



The future of home and motor insurance
What do Irish customers want?

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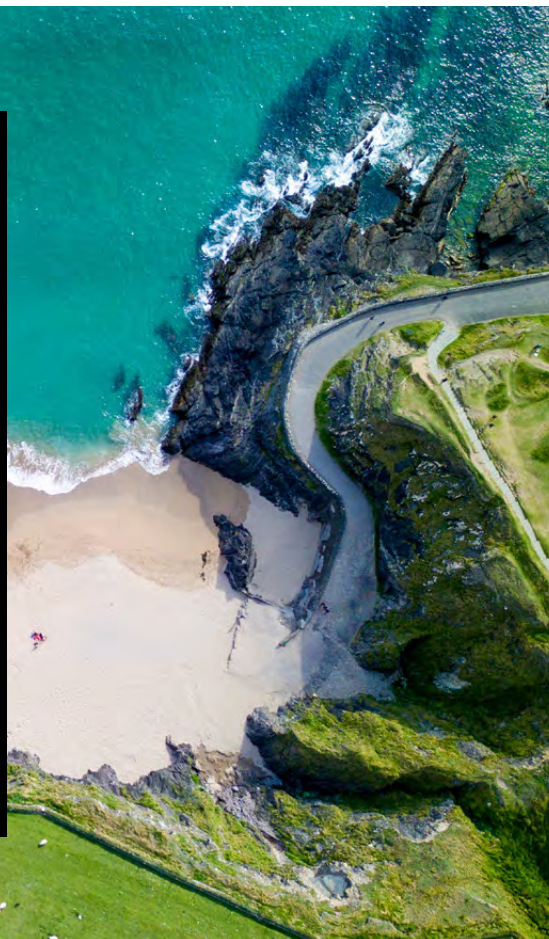




Executive Summary

How we carried out the survey

This survey sought the opinions of over 500 Irish customers to investigate which features of home and motor insurance are most attractive. Deloitte engaged with participants across the Irish population who owned or rented a home and owned or rented a car. Both male and female participants were used for this survey, across the ages from 18-55+. The results give a clear indication of preferences, with four main themes identified. Insurers can help use these findings to help guide the launch of new products, services and partnerships.



The insurance industry is operating within a dynamic environment with global challenges such as the Ukrainian crisis, the COVID-19 and climate change, to mention a few, creating a backdrop of uncertainty. In an Irish context, fears around inflation are being realised, with consumer attitudes towards the rising cost of living at odds with the pent up demand for spending seen in the weeks and months following the country's emergence from lockdown.

According to Deloitte's latest Consumer Tracker (May 2022), there is, however, cause for cautious optimism as results demonstrate a sense that the Irish public feel they need and have earned a break away to switch off and enjoy themselves, with 71% of those surveyed planning to spend on leisure travel in the next four weeks alone.



As economic activity accelerates, so too does customer spending. This will positively feed through to insurer business lines.

From working across the insurance industry locally, we believe the sector in Ireland has real post-pandemic growth opportunities to focus on. This coupled with regulatory policy, oversight, and expectations (CBI and European) continue to be imperatives for change in the industry. Insurers are at a pivotal point of action, with many shaping their future business plans to ensure that they are prioritising, organising and investing in the necessary capabilities to respond. While macro themes such as the regulatory environment, economy dynamics and inflation, are undoubtedly top of mind for insurers, equal weighting must

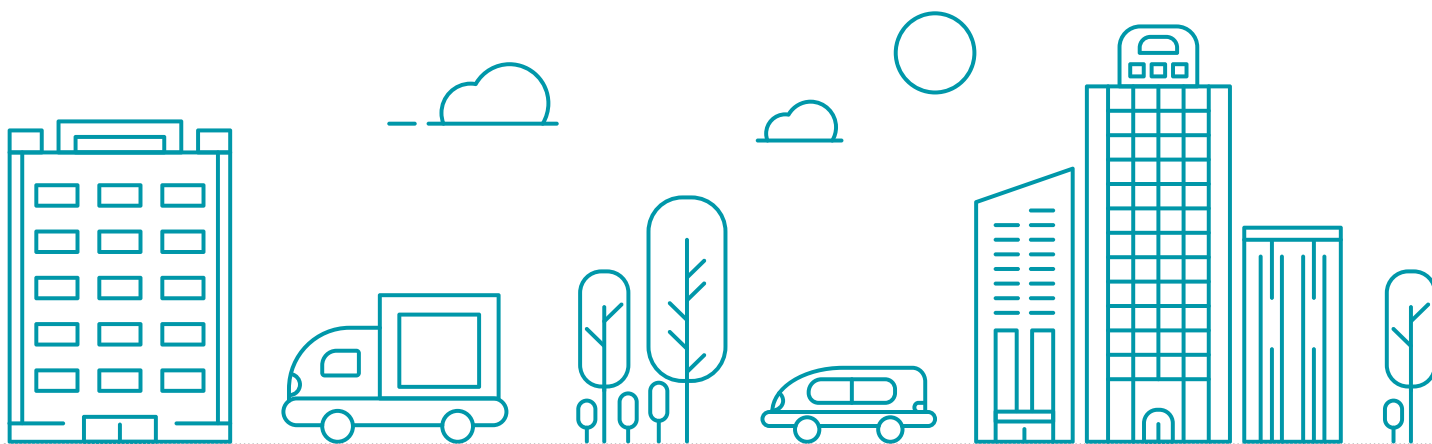
be given to customer behaviours and how their needs and preferences are being understood, prioritised and addressed. The level to which insurers are willing to truly take ownership of the relationship with their customers is and will remain the key determining factor for how individual insurers will perform in the long run. At the core of this is truly understanding what their customers want and how customer expectations are evolving as the wider market shifts. Following the 2020 Deloitte Global Personal Lines Survey, Deloitte Ireland commissioned a study to understand the attitudes and behaviours of local consumers towards insurance including their views on Home and Motor product preferences, channel behaviours as well as their attitude towards new and emerging proposition features.



Key finding 1 - Customers want simplicity, flexibility, and transparency

Customers are operating against a backdrop of uncertainty, the ongoing social and economic consequences of COVID-19 and other global crises leading many customers to consider the value of insurance products and their flexibility as their own needs and personal circumstances change. Insurers require the right level of insight into what customers want to help them reimagine

their current offerings and better navigate the launch of new products and services that are attractive to their customers' ever-evolving demands. As part of our research, we tested a number of different product offerings with respondents in order to determine which product features and characteristics were most attractive to them.

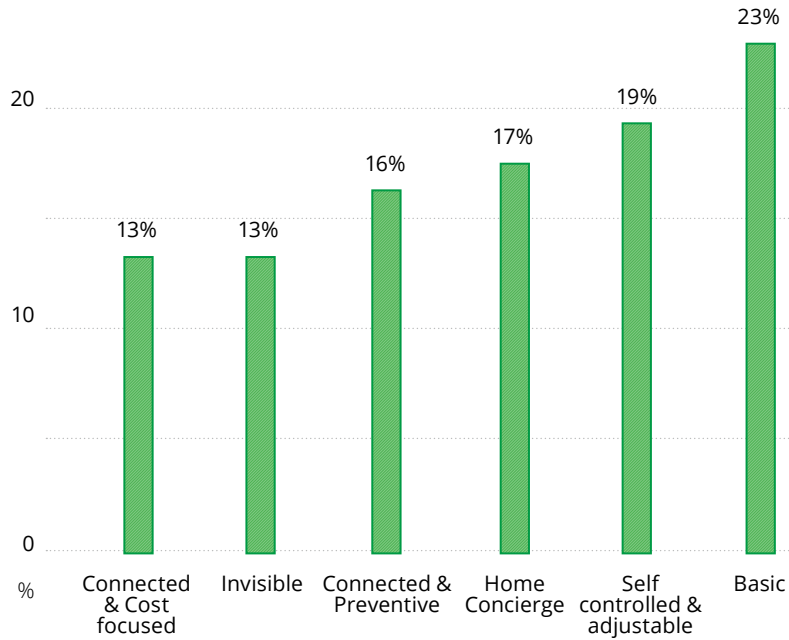




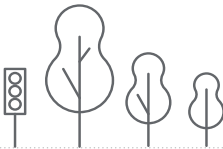
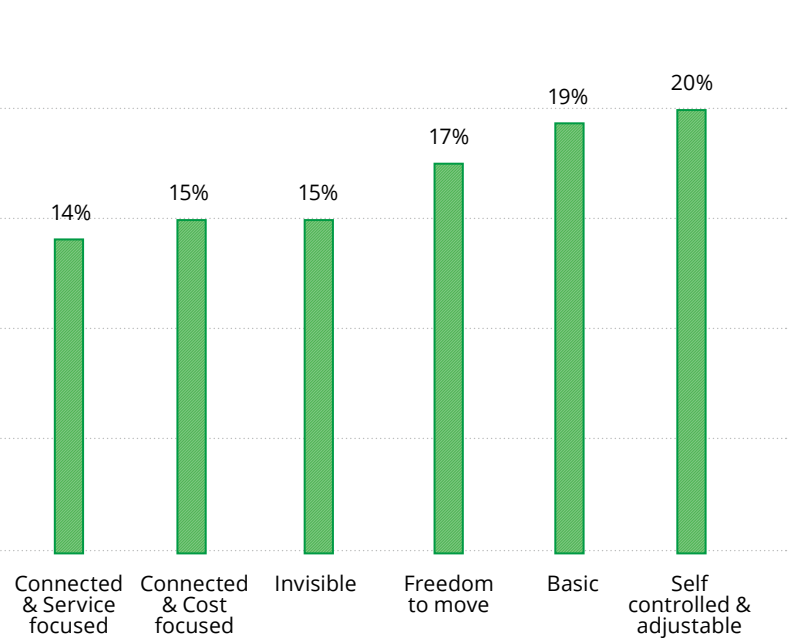
Most Preferred Products

From our findings, we can see a clear preference towards simplicity and flexibility, with survey respondents favouring “Basic” and “Self Controlled & Adjustable” product types over all others for both home and motor.

Home – Percentage Produce was #1 Choice



Motor – Percentage Produce was #1 Choice





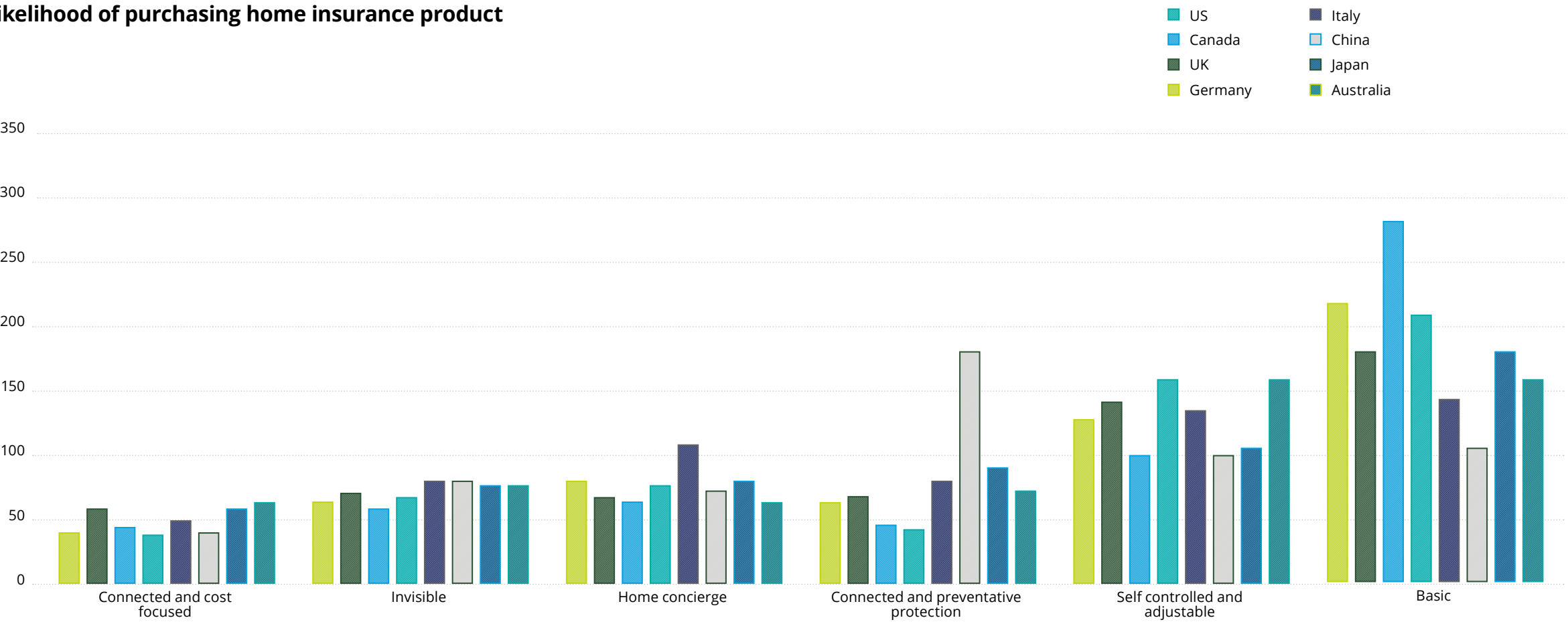
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Customers want products that are simple, easy to purchase and use, respondents favouring the “Basic” product as it is “convenient, cost effective and easy to engage with”. Customers also demonstrated a preference towards having the ability to adjust their insurance as their financial and life circumstances change, respondents stating that “paying according to your needs and affordability”, is a key driver in their preference towards the “Self-Controlled & Adjustable” product. This is unsurprising, given that 50% of respondents stated they have been working from home since the outbreak of the COVID-19 pandemic as well as 60% of respondents stating that they have driven their vehicle less in the last 2 years. These results are also consistent with the findings of the 2020 Deloitte Global Personal Lines Survey which found customers to overwhelmingly favour simplicity as well as showing an increasing demand for adjustable cover.

| Product | Product Line | Key Features |
|---------------------------------------|--------------|---|
| Basic | Home & Motor | Full protection Standard rating factors based on value, insurance history Purchased via traditional channels (direct/ broker) |
| Self Controlled and Adjustable | Home & Motor | Adjust your insurance based on your usage Chose level of cover for specific items |
| Invisible | Home & Motor | Full protection Standard rating factors based on value, insurance history Embedded in mortgage contact or car lease agreement |
| Connected and Cost Focused | Home & Motor | Tied to home/ vehicle usage Insights to reduce insurance & running costs |
| Home Concierge | Home | Service package 24/7 home support |
| Connected & Preventative | Home | Tied to utility consumption Proactive alerts to detect damage Insights to reduce insurance & home running costs |
| Connected and Service Offering | Motor | Tied to driving habits Enhanced car servicing, remote diagnostics etc. |
| Freedom to Move | Motor | Covered for whatever mode of transport you choose Includes ride sharing |



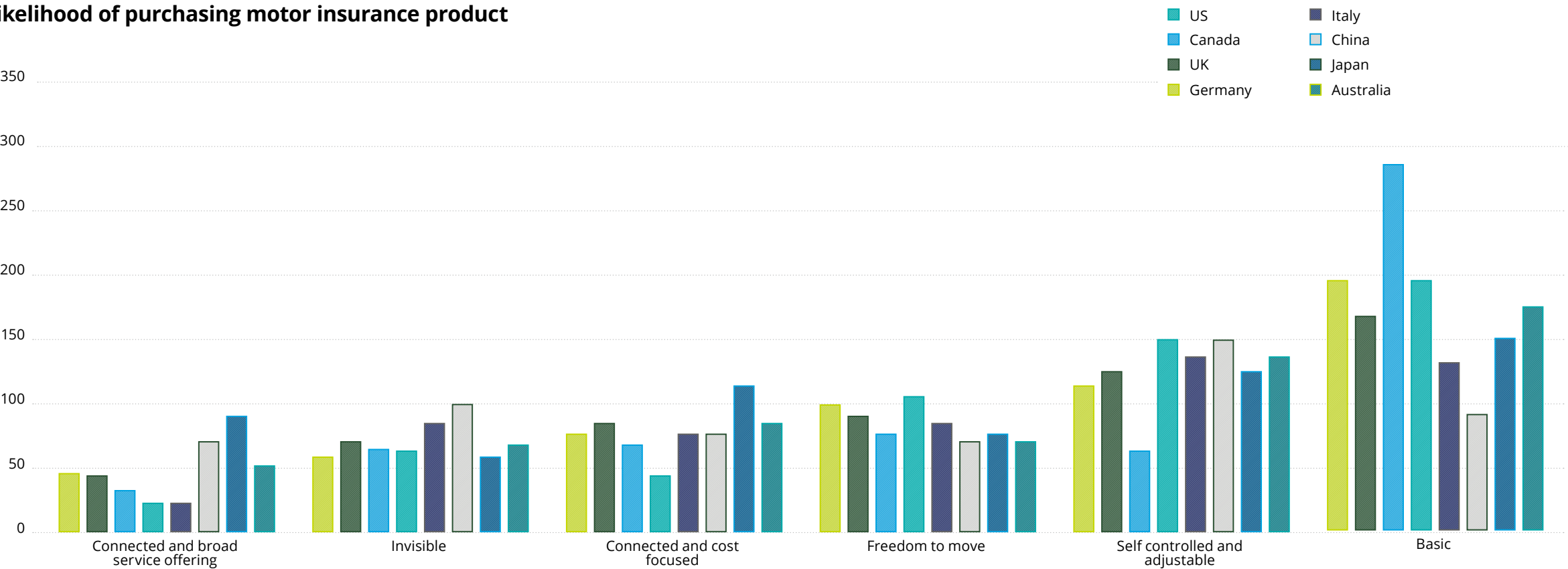
Likelihood of purchasing home insurance product



Source: 2020 Deloitte Global Personal Lines Survey



Likelihood of purchasing motor insurance product



Source: 2020 Deloitte Global Personal Lines Survey

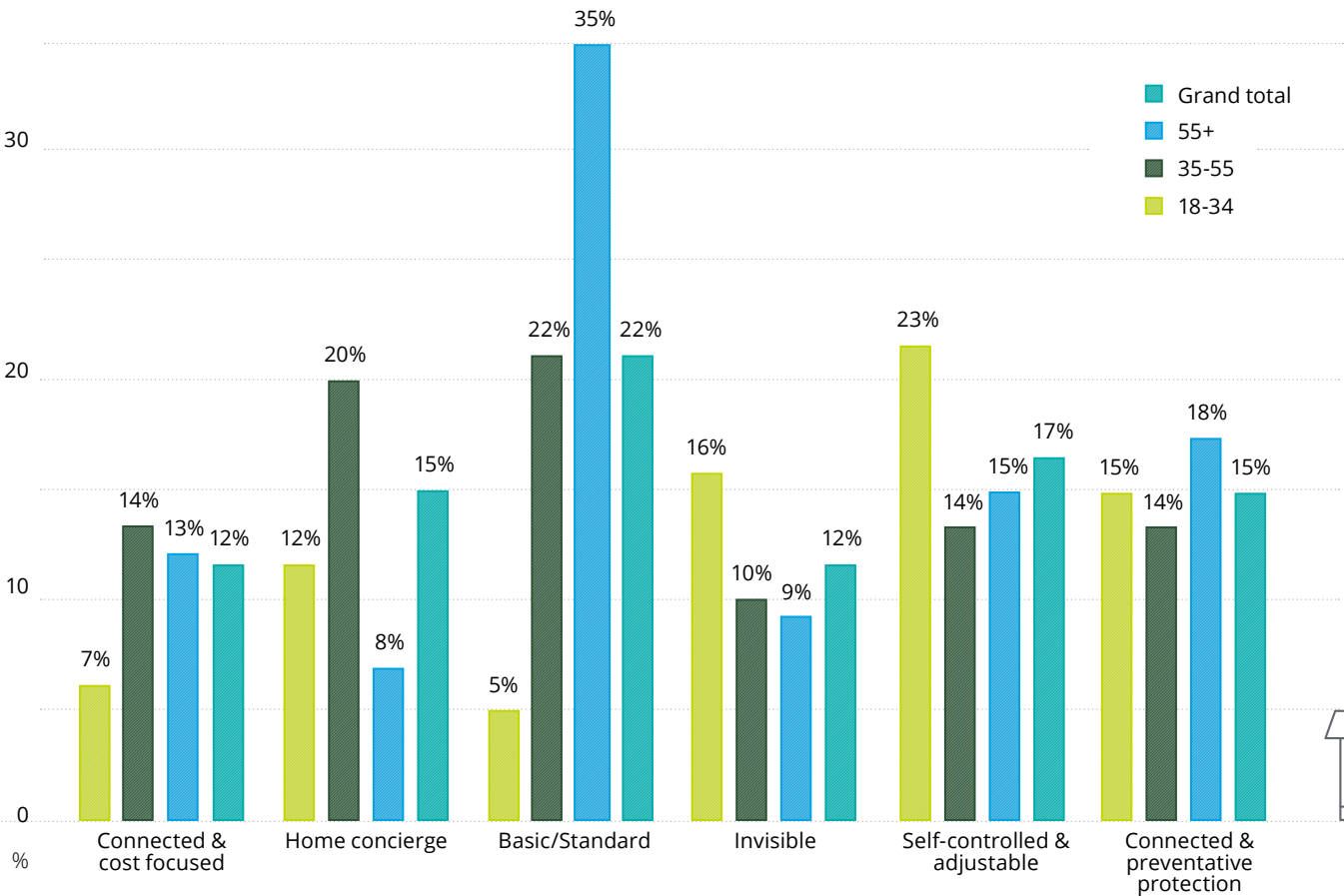


This presents a clear imperative for insurers to design and deliver products and services to customers that are easy to understand, engage with and put the customer in control. It is important however, that insurers understand how these attitudes and preferences can vary by segment, and to tailor their product offerings and communications accordingly. If we look at product preference from an age profile perspective, we can already see variability in terms of preference within individual cohorts, the over 55s very clearly showing a bias towards “Basic” options while those within the 18-34 year old cohort appear more driven by features associated with “Self-Controlled & Adjustable” product options that provide them with great levels of flexibility.



Product Choice by Age Cohort

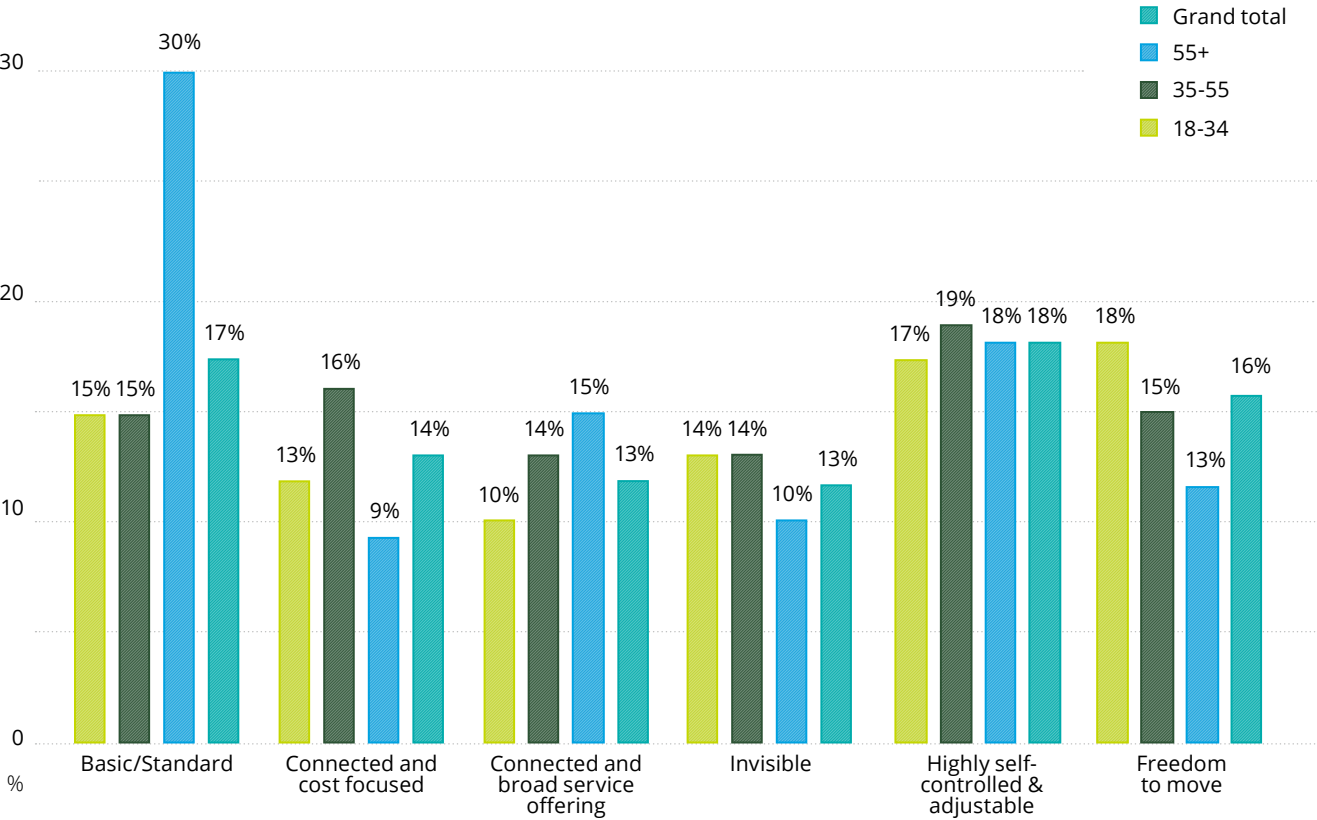
Number one choice for home insurance products as per age group





Product Choice by Age Cohort

Number one choice for motor insurance products as per age group



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Interestingly, when prompted in relation to factors that would not appeal about the relevant product types, respondents stated a fear that “Basic” products may not have the suite of features they would expect in terms of “extras” and did not like that they could not tailor the product to suit their needs. Conversely from a “Self Controlled & Adjustable” perspective, respondents expressed a fear that they may forget to adjust their level of cover appropriately if fully in control as well as being reluctant to engage in complex processes to adjust their cover.

It is therefore important that insurers strike the right balance when designing and delivering new products and propositions to their customers. They need to meet customer expectations in terms of offering them new and interesting features that differentiate them in the market but these need to be underpinned by clear and tailored messaging as well as seamless experiences that customers find easy to engage with. Insurers should leverage techniques such as human-centred design to put the customer at the core of the design process, getting to the root of what drives them and will ultimately delight them.

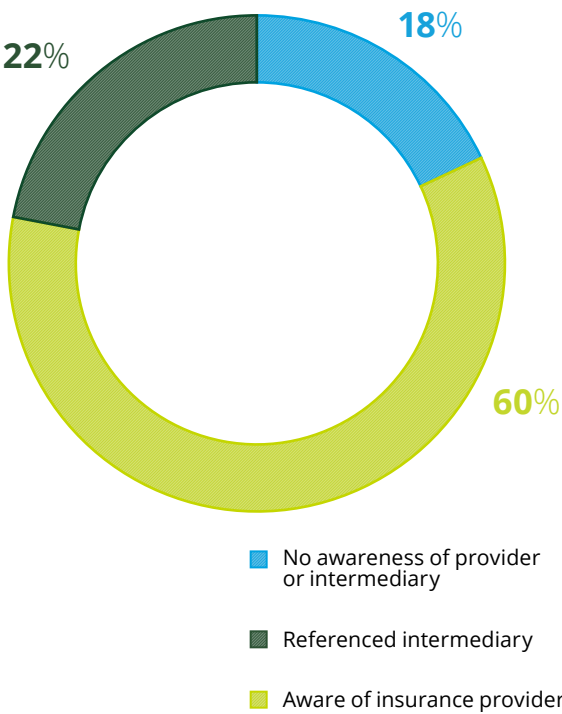




Key finding 2 - Poor brand awareness highlights growing disconnection of the customer relationship

The way consumers are purchasing their insurance is changing, with customers now having more options than ever before in terms of how they engage with providers. That coupled with the emergence of new distribution options such as embedded insurance creates the risk of incumbents becoming more and more irrelevant in the eyes of the customer. This sense of disconnection can be seen from the results of our survey, with low levels of brand recognition being evidenced across both motor and home products. From a home perspective, when asked to identify their insurance provider, 60% of home insurance policy holders stated the name of their insurance company, with 22% stating the name of a retail intermediary such as their Bank. 18% of respondents did not recall the name of their home insurance provider when prompted.

Home Insurance Brand Awareness



Age Profile of those with no awareness of provider

| | |
|---------|-----|
| 18-34 | 38% |
| 35-55 | 53% |
| Over 55 | 9% |



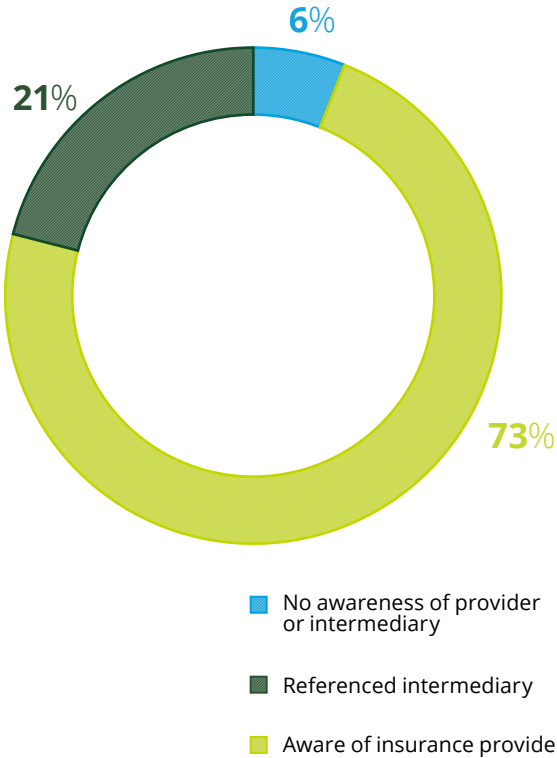
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This suggests that many consumers are more focused on the channel through which they purchase home insurance and the associated experience, rather than on the brand of the insurance company itself. When looking at the age profile, this is especially true of those respondents between the ages of 35 and 55, who make up the highest proportion (53%) of those who could not name their provider.

These results are echoed from a motor insurance perspective, although better recognition was observed for some of the leading brands, with 73% of respondents naming their insurance provider, 21% referencing a retail intermediary and the remaining 6% not naming any provider.

Motor Insurance Brand Awareness



Age Profile of those with no awareness of provider

| | |
|---------|-----|
| 18-34 | 54% |
| 35-55 | 40% |
| Over 55 | 6% |



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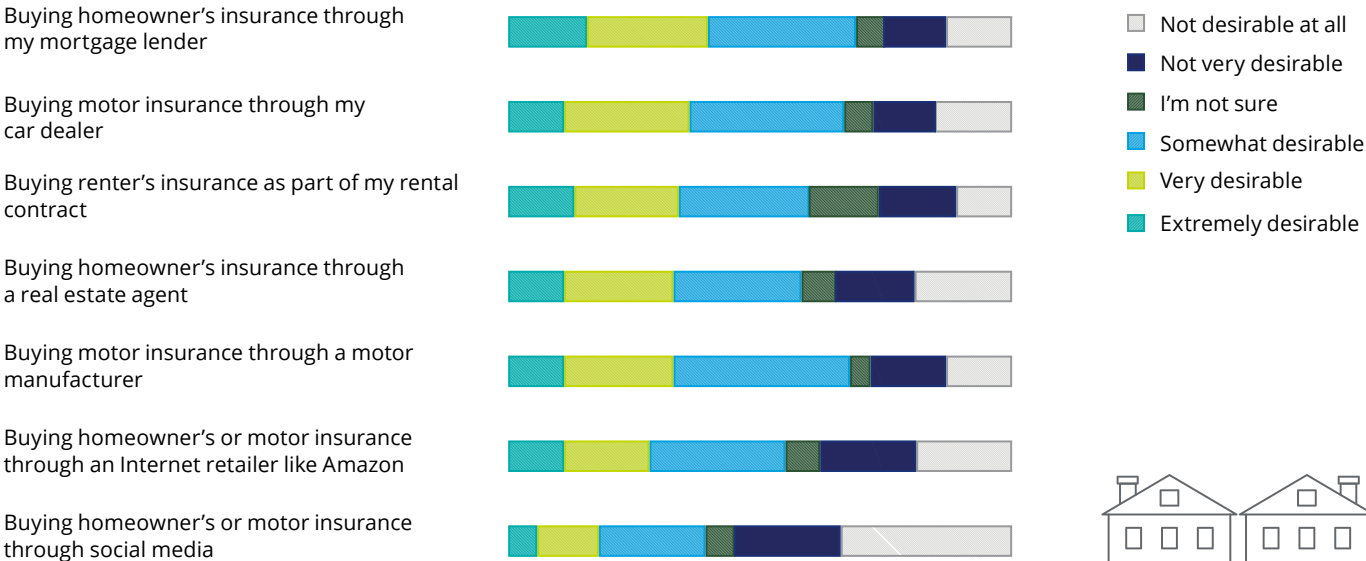
These results are consistent with a 2018 CBI Motor Consumer Research study which found that the most important factor for consumers when purchasing motor insurance was price. 79% of respondents cited price as their top factor, followed by cover/ benefits (53%) and ease of purchase (33%); brand and reputation of the insurance provider rated among the lowest in terms of primary consideration for consumers. This calls in to question the level to which insurers are proactively managing and owning the relationship with their customers today and whether there are potential missed opportunities to deepen these relationships beyond purely price through enhanced targeting of relevant value propositions that meet their needs.



Another relevant aspect to the research findings was the attitude of respondents towards exploring new and different distribution channels for purchasing insurance, both home and motor. When asked the level of desirability towards

different purchasing options, respondents demonstrated an openness to new purchasing channels through point of sale models such as car manufacturers, motor dealers as well as through mortgage lenders.

Attitude towards different distribution options



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While still a relatively new concept in the Irish market, embedded insurance clearly offers the convenience consumers want at the ideal time of selling which presents further risk to insurers of losing their grasp on an already tenuous relationship with their customers. Insurers must therefore place their focus on maximising opportunities to engage their customers in meaningful ways, at the right time, through personalised experiences. This will enable them to maintain control of the relationship while presenting them with new growth opportunities

which deepen their engagement through fulfilling all of the customer's insurance needs. Insurers must have a clear strategy of who they want to target, leveraging the right data insights to deliver relevant value propositions to their chosen segments as and when they need them. This requires investing in the right underpinning capabilities and architecture that can enable the insurer of the future, bringing marketing, sales and distribution closer together as part of one integrated journey enabling seamless and impactful experiences for their customers.



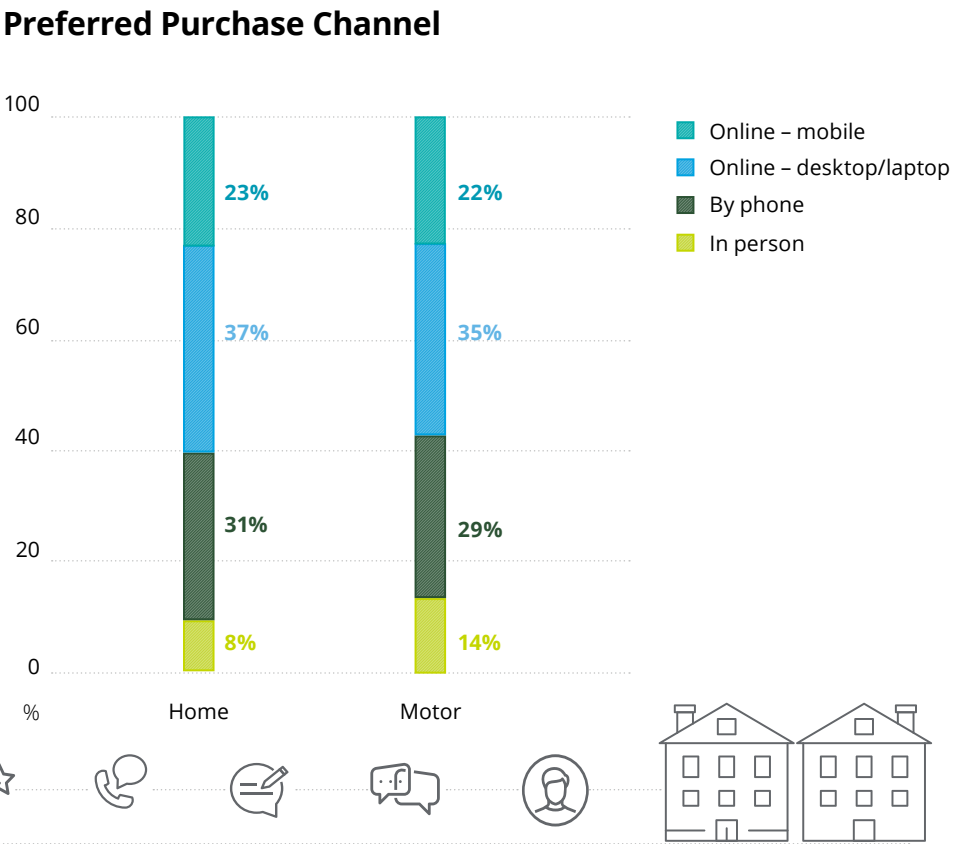


Key finding 3 - Digital is table stakes and top of mind for customers

The insurance industry in Ireland has been relatively slow up to now in setting its course on the road to digital transformation. Many insurers now face the challenge of either where to begin or where to go next, as an enforced shift in demand for digital and self service experiences is putting increased pressure on their legacy processes, outdated infrastructure and current ways of working. From the results of our survey, we can see an overwhelming preference towards purchasing insurance through digital channels. When asked what their preferred channel to purchase home insurance was, 60% of respondents showed a preference for online, via mobile (23%) or computer (37%). These results were echoed when respondents were prompted

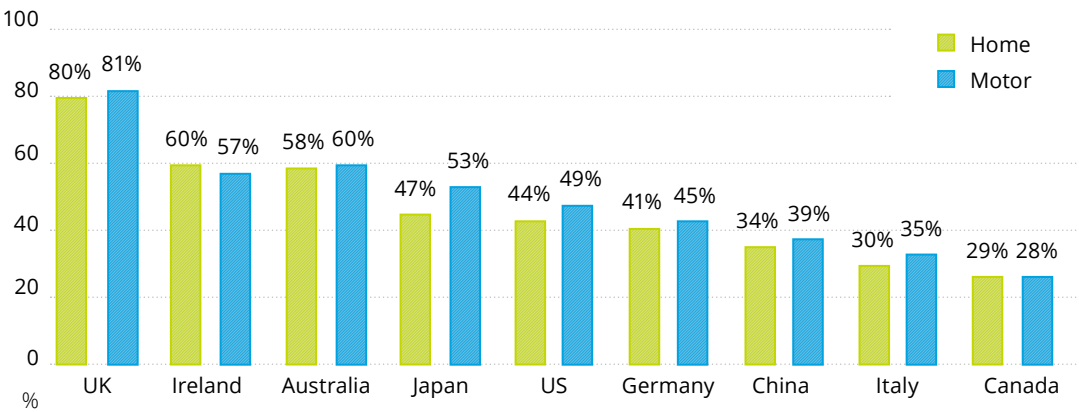
to give their preference for purchasing motor insurance, with 57% stating online channels as their top preference, via mobile (22%) or computer (35%).

These results are interesting in the context of the 2020 Deloitte Global Personal Lines survey which found only Australia and the UK to have higher online penetration, with the UK leading the group at 80% and 81% for home and motor respectively. This is unsurprising given the shape of the UK market and its presence of aggregators. It does however, beg the question as to whether the Irish market is keeping pace with its customers' clear demand for digital experiences.





Preferred Purchase Channel – Online Share %



Another point of note is the number of respondents who indicated a preference for phone when purchasing both home and motor insurance. 31% of respondents stated they phone as their first choice when purchasing home insurance, with 29% of respondents stating similar preference for motor.

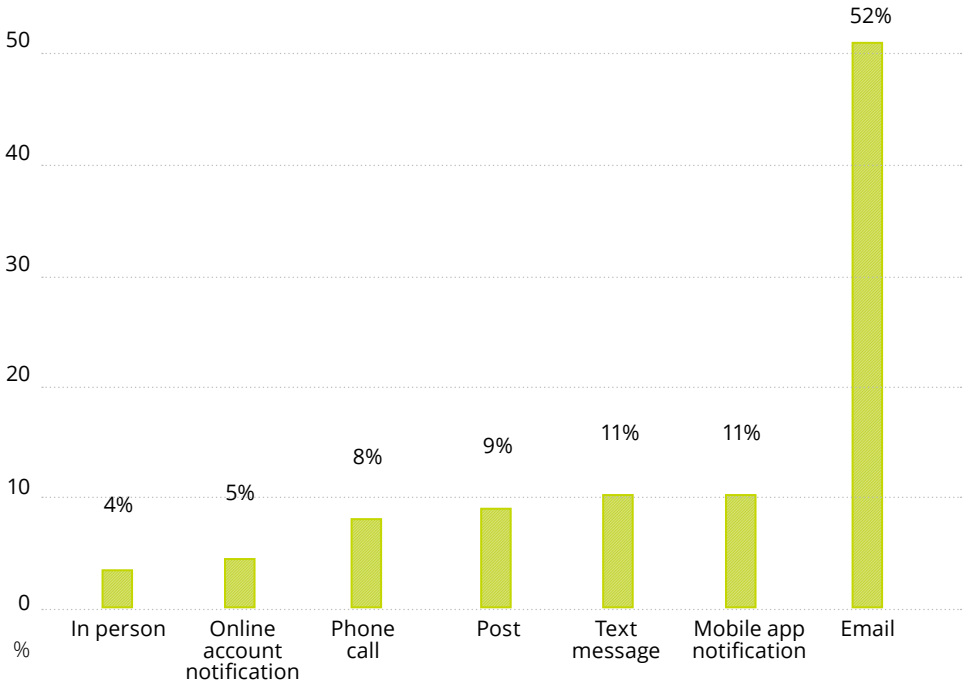
they need it. This is particularly true of those within the 35 – 55 year-old cohort who showed the highest preference towards phone usage for both home (49%) and motor (53%) purchases.

This indicates the importance of voice as a channel for insurers in the context of their broader distribution strategy. While there is a clear inclination towards digital channel usage, customers want the flexibility to speak to someone and get the support they need, as and when

Interestingly, when it came to how customers in Ireland would like to receive communications from their insurer, there was a marked preference for email (52%) and other electronic channels among both motor and home customers. Just 8% of those surveyed expressed an interest in receiving a call from their insurer.



Preferred Method to Receive Communications



This suggests a high degree of comfort with and confidence in digital channels for straightforward communications which do not involve product purchase. It also demonstrates that customers have a very clear preference for how and where they want to engage; it's clearly on their terms. Insurers need to recognise where their customers are interacting and for what reasons so they can develop targeted and tailored treatment strategies, leveraging a combination of channels in the right way, to meet their expectations. While digital is now table stakes, it can't be at the expense of building and fostering customer relationships. Those that are winning the market are differentiating

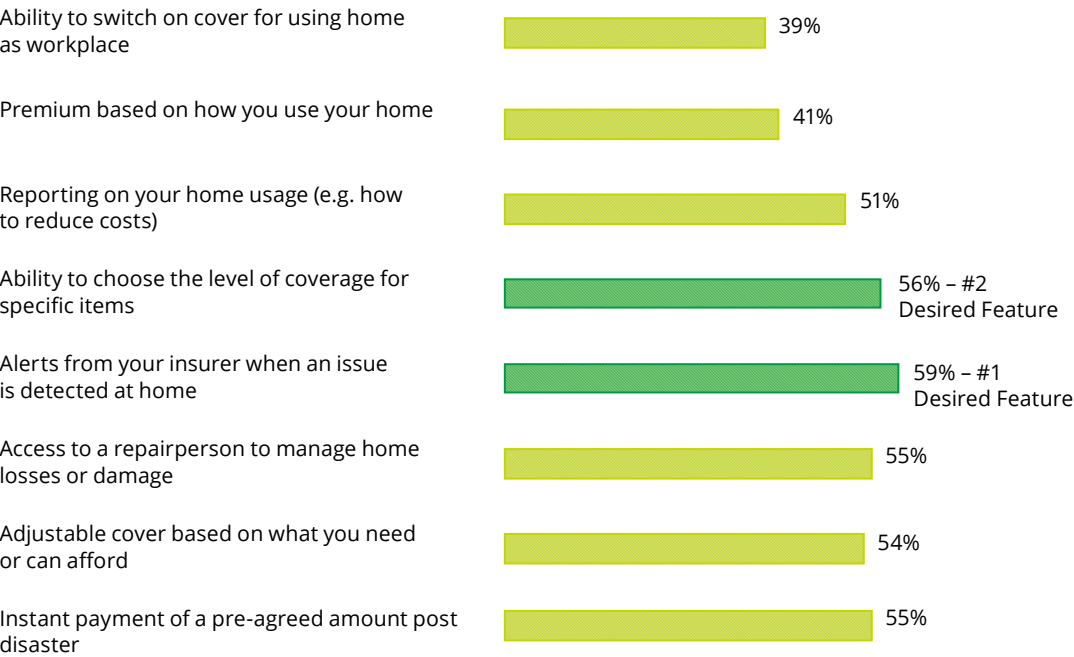
themselves by maximising the touchpoints they have with customers, creating new and more meaningful opportunities to drive engagement while enabling end to end experiences, underpinned by digital. Interestingly, while the research demonstrates a clear preference for digital interactions, we can see however some methods of communication such as "online account notifications" are of little interest to customers, favoured by only 5% of respondents. This demonstrates the importance of insurers understanding their customer and channel dynamics so that they can place the right bets in terms of how and where they will prioritise investment to deliver their desired outcomes while maximising long term value.



Key finding 4 - Increasing demand for differentiated and innovative propositions

There is now more pressure than there ever has been for insurers to fundamentally reimagine their customer value propositions beyond pure price and coverage. While respondents to our survey indicated a strong preference for straightforward, easy to understand products, an emerging appetite for more proactive, innovative and parametric features was observed. When looking at advanced home features, respondents expressed an interest in features such as alerts for issues e.g. water leaks, agreed automatic minimum pay-outs following certain events as well as the ability to switch on and off features as and when they are needed.

Home features desired by Irish responders



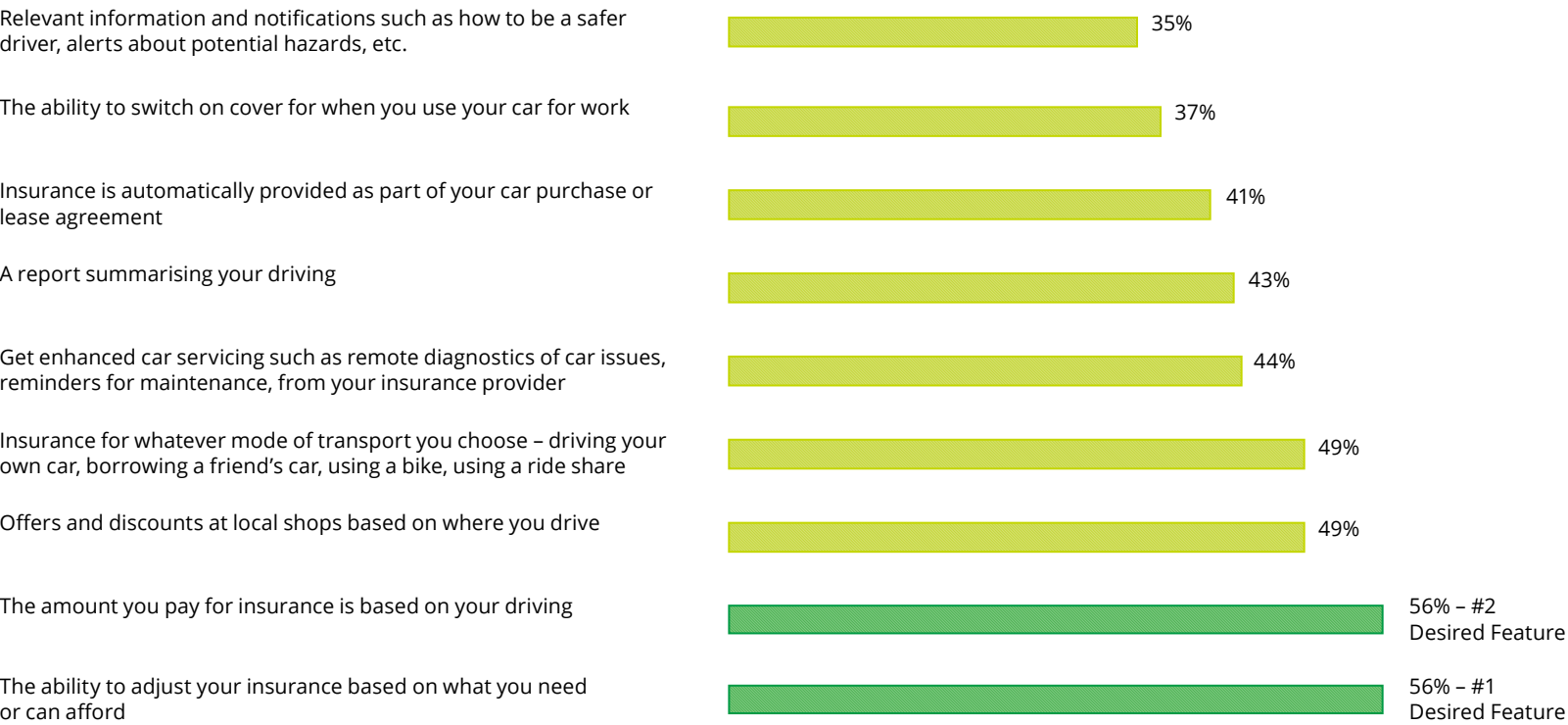


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From a motor perspective, respondents appeared to be more price driven when considering advanced product features, clearly favouring flexible product options such as having the ability to adjust insurance based on their usage as well their driving patterns.

Regardless of the product type, this desire for flexibility and differentiation creates further complexity for insurers as new proposition features become more real time and nuanced. This is placing added pressure on traditional delivery models, antiquated business processes and legacy technology platforms, which lack the flexibility, speed and agility to respond. This also asks questions of insurers underlying data capabilities, which are being challenged to capture, analyse and extract insights from larger and more complex data sets than ever before.

Motor features desired by Irish responders





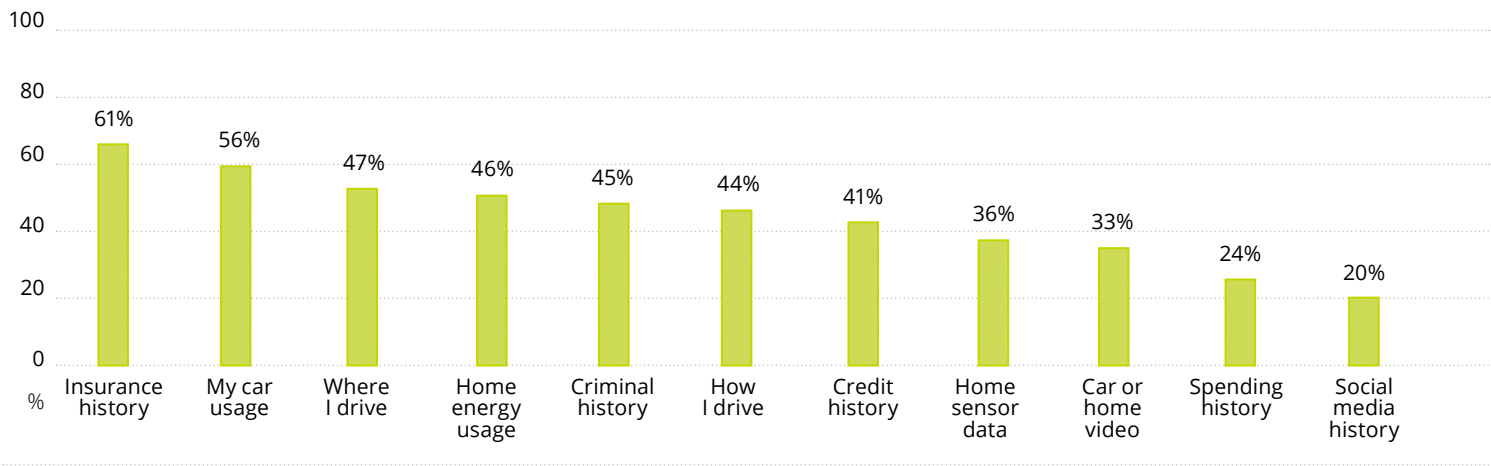
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Another key consideration from a data perspective is understanding the level to which customers are willing to share their data in order to avail of more personalised and targeted product features. Interestingly, from the results of our survey, Irish customers have a somewhat conservative view in relation to the level to which

they are willing to share more sensitive personal data with insurers to enable value adding or other data-based services, even if there is a potential cost reduction involved. When considering specific data types, respondents were most reluctant to share data associated with their social media history (20%) and previous spending

patterns (24%). This resistance was less observed for information such as insurance history (61%), car (56%) and home usage (46%), which would be commonplace as part of their purchasing experience today.

Willingness to share data by type



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These findings were again consistent with the 2020 Deloitte Global Personal Lines Survey which saw a similar pattern emerge, although some countries such as Germany (9%), the UK (13%) and Canada (14%), were even more conservative in their attitudes towards sharing social data. This trend reinforces that insurers need to continue to strengthen and build trusted relationships with their customers, understanding what product features different customer segments will respond to and where they can leverage innovation to target differentiation and new revenue streams.

The ultimate challenge for incumbents will be their ability to design and deliver such complex and customised experiences on their own, evolving these as necessary with changes in market dynamics and customer preferences. Insurers will need to make strategic choices about “where to play” and “how to win”, making conscious decisions in relation to which capabilities are foundational versus those they will invest in to truly differentiate themselves. Either way they will need to consider quicker routes to market by establishing a clear partnership strategy, collaborating with alliances and ecosystem players as needed to complement their existing capabilities while leveraging strengths they do not possess.





Conclusion

The overall picture that emerges from our survey is of a marked preference for simplicity and flexibility. Customers want products that are simple, intuitive, and easy to engage with while giving them the flexibility and control to purchase insurance “on their terms”. Customers are open to new and interesting product features that make their lives easier but are unwilling to compromise in terms of navigating complex processes to engage with them. They want simple and seamless experiences underpinned by clear and tailored messaging that gives them comfort they are paying a fair price while having the right level of cover if and when they need it.



Customers are also willing to explore new and emerging channels to purchase their insurance which is creating pressure for insurers to maintain visibility and ownership of their relationship with the customer. Insurers need to present themselves at the right time, in meaningful ways which engage customers, targeting them with personalised experiences and relevant value propositions. As the market evolves and new distribution models become even more commonplace, insurers will need to decide where in the value chain they will play and what capabilities they need to double down on to remain relevant.

As digital transformation accelerates through the insurance sector, customer preferences towards digital and self-service experiences will continue to place increased demand on insurer front line capabilities. End to end digital purchasing journeys and seamless digital communications are table stakes, customers showing a very clear preference for how and where they want to engage. Key for insurers is recognising where their customers are interacting, unlocking the power of their data and leveraging a combination of channels in the right way, to deliver interesting and relevant propositions to customers as and when they need them.

The key challenge for insurers going forward will be understanding how they need to phase and prioritise investment to realise business value early while enabling maximum return in the long run. The “insurer of the future” is customer centric, data rich, multi-channel and agile in terms of their technology, workforce, and ways of working. This can only be enabled through making clear decisions in relation to their underlying capabilities and placing brave bets around their transformation agenda. Key to moving at pace will be determining the right partnerships to leverage to bolster their existing capabilities while driving differentiation in the marketplace.





Glossary



Home insurance glossary

Basic home insurance

The customer's home is fully protected. The customer purchases insurance normally, for example, via a website or broker. The price of the insurance is based on the value, characteristics and location of the customer's home, and on his or her past insurance history.

Home concierge insurance

The customer receives a service package that gives access to 24/7 home support. The package includes the standard set of protections from a home insurance policy, but also provides support to manage losses from the home or damage to it. The customer gets access to a repairperson.

Connected and cost focused home insurance

The insurer understands some aspects of how the customer uses the home, for example, how much electricity/gas/water he or she consumes. The amount the customer pays for insurance is based on this. The customer receives a report on home usage, which provides information on how to reduce insurance and other household running costs.

Connected and preventative protection home insurance

The insurer understands some aspects of how the customer uses the home (for example, how much electricity/gas/water is consumed) or who is living there, for example, an elderly person. The customer receives alerts when an issue



is detected (such as leaking pipe or the elderly person needs assistance). If possible, the insurer sends a qualified person to help with issues. The customer also receives a report on home usage, which provides information on how to reduce insurance and other household running costs.

Invisible home insurance

The home is fully protected, and the customer receives the same level of service as with standard insurance. However, insurance is automatically provided as part of the mortgage or rental contract. This means that the customer does not need to arrange insurance. If the customer files a claim (that is, makes a formal request to an insurance company for coverage or compensation for a covered loss or policy event), the bank or real estate agent supports the customer through the process.

Self controlled and adjustable home insurance

The customer can adjust insurance based on what he or she needs and can afford. The customer can increase or decrease the level of cover depending on whether he or she is at home. Similarly, the customer can choose the level of cover for specific items, for example, jewellery.



Motor insurance glossary

Basic motor insurance

The vehicle is fully protected. The customer purchases insurance normally, for example, via a website or broker. The price of insurance is based on the type of vehicle, the customer's driving record, where he or she lives, etc.

Connected and cost focused motor insurance

The insurer understands some aspects of the customer's driving, for example, when, how much and how he or she drives. The amount the customer pays for insurance is based on this. The customer receives a report on his or her driving, which provides information on how to reduce his or her insurance cost, for example, by changing driving habits.

Connected and broad service offering motor insurance

The insurer understands some aspects of the customer's driving, for example, when, how much and how he or she drives. The insurer adjusts how much the customer pays for insurance based on this. The customer also gets enhanced car servicing, such as remote diagnostics of car issues, reminders for maintenance and tailored retail offers based on where he or she drives.

Invisible motor insurance

The vehicle is fully protected, and the customer receives the same level of service as with standard insurance. However, the insurance is automatically provided as part of the car purchase or lease agreement. This means that the customer does not need to arrange

insurance. If the customer has an accident, repairs are handled by the car manufacturer through a local car dealer.

Self controlled and adjustable motor insurance

The customer can adjust insurance based on what he or she needs and can afford. The customer can increase or decrease the level of cover depending on car usage. This helps to ensure that he or she does not overpay for insurance, for example, by being charged less when the car is parked in a garage. However, forgetting to adjust cover could leave the customer without appropriate cover to drive.

Freedom to move motor insurance

The customer is covered for whatever mode of transport he or she chooses. This includes driving his or her own car, but also borrowing a friend's car, using a bike or using a ride share.



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