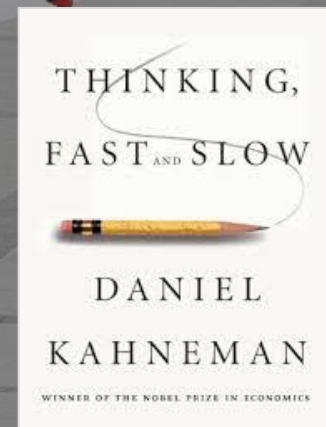
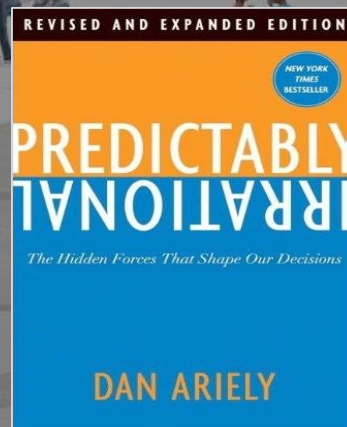
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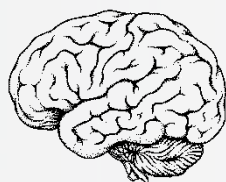
The Behavioural Economics Toolkit





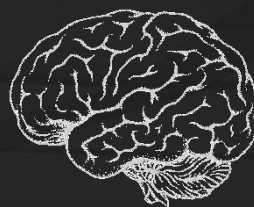
The Behavioural Economics Toolkit



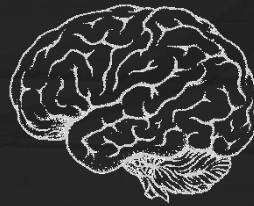


The Behavioural Economics Toolkit





It all starts with the brain.



It is the epicenter of what we value,
why we behave the way we do, and
how we make decisions.



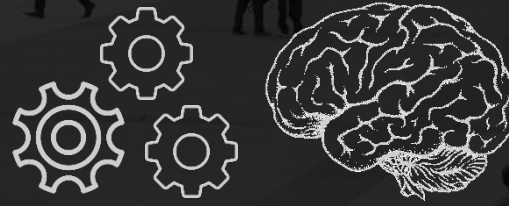
The human brain operates with a
very limited processing capacity



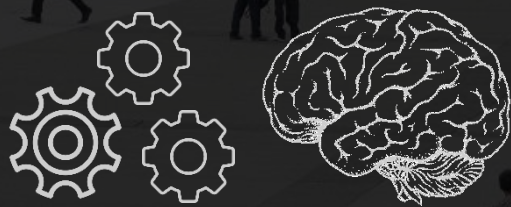




As a result, we rely on *mental shortcuts* to help us navigate everyday life



Applied Behavioural Economics is the application of how mental shortcuts lead to biased and predictable patterns in decision making, attribution of value, judgement, and behaviour.



Applied Behavioural Economics is the application of how mental shortcuts lead to biased and **predictable** patterns in decision making, attribution of value, judgement, and behaviour.

OVERLOAD



CONFIDENCE

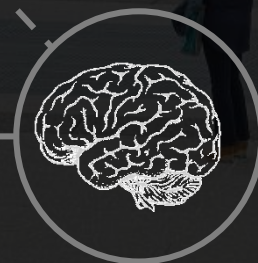


PRESENT BIAS

OVERLOAD



CONFIDENCE



PRESENT BIAS

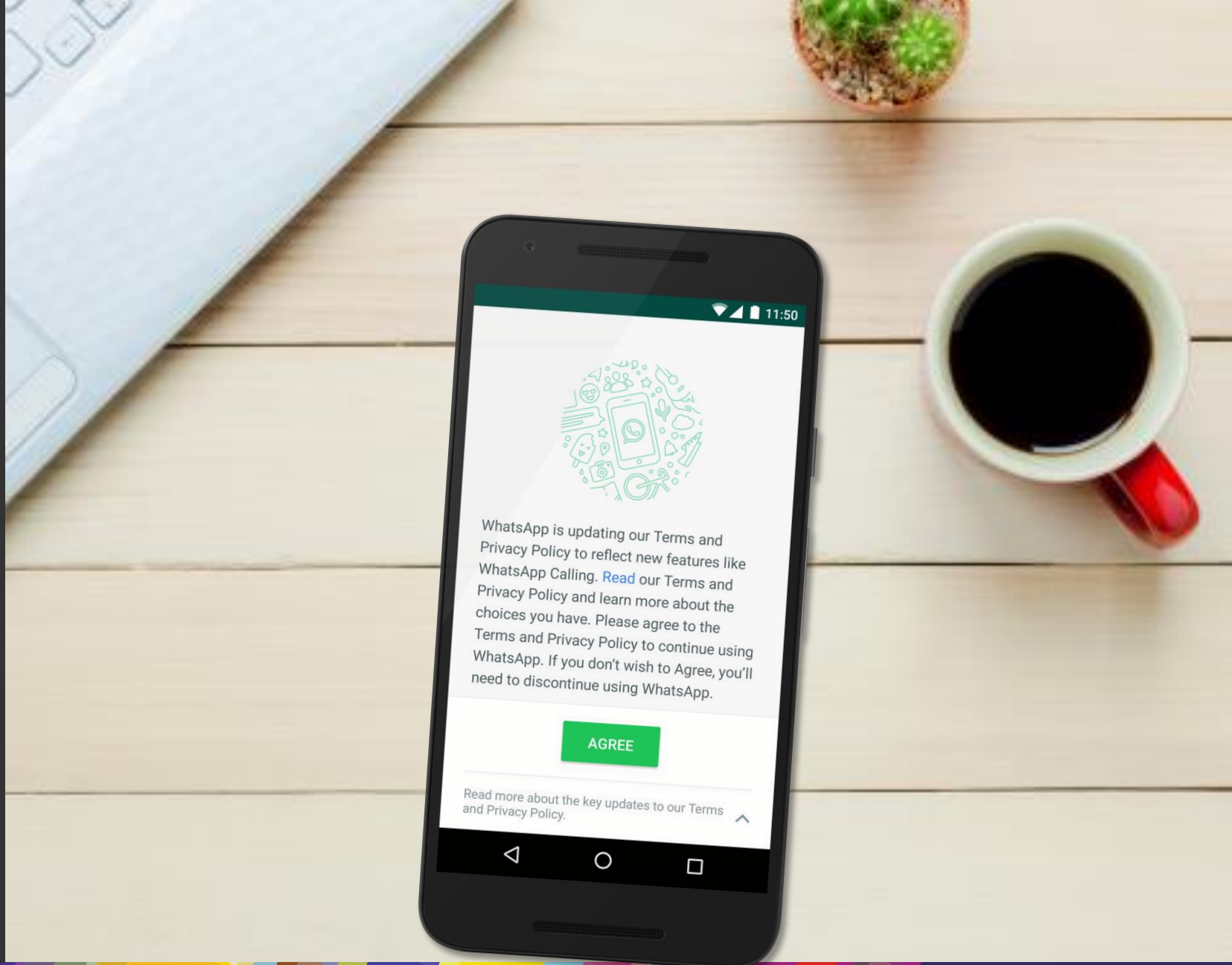


Overload Biases

Our tendency to be put off by a lot of information, whether it is complex or not.

Do you ever read
the terms and
conditions when you
download an app?

Overload Bias

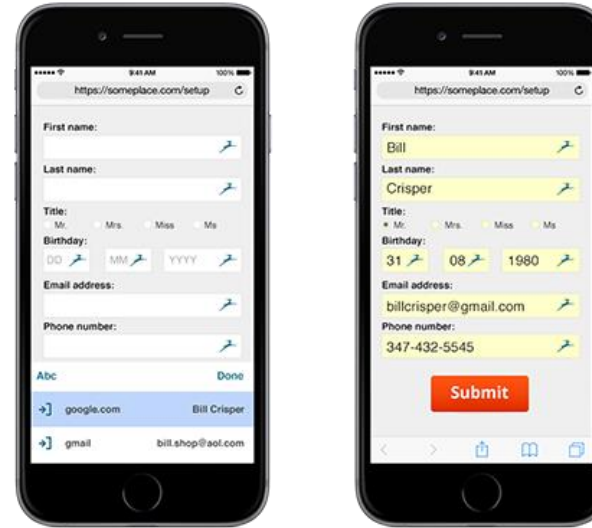


Simplicity | Friction | Defaults



Combating Overload Use Case

Friction



Providing families with auto-filled information from their tax return college enrollment increased by **8%**

Combating Overload Use Case

Friction

Overuse of technical language **reduces understanding** of the advice offered, and negatively affects clients' perceptions of the professional adviser's:

- Expertise
- Trustworthiness
- Intention to seek advice

ABC

Implementation Intentions





Implementation Intentions

“

Implementation intentions are if-then plans that spell out in advance how one wants to strive for a set goal – *if* I am unmotivated to go to my physio appointment, *then* I go and put on my running shoes.

– GOLLWITZER

Combating Overload Use Case

Implementation Intentions



More likely to eat
healthy



Less likely to miss a day
of taking their vitamins

Combating Overload Use Case

Implementation Intentions



People are more likely to save if they have a plan in place, with implementation intentions most effective in boosting long term saving behaviour.

Combating Overload Use Case

Implementation Intentions

SPEEDING TICKET

Name: _____

Date: _____ Time: _____

Level of Speediness:

☐ Pretty Fast ☐ Really Fast ☐ Too Fast!

Busted in:

☐ School Zone ☐ Playground ☐ Bus Area

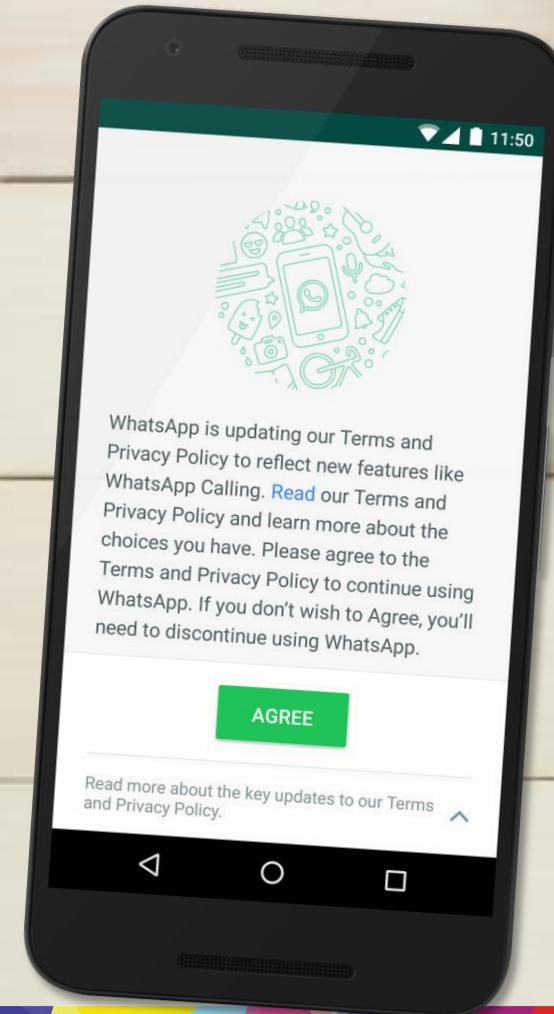
Other Violations Cited:

Citing Teacher: _____

Improved driving behaviour by 11%

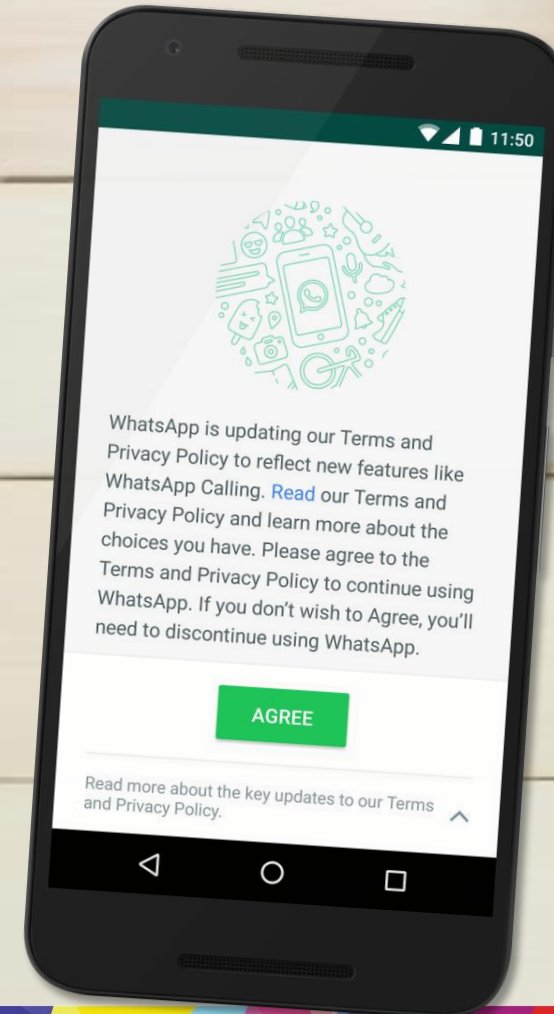
Overload Biases

Makes it difficult to perceive and understand the *value proposition* of the product or service.



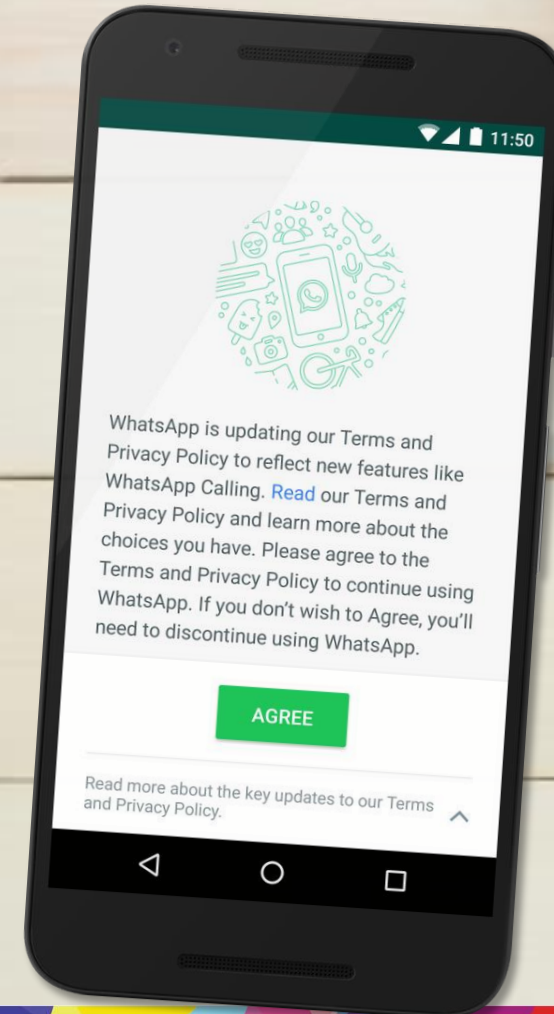
Overload Biases

Leads to analysis paralysis, drop-off, or a rush through a process.



Overload Biases

- ✓ Reduce the number of options
- ✓ Reduce the clutter
- ✓ Make a plan



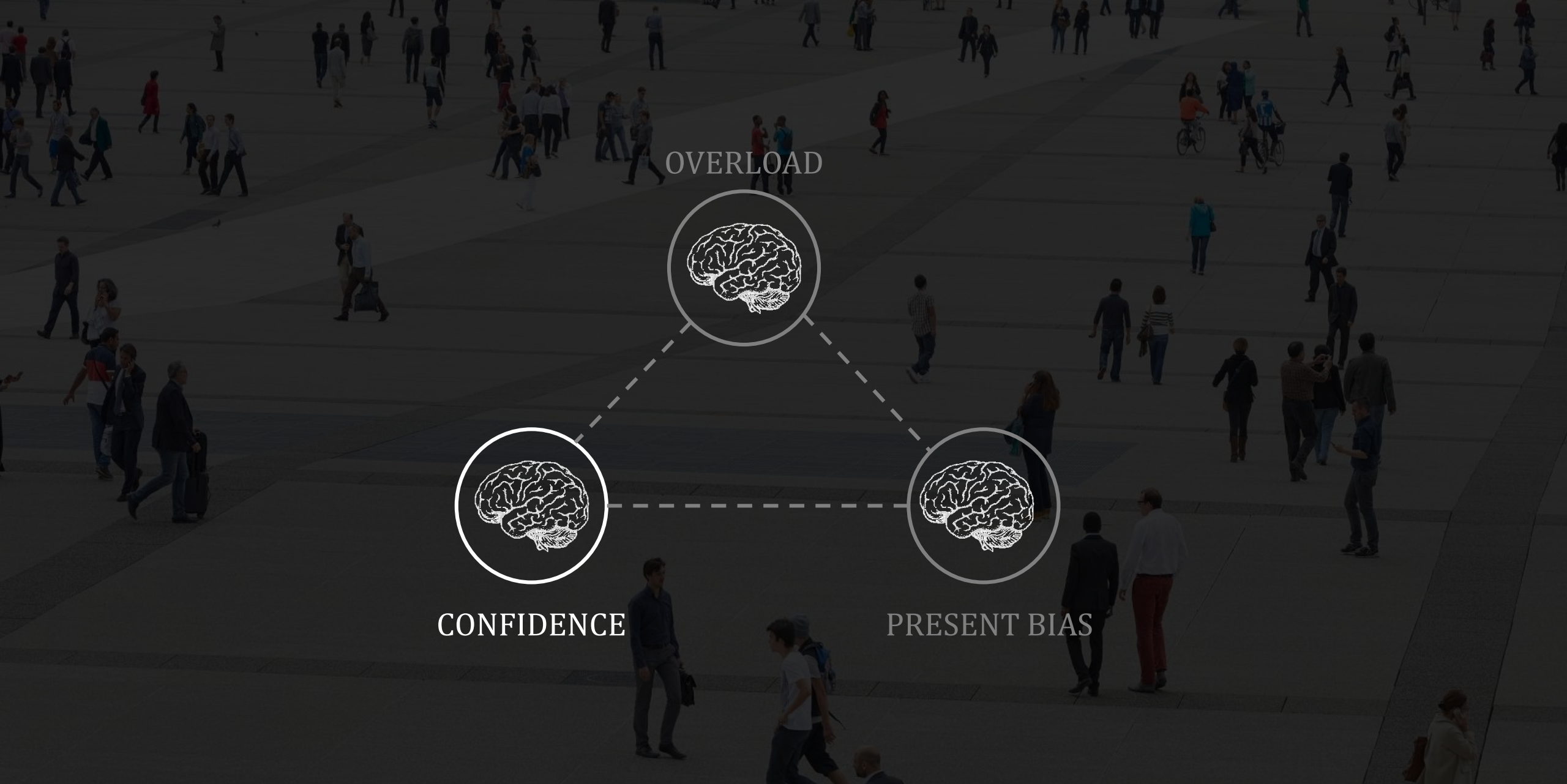
OVERLOAD



CONFIDENCE



PRESENT BIAS



OVERLOAD

CONFIDENCE

PRESENT BIAS



Confidence Biases

Our tendency to be overconfident and as a result, to be put off by things that we are not familiar with.

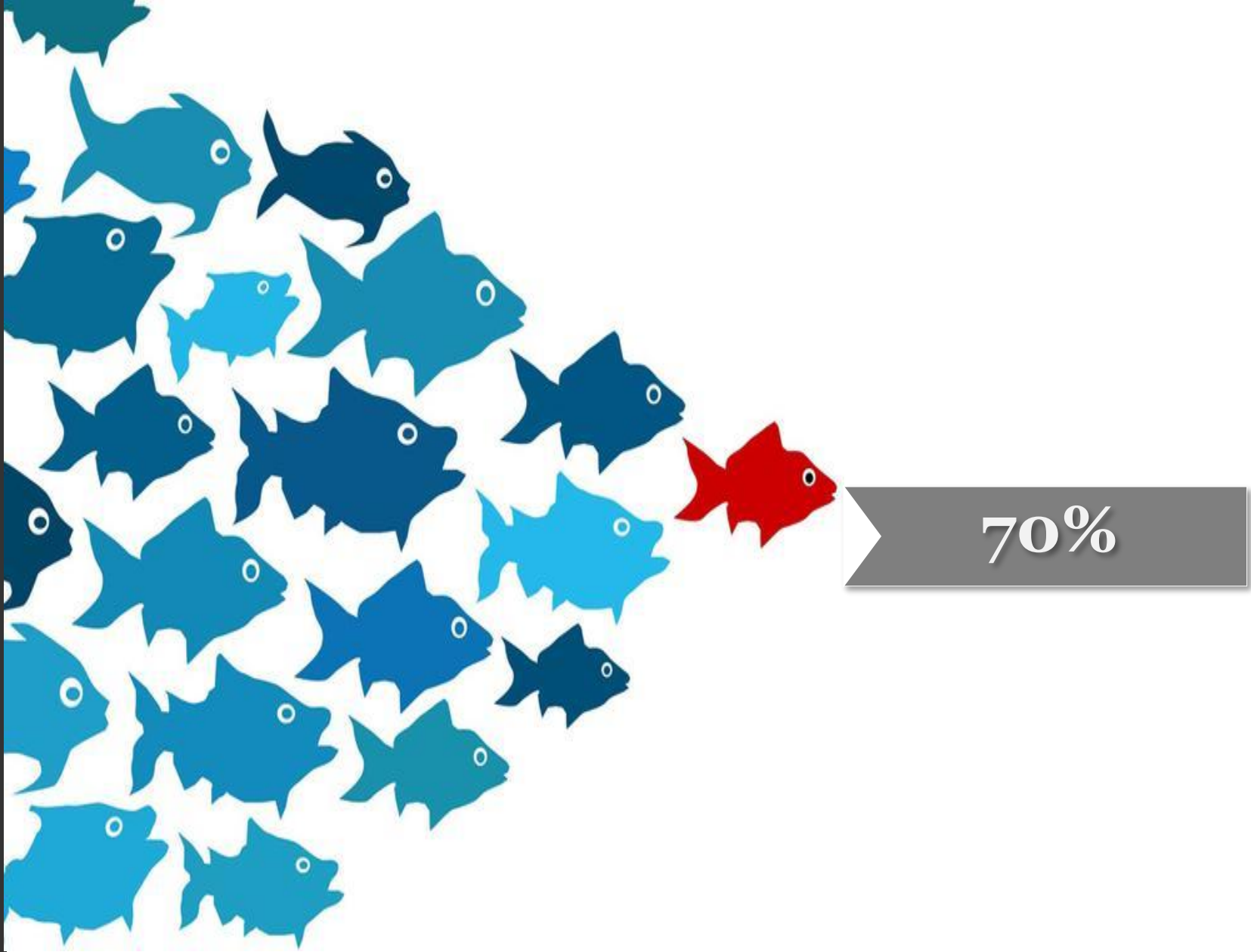
**Are you an above
average driver?**

Overconfidence



Are you an above
average leader?

Overconfidence



Overconfidence Use Case

Overconfidence

Doctors that express
complete certainty in a
diagnosis were wrong
40% of the time



Social Guidance



Combating Low Confidence

Use Case

Social Guidance

Customers who viewed this item also viewed these products



Dualit Food XL1500
Processor

\$560

 Add to cart



Kenwood kMix Manual
Espresso Machine



\$250

 Select options



Weber One Touch Gold
Premium Charcoal
Grill-57cm

\$225

 Add to cart



NoMU Salt Pepper and
Spice Grinders

\$3

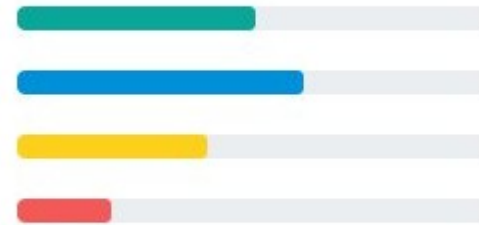
 View options

35% of Amazon's revenue comes from
the recommendation engine

Combating Low Confidence

Use Case

Goal Gradients



Providing a progress bar for customers increased application completion rates by **13%**

Combating Low Confidence

Use Case

Chunking

Mr Philip Suter

September 30, 2010

Your Policy number
Your Unit's PIN Number

Dear Mr Suter,

Annual Car Rental Insurance - Renewal Reminder

We note from our records that your Annual Europe Family and Partners 21 2010.

Letting your policy lapse could leave you exposed to costly insurance premiums whenever you rent a car. But if you renew your policy by October 26 2010, could save you thousands if a car you rent is damaged or stolen.

To Renew your Policy: Please go to www.insurance4carhire.com, your Policy Number and details will automatically appear and proceed.

Because you can buy your policy up to three months in advance, you can still planning to travel straight away.

Interested in a different Insurance4Carhire annual policy? No problem. If existing policy, you can choose a different one altogether.

We also have two policies covering the Excess for those aged between 75 & you, then you can choose one of these policies when you renew.

We also need to make you aware that AIG UK Limited changed its name to C 1 December 2009 as part of a worldwide move by AIG's general insurance change to its legal structure and so this change of name will have no impact on a claim.

We look forward to protecting you against the often hidden Excess charges year. As you may remember, our Policies give you peace of mind by fully and theft, as well as damage to windows, tyres, the undercarriage and the car.

If you would like to renew your Policy by telephone, call us on 0844 892 1 assist you.

Yours sincerely
Karen Smith

DENVER
THE MILE HIGH CITY

Skip the Trip! Fill out this reminder and post it on your fridge

To Do List:

- ☒ Read this card
- ☐ Insurance up to date
- ☐ Emissions up to date
- ☐ Go to bit.do/myDMV

I will renew online on day of the week

month day at time

For more information, please visit www.denvergov.org/dmv

Providing simple to-do's and showing progress toward the goal increased renewal rates by **8%**

Confidence Biases

Makes people feel uncomfortable or uneasy with their decision.



Confidence Biases

Leads to drop-off, or
dialing of the help center.



Confidence Biases

- ✓ Make it easy to understand
- ✓ Show the way
- ✓ Show the herd



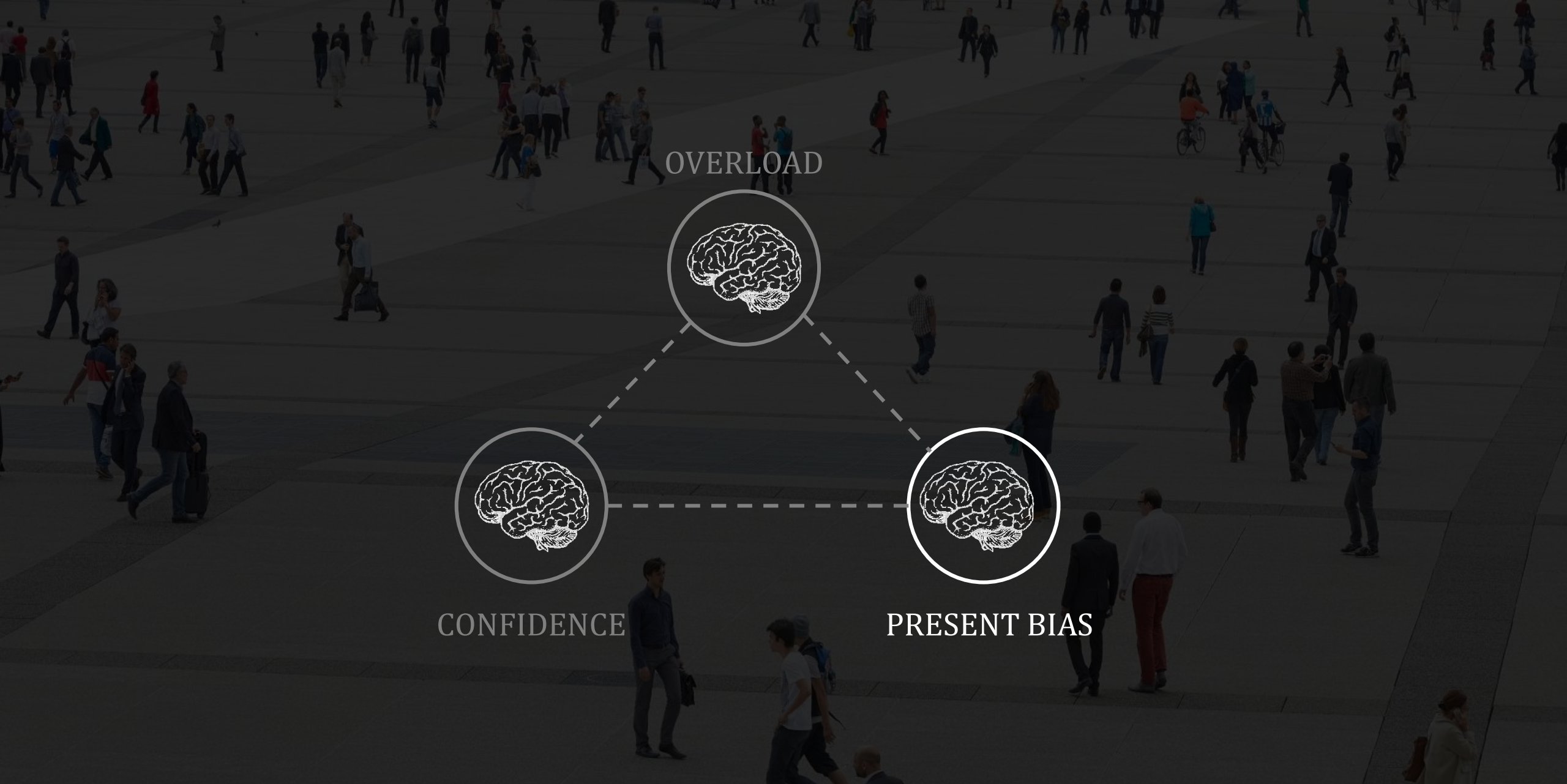
OVERLOAD



CONFIDENCE



PRESENT BIAS



OVERLOAD

CONFIDENCE

PRESENT BIAS



Present Bias

Our tendency to overweigh rewards now,
and *discount* the impact of our decisions on
our future self.

Do you go over your
monthly data
allowance?

Present Bias





Social Persuasion

Combating Present Bias

Use Case

Social Persuasion

HelloWallet®

Your Score



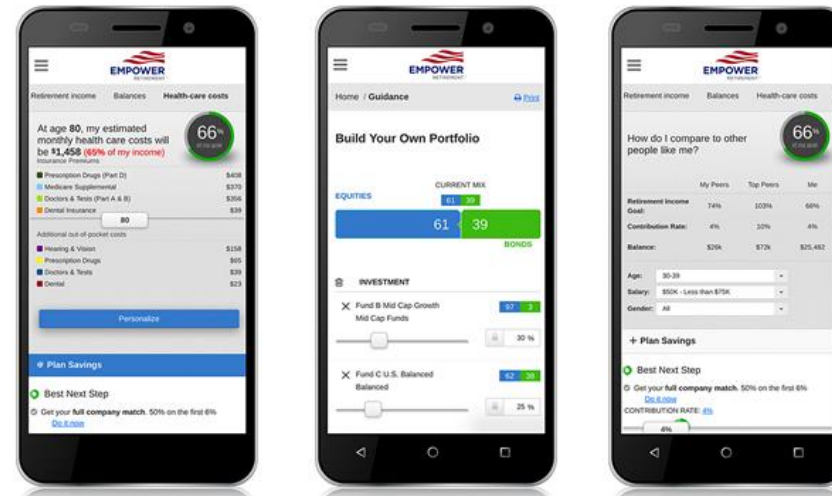
Your Peers



Users who saw their savings wellness scores were lower than their peers saved an average of **\$600 extra into their savings** account

Combating Present Bias Use Case

Social Persuasion



“How do I compare?” tool increased retirement contributions by **25%**

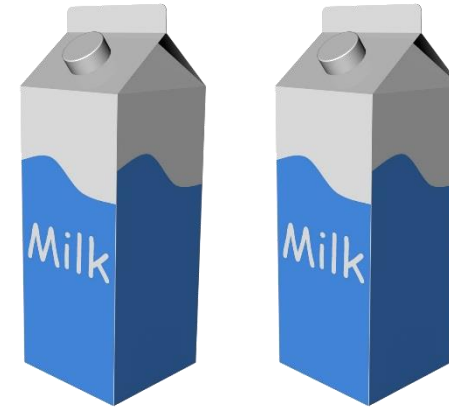


Saliency

Combating Present Bias

Use Case

Salience



Showing future prices of household staples like milk and utilities have prompted **60%** more people to investigate retirement options and contribute to retirement

Take care of yourself.

The smart and simple way to invest in Future You.

Watch "Ping Pong"



I want to invest \$25,000 x for 10+ years x

Get started

or see results

Priming

Combating Present Bias

Use Case

Priming



67%

Combating Present Bias

Use Case

Priming

Priming policy applicants with honesty
increased their stated km on their auto
insurance application forms by

3,862



Combating Present Bias

Use Case

Priming

Priming policy applicants with honesty
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3,862

ACORD CERTIFICATE OF LIABILITY INSURANCE (REV. 10-2005)

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE, CONDITIONS, EXCLUSIONS AND LIMITS OF THE POLICY DESCRIBED HEREIN.

PRODUCER
McGraw Hill
(248) 549-3519

INSURED
Sample Film Producer
1111 Thomas Ave
Berkeley, CA 94709

INSURER AFFORDING COVERAGE
INSURER A: Sample Insurance Company
INSURER B: Sample Insurance Company
INSURER C:
INSURER D:
INSURER E:

COVERAGES

COVERAGE	COVERAGE NUMBER	POLICY NUMBER	POLICY EFFECTIVE DATE	POLICY EXPIRATION DATE	LIMITS
GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAMS WAIVER <input type="checkbox"/> A - AGGREGATE LIMIT APPLICABLE PER POLICY <input type="checkbox"/> POLICY <input type="checkbox"/> LOC	121456789	1/01/2001	1/01/2010	EXCESS COVERAGE \$ 1,000,000 GENERAL LIABILITY \$ 50,000 PERSONAL & AUTO LIABILITY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCER'S COVERAGE \$ 1,000,000	
AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS <input checked="" type="checkbox"/> HIRE AUTOS <input type="checkbox"/> NON-OWNED AUTO	23456789	1/01/2001	1/01/2010	COMBINED SINGLE LIMIT (Per Auto) \$ 1,000,000 BODILY INJURY (Per Auto) \$ BODILY INJURY (Per Person) \$ PROPERTY DAMAGE \$ AUTO ONLY - NO ACCIDENT \$ OTHER THAN AUTO \$ ADDITIONAL \$ EXCESS COVERAGE \$ AGGREGATE \$ DEDUCTIBLE \$ RETENTION \$	
EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> CLAMS WAIVER <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION	3456789	1/01/2001	1/01/2010	EXCESS COVERAGE \$ 1,000,000 EXCESS COVERAGE \$ 500,000 EXCESS COVERAGE \$ 500,000 EXCESS COVERAGE \$ 500,000 (see description of coverage apply to this certificate.)	
OTHER PROVISIONS	456789123	1/01/2001	1/01/2010		

DESCRIPTION OF OPERATING LOCATION(S) WHERE COVERAGE IS PROVIDED BY PRODUCER / SPECIAL PROVISIONS:
Sample Certificate Holder is named as additional insured and loss payee as their interests may require.

CERTIFICATE HOLDER
Sample Certificate Holder

CANCELLATION
I, SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL endeavor to MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL NOT AFFECT THE COVERAGE.

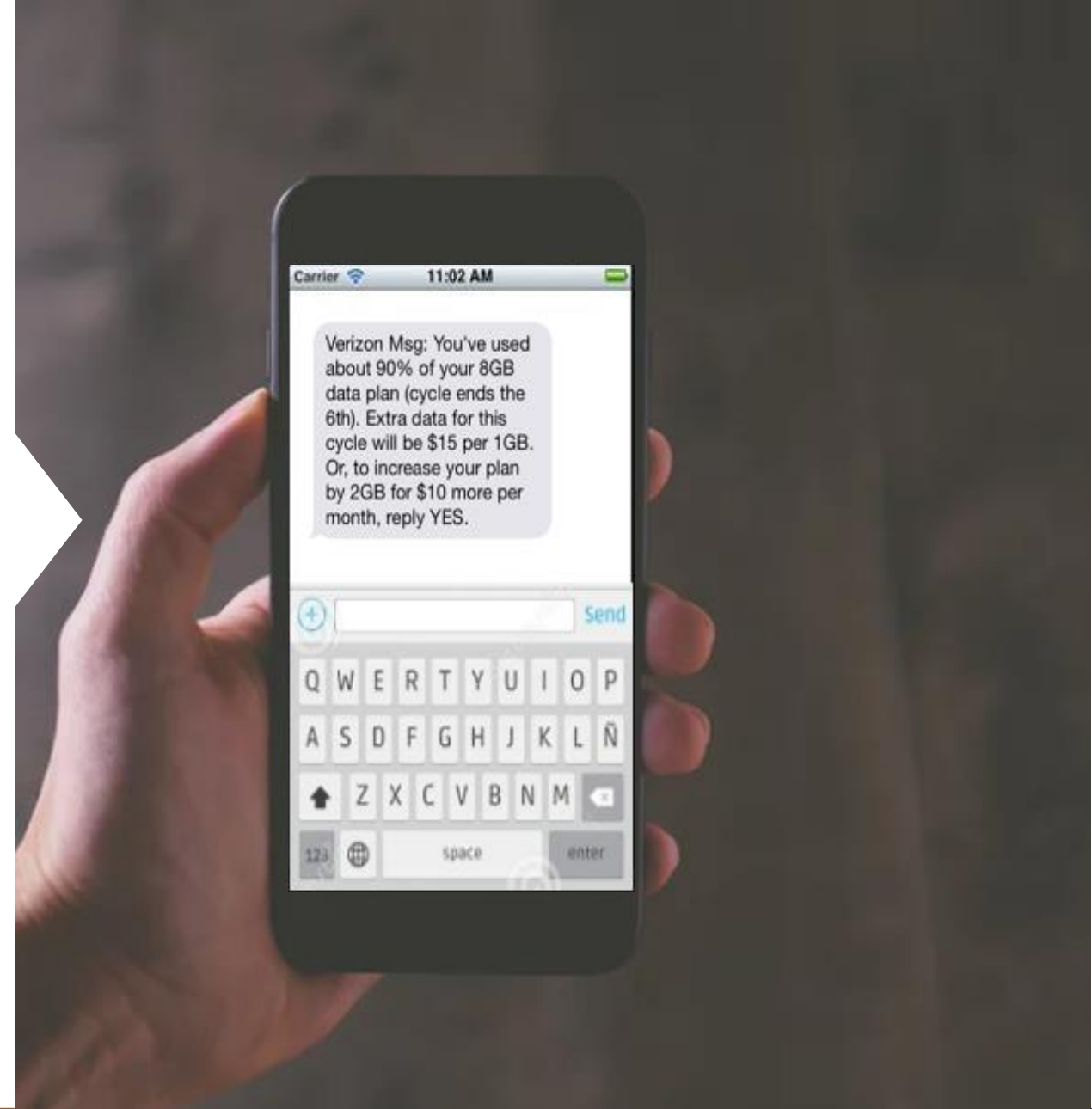
REPRESENTATIVE
AUTHORIZED REPRESENTATIVE

McGraw Hill #123456789

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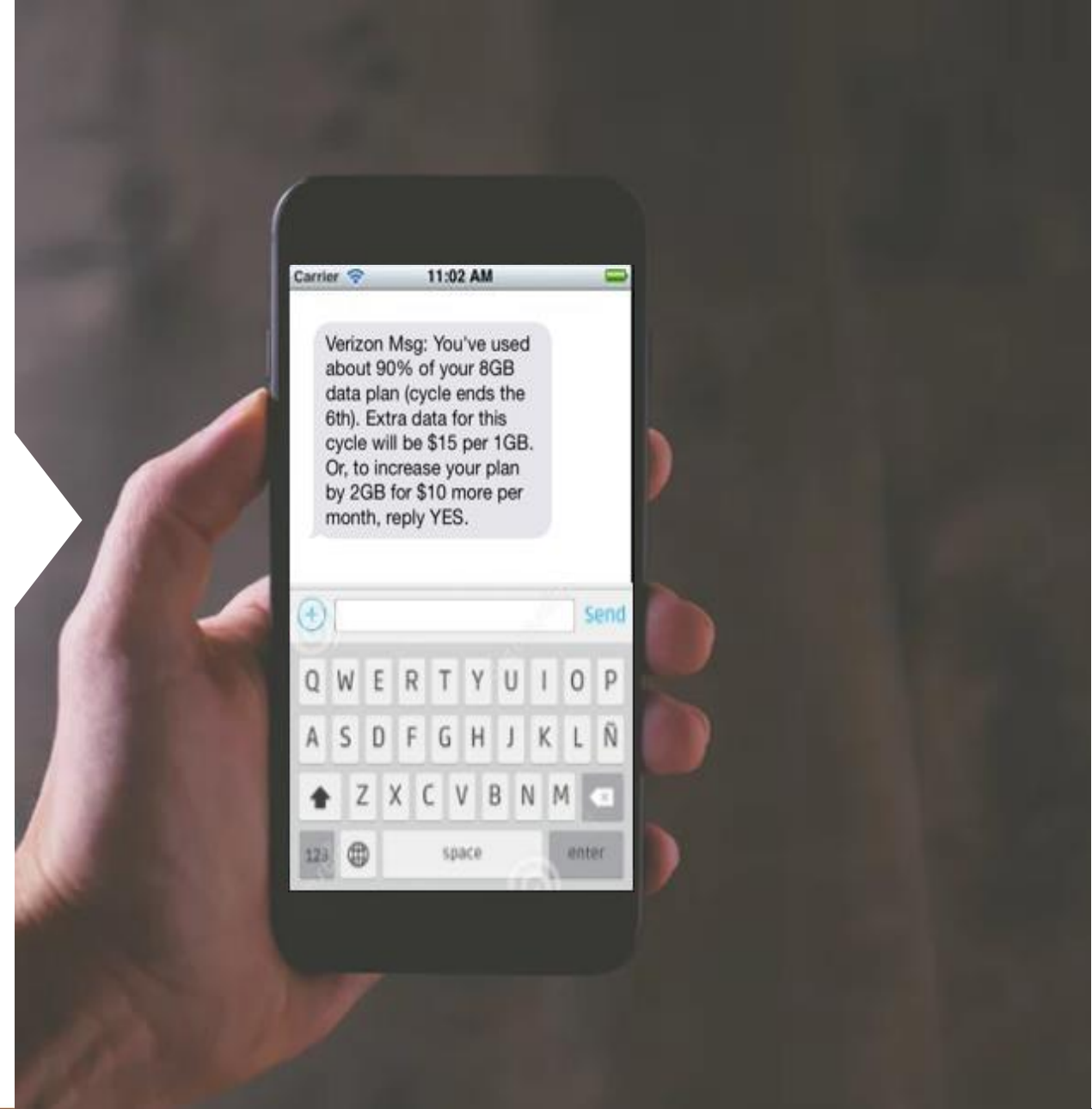
Present Bias

Makes people put things off or procrastinate.



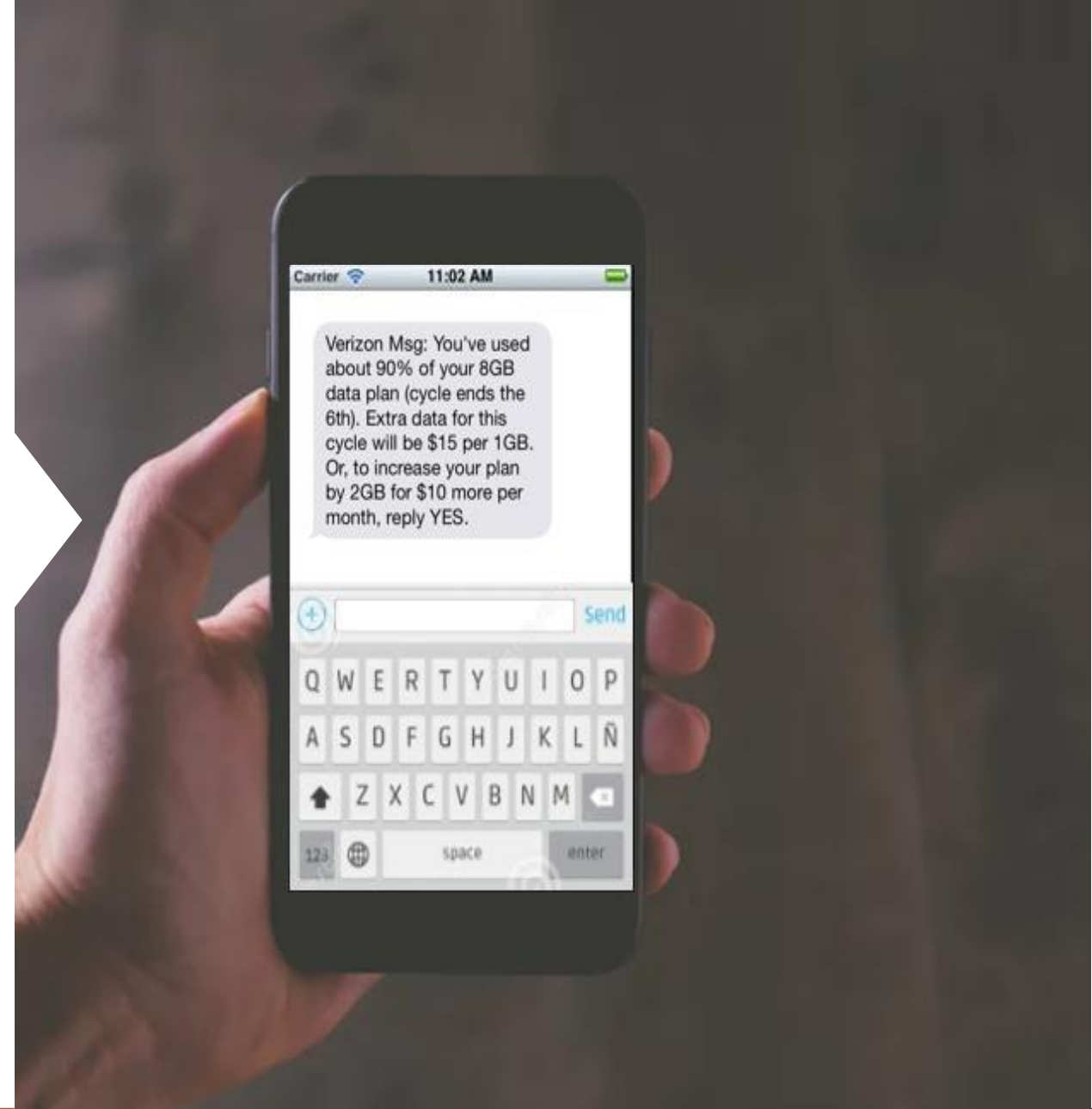
Present Bias

Leads to drop-off and a failure to complete the process.



Present Bias

- ✓ Make it easy to complete
- ✓ Benchmark relative to others
- ✓ Make the future salient
- ✓ Prime their morals





Applied Behavioural Economics is the application of how mental shortcuts lead to biased and **predictable** patterns in decision making, attribution of value, judgement, and behaviour.



Companies that apply the principles of
behavioural economics outperform their peers by
85% in sales growth and 25% in gross margin

GALLOP

98%

Reduction in
inquiry calls

by using anchoring and
aversion tactics to modify
both adjuster and customer
behaviour



62%
Increase in
service levels

by using anchoring and
aversion tactics to modify
both adjuster and customer
behaviour



36%

Decrease in
call abandonment

by using anchoring and
aversion tactics to modify
both adjuster and customer
behaviour



43%
Decrease in
call duration

by using anchoring and
aversion tactics to modify
both adjuster and customer
behaviour



7%

Increase in
preferred body shops

by using anchoring and
aversion tactics to modify
both adjuster and customer
behaviour



\$100 million
in retained
revenue

by building barriers to exit
and boosting proactive
engagement



380% increase in payment rates on delinquent debt

by using framing and social
persuasion tactics to boost
likelihood of payment
among utilities customers



233%
increase in
completed online
applications

by removing friction and
using herding tactics to
guide decision making



27%
faster return to
work for injured
workers

by using positive frames,
loss aversion, and
instituting action trigger
tactics in key
communications



100,000
conversions to
online billing in
one month

by using social norm,
friction, and goal gradient
tactics



26%
increase in
campaign
engagement

by using social norm,
visual, and action trigger
tactics



Up to 148% increase in platform adoption

by using social norm and
goal gradient tactics, and
reducing friction



18%
increase in new
savings product
engagement

by using visual salience and
reducing friction



...we seem to be
doing very well for
acquiring consent
and people feel
positive about the
results

by using visual cues,
framing, and social
guidance tactics



In the redesign of underwriting questions

by using ordering effects,
honesty primes, and
reducing overload



In the redesign customer onboarding programs

by using social guidance
tactics, reducing frictions,
and making things easy



In the redesign of call scripts for policy renewal

by using social norms,
priming, choice
architecture, and loss
aversion





Any Questions?

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matthew.h.Lawrence@pwc.com



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