

A photograph of a family of four sitting on a grey couch in a bright room with large windows. A man in a blue and white plaid shirt is on the left, smiling and looking at a laptop. A woman in a white cable-knit sweater is on the right, also smiling and looking at the laptop. Two young children, a boy and a girl, are sitting between them, looking at the laptop screen. The boy is wearing a blue and white striped shirt and blue jeans. The girl is wearing a white shirt and blue jeans. The woman is holding the laptop. The man is holding the boy. The children are both smiling. The overall mood is warm and happy.

2020 DXC INSURANCE SURVEY REPORT

THE VOICE OF THE U.S. CONSUMER

Foreword

The year 2020 is a year like no other and has escalated customers' expectations for personalized digital engagement from insurers. Yet, while consumers expect insurers to deliver a digital experience that adds value and is comparable to what banks, retailers and other online services offer, many consumers are left unsatisfied. Insurers that can move quickly to improve their customer experience have an opportunity not merely to gain market share and boost lifetime customer value, but to assert their brands as exemplars of a new level of the insurer/policyholder relationship, particularly given today's unpredictable environment.

By embracing new technologies, infrastructure and partner solutions, insurers can transcend the traditional insurance proposition to become proactive partners in helping customers manage risk, prevent losses and improve holistic wellness.

It is this hypothesis that motivated DXC Technology to conduct a comprehensive survey of U.S. consumers to gauge their views about insurance and how they interact with those providing coverage. More than 2,000 U.S. consumers participated in DXC's insurance survey conducted in October 2019, and now we're sharing our findings with you. Our goal is to provide more insight into how these shifts in consumer sentiment can open doors to new opportunities and help insurance leaders focus on key areas for investment and change.

In light of these findings, we recommend insurers:

- Accelerate delivery of digital capabilities for a more personalized customer experience
- Prepare for new types of customer data and data security
- Build and leverage a partner ecosystem
- Commit to product innovation
- Embrace a broadened concept of the insurer/customer relationship

For more detail on our recommendations, see page 20.

Our goal is to provide more insight into how these shifts in consumer sentiment can open doors to new opportunities and help insurance leaders focus on key areas for investment and change.



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Executive summary

Historically, insurance has been a low-touch industry, with consumers interacting little with their insurers beyond paying monthly premiums or filing claims. However, today's consumers not only desire a more personalized experience, but are also open to using a variety of technologies to interact with their insurance company. Consumers are willing to share some data in return for value, and they believe it makes sense to reward responsible members of society with premium discounts. Forty-three percent of consumers are comfortable with insurers using artificial intelligence (AI) to provide more tailored policyholder services. This creates opportunities for insurers to offer new products and services, for example, GPS-powered, usage-based auto insurance that measures mileage and driving behavior, or dwelling insurance that uses "smart home" internet of things (IoT) technologies.

However, increasing use of customer data means insurers must gain a greater understanding of what data customers are more or less inclined to share, and must keep pace with the capabilities needed to protect that data. Building a more collaborative insurer/policyholder relationship will require giving customers more control of their data, as well as transparency into the way their insurers are using it.

Consumers willing to use technologies for improved services and lower premiums

Up to

49%

willing to use
technologies for
better services

Up to

64%

willing to use technologies
in exchange for lower
insurance premiums

Insurers are in a position to improve loyalty and elevate their brand image by both helping consumers understand how their products and services work and continuing to improve the claims experience. The insurance industry's reputation has been considered a major challenge for insurers, but consumers see insurance as being on a par with banking and better than some other industries. Consumers are skeptical of the financial value proposition of insurance because they misunderstand how insurance is priced; they significantly underestimate how satisfied policyholders are with their claims experience; and they also tend to underestimate how risky their own behavior is.

The world in which consumers are more open to a technology-driven insurance customer experience is one in which they enjoy benefits but also face new risks and seek new ways to mitigate them. New threats — such as cyber attacks — and new ways of working, known collectively as the gig economy, present opportunities for insurers to offer new products and services as part of a potentially broader, richer and more interactive relationship. In some respects, new products magnify the challenges of consumers' understanding of how insurance works. However, consumers' appetite for more technology-mediated interactions, combined with their changing insurance needs, creates an opportunity for insurers to forge a new kind of insurer/policyholder relationship.

The world in which consumers are more open to a technology-driven insurance customer experience is one in which they enjoy benefits but also face new risks and seek new ways to mitigate them.

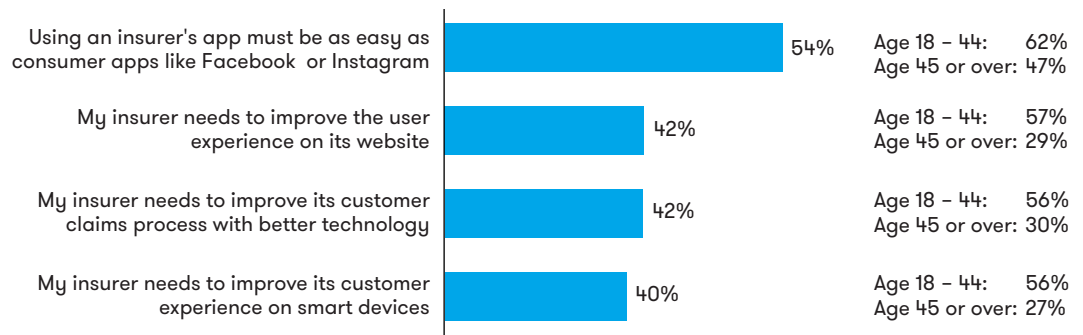
Consumers will embrace insurers that can meet their digital expectations

Still room for improvement — particularly digital experience through consumer apps and websites.

Today's consumer wants digital, personalized service from insurers (**Figure 1**). Fifty-four percent of those responding to the survey say using an insurer's app should be as easy as using consumer social media apps such as Facebook and Instagram. Nearly one-third of older consumers (29%) and nearly two-thirds (57%) of younger consumers say their insurer needs to improve its website user experience. About 60% of younger consumers (18 – 44 years) and about 30% age 45 and over say they would use chatbots to speed up the application or claims processes, and more than two in five consumers say they are willing to use new technologies for improved services and lower premiums.

At the same time, more consumers prefer to talk with a person rather than handle their claim online, especially if they're older (58% for those 45 years and older vs. 32% for 18 – 44 years old), as shown in **Figure 2**. Financial benefits are still the biggest loyalty driver for insurance. Among technology factors, personalized service is the single greatest factor consumers say will make them keep their insurer.

Q: Which of the following statements regarding the use of technology in insurance do you agree with?

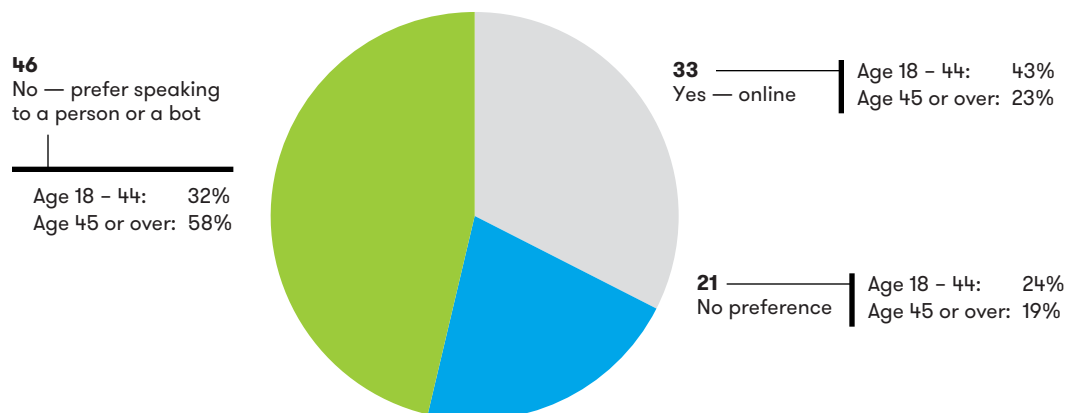


n=2,011; those rated 6 (somewhat agree) to 10 (totally agree) on an 11-point scale.

Figure 1

Q: Do you prefer using an online claim over a phone claim?

A generational divide: Older Americans prefer speaking to a person



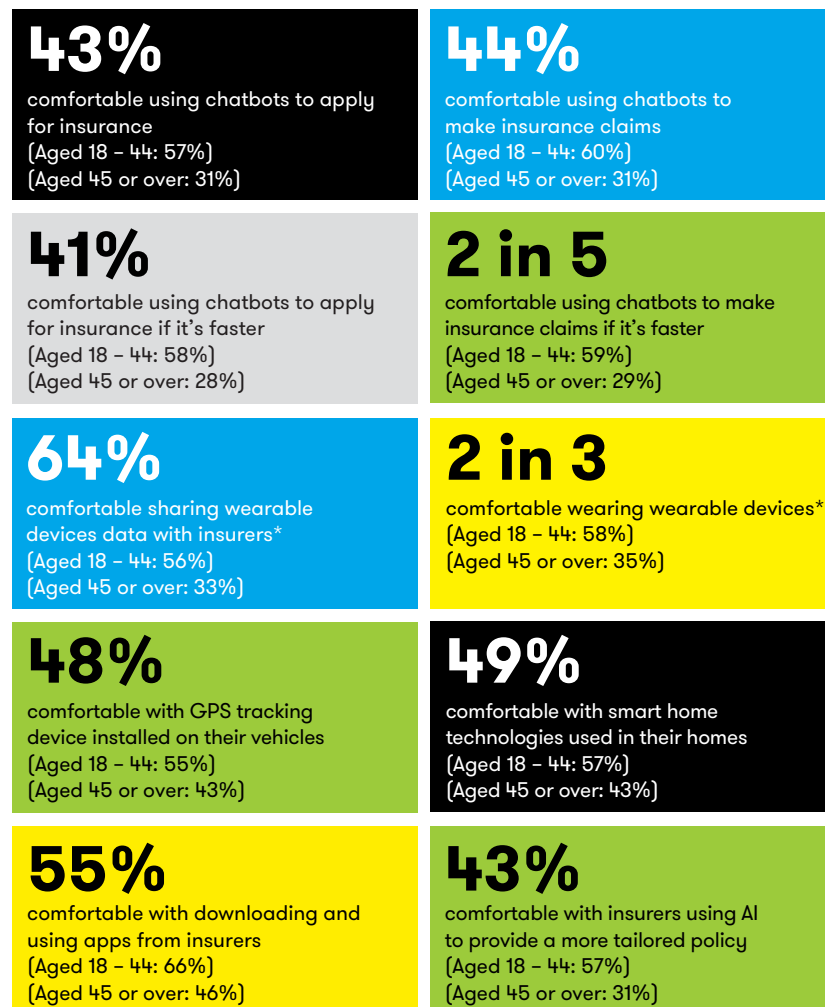
n=2,011.

Figure 2

Consumers are willing to trade data with insurers that deliver measurable value, but insurers must tread carefully

Two in three consumers responding to the survey say they are comfortable with wearable devices, and 64% are comfortable sharing that data with an insurer in exchange for benefits (**Figure 3**). The percentages are even higher for younger consumers (58% and 56% for wearing and sharing, respectively). Well over half (64%) of consumers are generally willing to share more information in exchange for lower premiums, and 87% are willing to share personal and lifestyle information for premium discounts.

Younger consumers in the United States to drive usage of chatbot and tracking technologies in insurance in exchange for lower premiums and better services

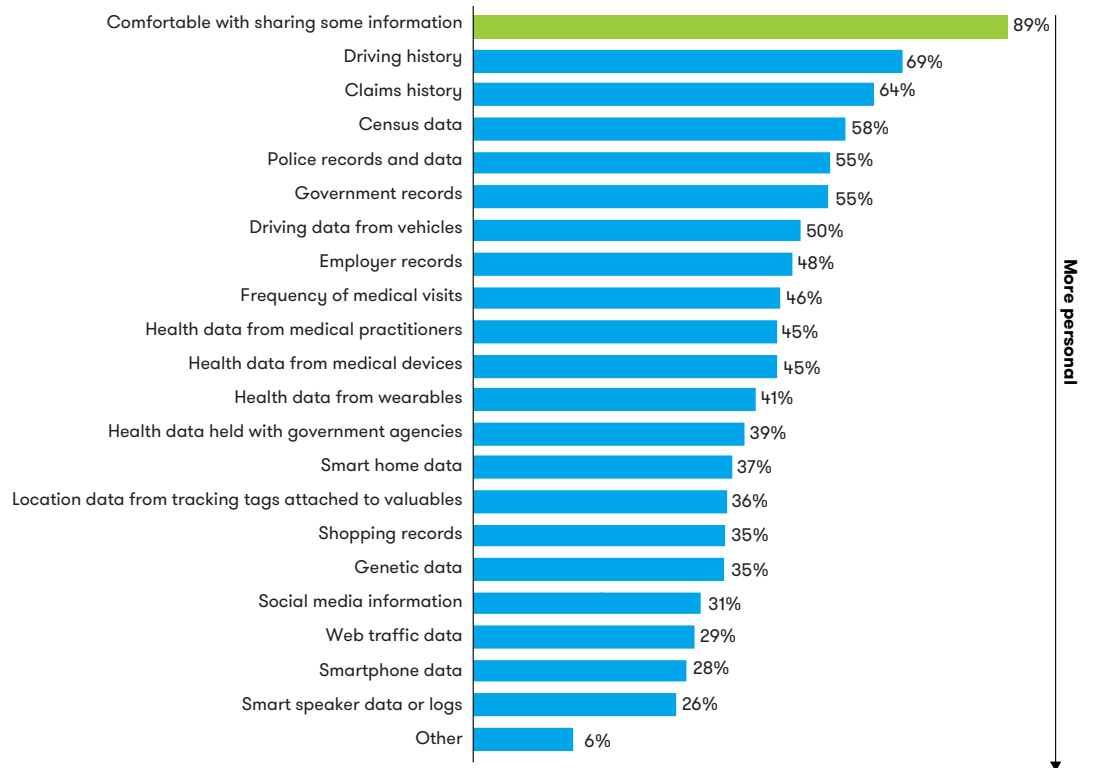


n=2,011; those rated 6 (somewhat agree) to 10 (totally agree) on a 11 points scale.
* n=585; base: smart wrist wearable users.

Figure 3

Fewer than one in three responding consumers say that they are willing to share selected personal data for insurance marketing purposes. While exploring the opportunities created by consumers' openness to sharing data, insurers should also be sensitive about the limits of that openness. About two-thirds of consumers would be willing to share driving and claims history (**Figure 4**), but their reluctance increases as information gets more personal and includes such data as social media, web traffic, smartphone, smart speaker, smart home, shopping records, genetic data, etc.

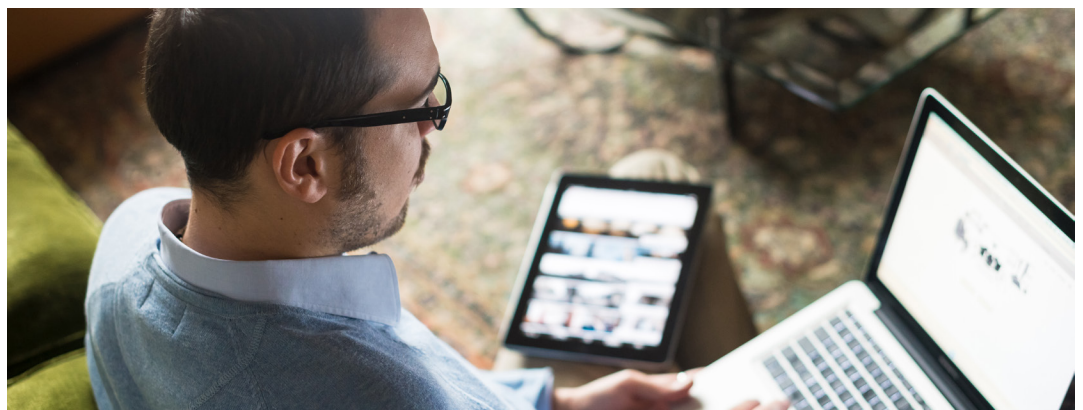
Which of the following types of information would you be comfortable sharing with insurance providers?



74% believe insurance providers should have access to some personal information.

n=2,011.

Figure 4

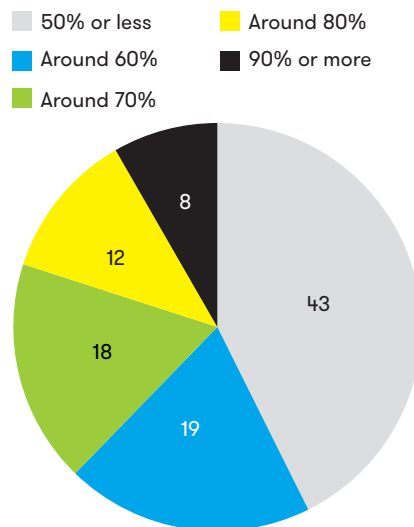


As new products emerge, insurers need more than ever to help consumers understand insurance — and their own risks

To some extent, consumers' unfavorable attitude toward insurance may be driven by misconceptions or ignorance of how insurance works (**Figures 5, 6 and 7**). For example, 43% of consumers responding to the survey believe that half or fewer of claims had been successfully paid, despite the actual figure being above 90%. Only 33% knew that brokers require accreditation, although a strong majority believe that accreditation improves a broker's reputation. Consumers' understanding of insurance is compounded by their poor understanding of the risk dimensions of their own behavior. For example, almost all consumers say their driving ability is average or better than that of others, and 59% say their chance of being in an accident is average, with only 8% saying that it's higher than average.

Although consumers have favorable attitudes about the use of new technology in insurance, when it comes to technology-related insurance products, they are unsure of their value and what they cover. For example, only 30% say they were aware that while using a rideshare service they are likely to be at least as well-insured as when using a taxi (**Figure 8**).

Q: What percentage of claims do you believe is successful across the insurance industry?



n=2,011.

Figure 5

Successful insurance claim rate

Perception (survey average):	Typical:
60%	>90%*

* Based on the *Journal of Insurance Regulation's* life insurance claims denied/resisted ratio between 2001 – 2014 (~98%) and Aviva global claims paid out ratio on life, critical illness, car, home and health insurance in 2018 (98%)

Fifty-six percent of those who rate the insurance industry as having poor reputation also believe 50% or less of the claims are successful.

Q: How would you rate the likelihood of being in an incident that would leave you unable to work, result in injury or even death, compared to the average person in your same age group?

Only 1 in 3 believes they are less likely than the average to be in a serious accident.

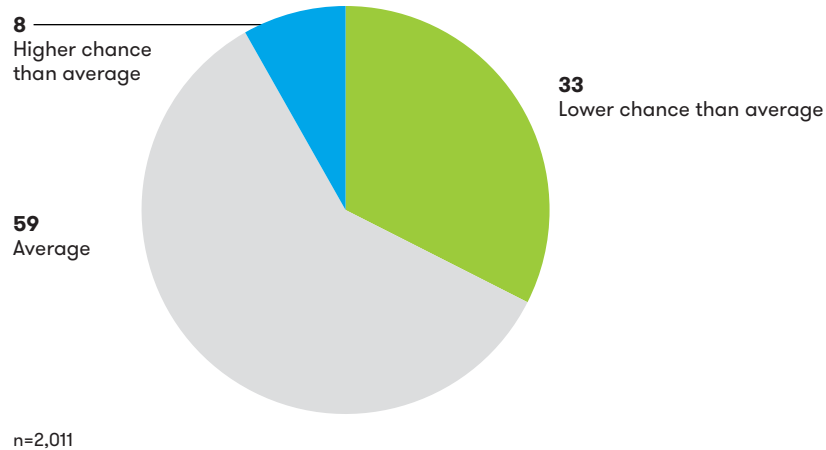
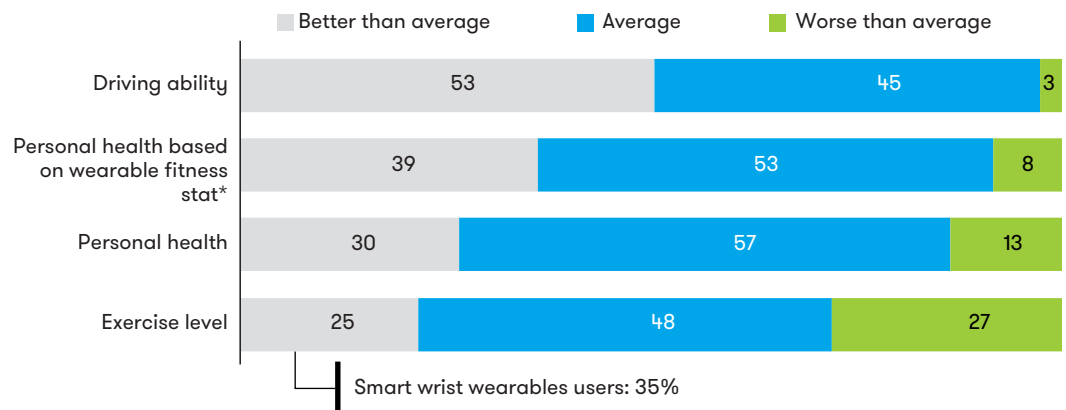


Figure 6

Q. How would you compare your following attribute to the “average” population in your same age group?

Almost all say their driving ability is better than or the same as the average.

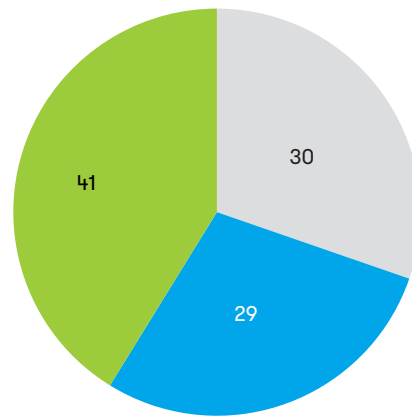


n=2,011; excluding those who do not drive.
 * n=659; base: those with smart wrist wearables.

Figure 7

Q. Do you believe as a passenger you are covered by the same level of insurance in the case of serious injury if you are in an Uber/Lyft or other ride-sharing service compared to a taxi?

■ Yes ■ No ■ Don't know



n=2,011.

Figure 8

- Currently, passengers of ride-sharing services are covered by higher levels of insurance in the case of serious injury compared to taxis.
- However, the required level and amount of insurance vary by companies and state, with Uber and Lyft having at least \$1M coverage plus requiring drivers to have minimum liability coverage (minimum \$15K across any state).
- Taxis have coverage of only around \$250K to \$500K.

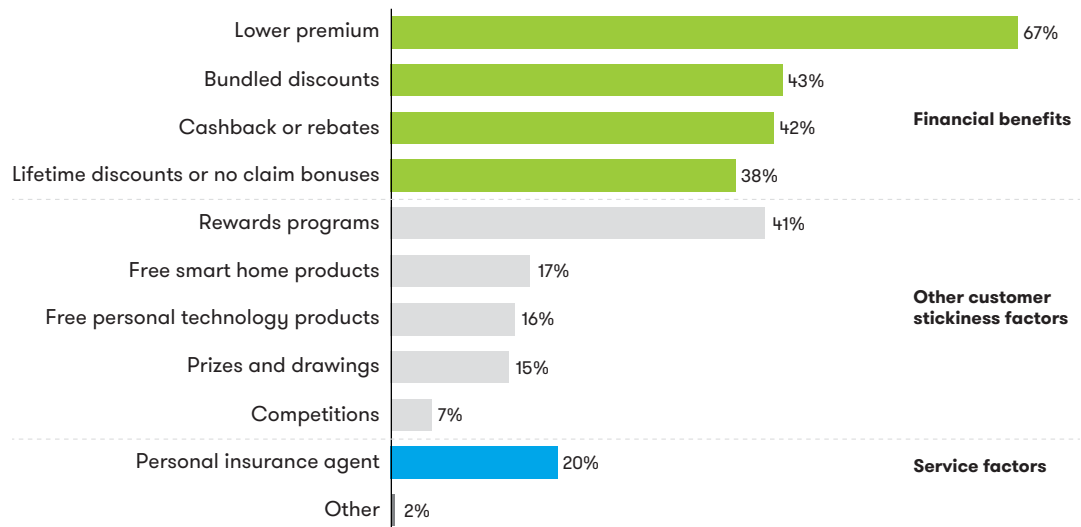


Financial benefits combined with rewards programs are the greatest driver of customer loyalty

While churn can happen for a variety of reasons, price is the driver for property, vehicle, renters and identity theft insurance (**Figures 9 and 10**). Vehicle and general are the insurances most likely to have undergone customer turnover, but they also have the longest average holds (3.6 years). This may seem contradictory but is a testament to the higher relative usage of these products.

Consumers see vehicle insurance as the easiest to claim, with long-term care and group seen as the most complex and difficult to claim. Half of customers responding to the survey are looking to cancel group annuities, as are one in four of those with individual annuities. Identity theft is the insurance product most likely to be canceled within a year.

Q: Which of the following benefits might make you more loyal to your insurance provider?

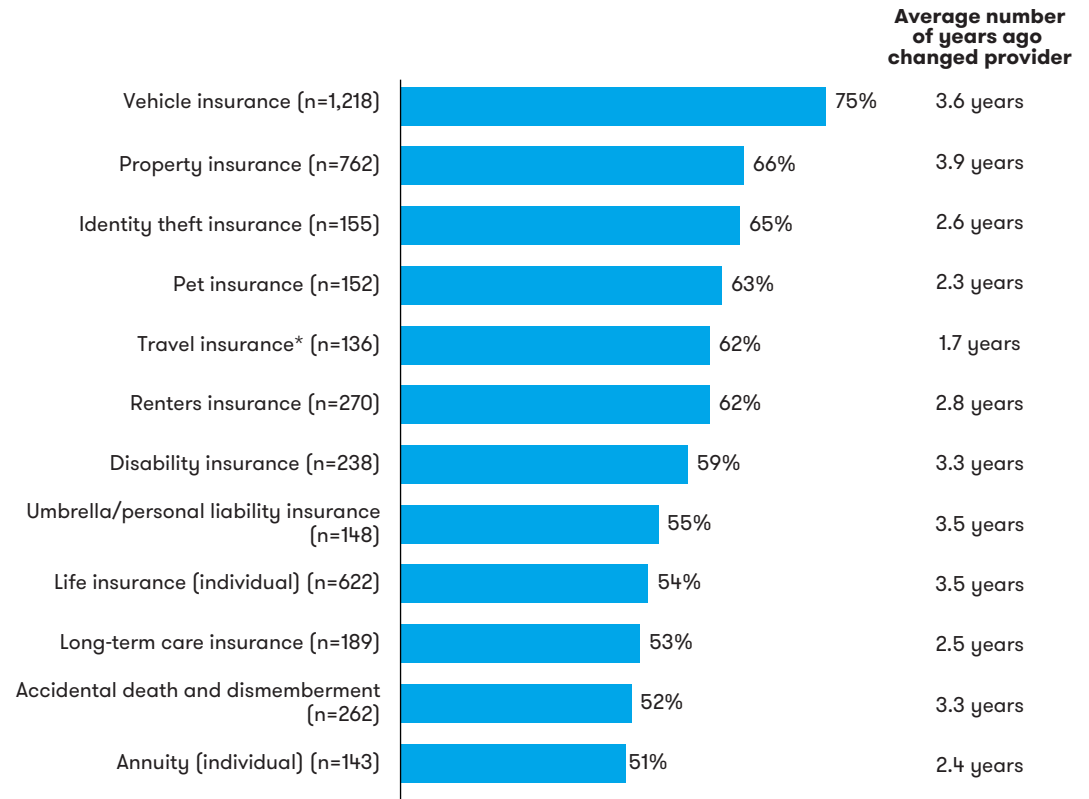


n=2,011.

Figure 9

Financial benefits are still the biggest loyalty driver for insurance.

Q: For which of the following types of insurance have you made a change to a different provider?



Base: Policyholders. *Those have different travel insurance provider before.

Figure 10

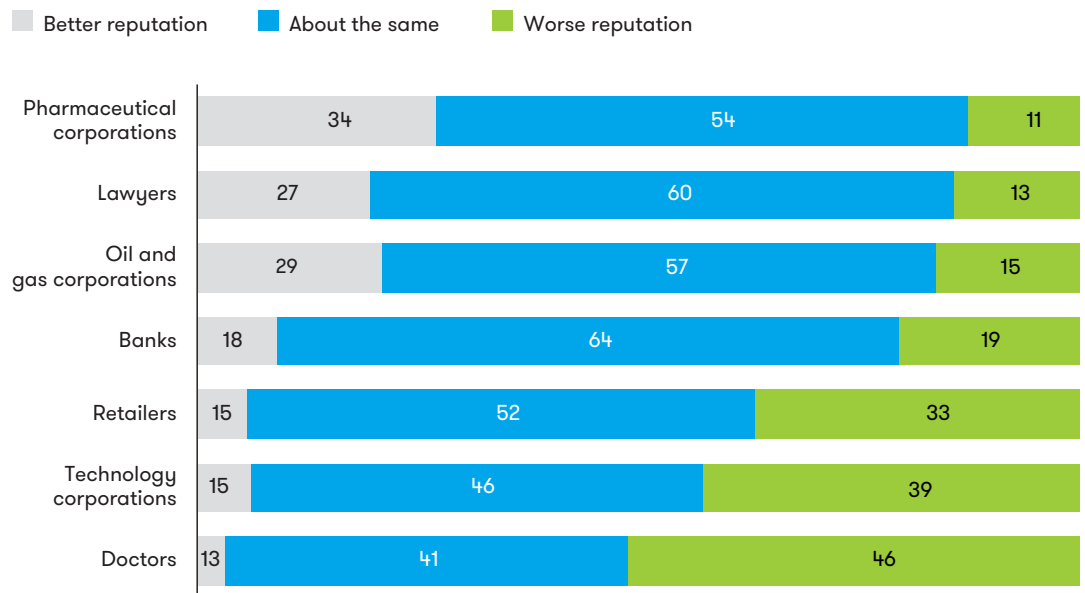


Vehicle and general insurance are most likely to have undergone customer turnover but have the longest holds.

Insurance's reputation is better than that of the pharmaceutical industry and the legal profession, but insurance customers see disparity between price and value

Overall, 42% of consumers responding to the survey rate the insurance industry's reputation as average, and 39% rate it as above average; however, consumers continue to regard the insurance industry with skepticism (**Figure 11**). More than half (57%) of consumers wouldn't recommend that their friends seek a job in the insurance industry, with the industry's bad reputation being the chief reason (36%) as shown in **Figure 12**. On the other hand, among the 43% that would recommend working in insurance, larger numbers identify the industry as economically sound, citing good pay (57%) and job security (52%). In terms of reputation, the insurance industry is roughly on a par with banking (about 65% say insurers' reputation is "about the same"), and better than that of pharmaceuticals, the legal profession and energy companies.

Q: In your view, how does the reputation of insurers compare to the following industry in the United States?



n=2,011.

Figure 11

Q: Would you recommend your child, family member or friend to work in the insurance industry?

More than half unwilling to recommend others to work in the U.S. insurance industry, but among those who do, pay and job security seen as positives.

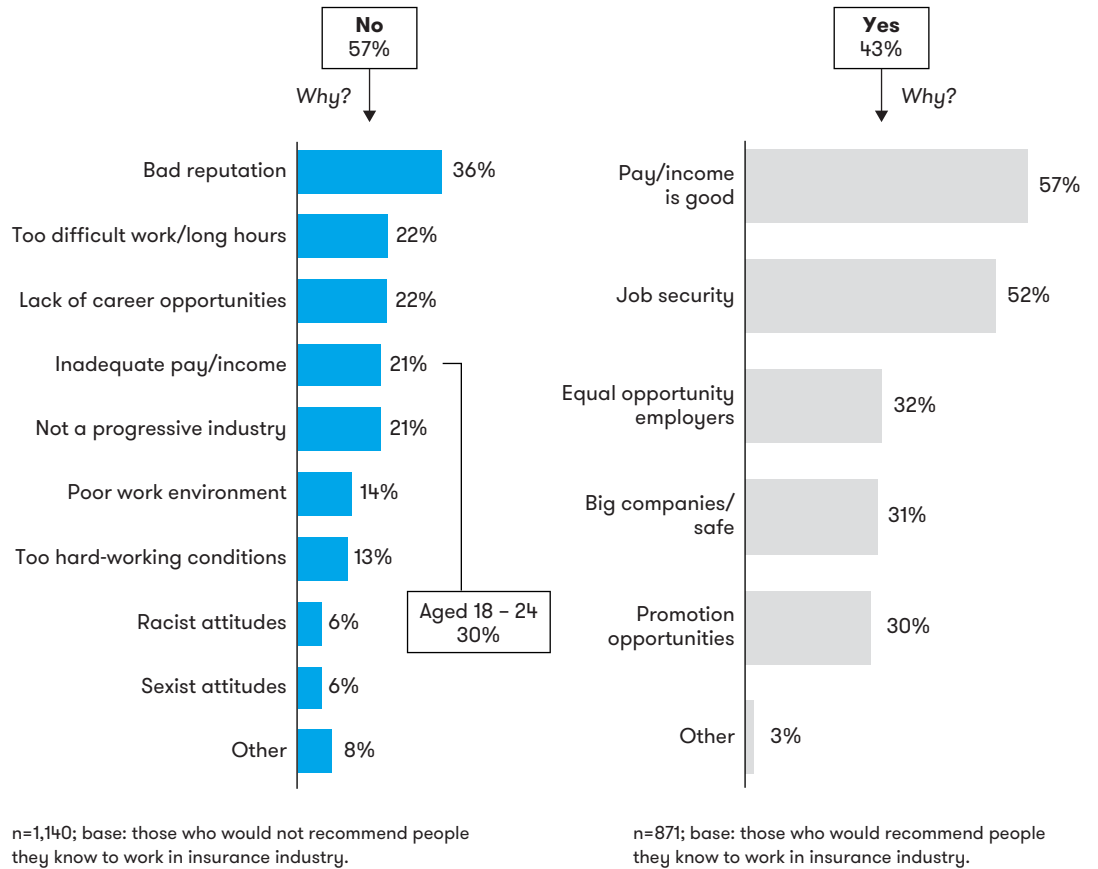
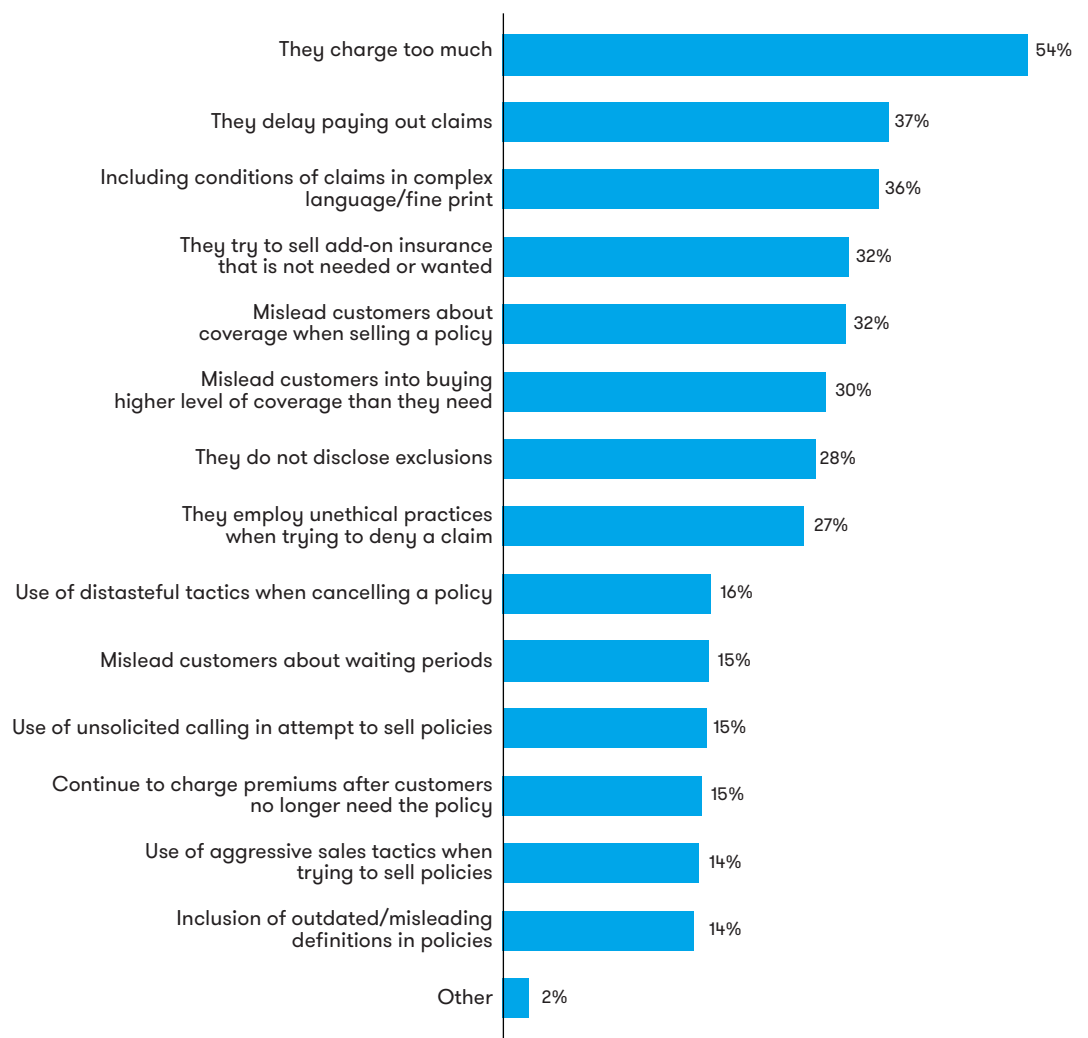


Figure 12

While consumers in the United States rate insurers' reputation similar to how they rate companies in other large/major industries, only two in five trust insurance companies to have their best interests at heart. Consumer distrust of insurance is significantly based on pricing and delays in claim payouts (**Figure 13**). Delays in claim payouts are the second biggest reason consumers think poorly of the insurance industry. Fifty-four percent say insurers charge too much. Among those who rate the industry as "poor," 65% say insurers charge too much.

Q: In your view, which of the following factors have lowered the insurance industry's reputation? (all respondents)



n=2,011.

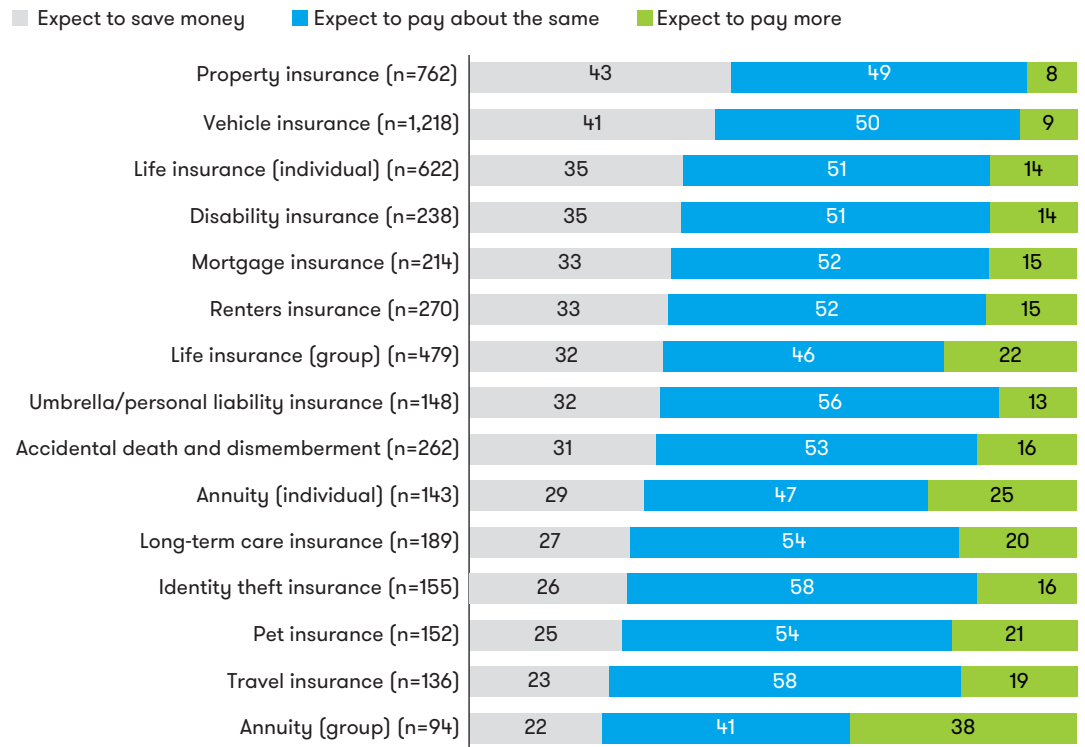
Figure 13

Fifty-four percent say insurers charge too much. Among those who rate the industry as "poor," 65% say insurers charge too much.

Digital dividends: Most consumers are ready for a digital experience

Two out of three consumers responding to the survey expect to pay the same or more for digital insurance services (**Figure 14**). In addition, 43% of consumers are comfortable with insurers using AI to provide more tailored policyholder services (57% for consumers under age 45). Nearly half are comfortable with smart technologies in the home and GPS tracking devices in cars (**Figure 15**). Perhaps most significantly, consumers understand the relationship between personal conduct and premiums, with more than half believing that lower premiums for “good” members of society are a good idea and that technology is a better identifier of such members (**Figure 16**).

Q: If your insurers adopted a more digital approach to providing service, how much do you believe this should impact the premiums you pay for the following?



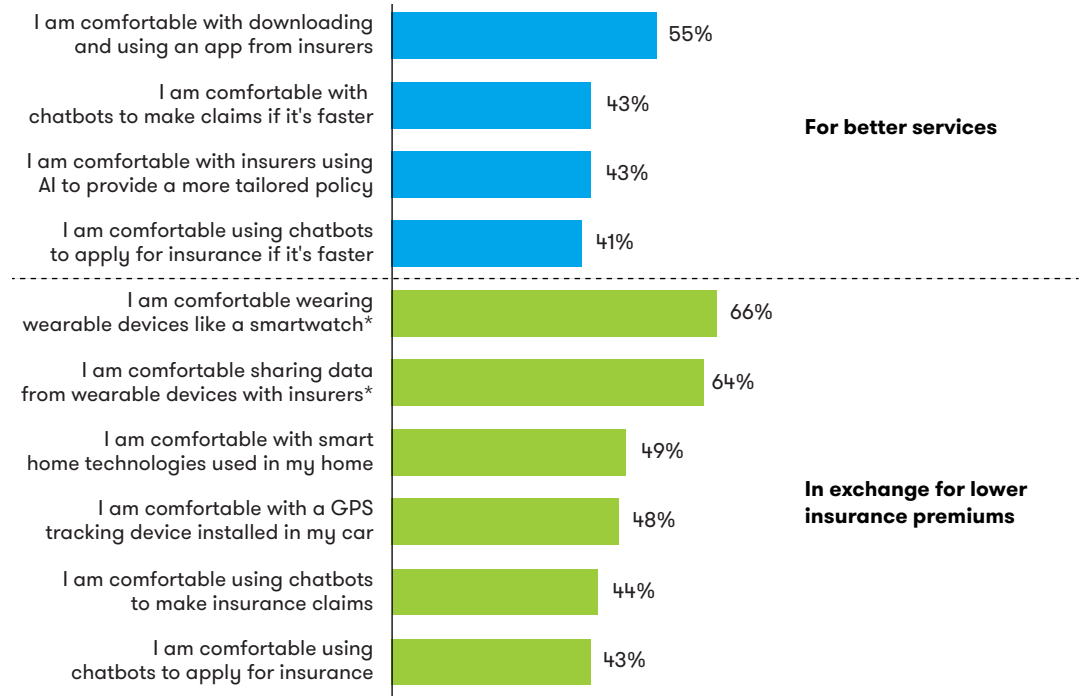
Insurance policyholders

Figure 14

Two out of three consumers responding to the survey expect to pay the same or more for digital insurance services.

More than 2 in 5 consumers in the United States are willing to use new technologies for improved services and lower premiums.

Q: Which of the following statements regarding technology use in insurance do you agree with?

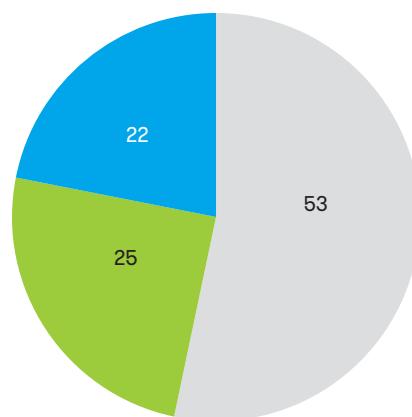


n=2,011; those rated 6 (somewhat agree) to 10 (totally agree) on a 11 points scale.
 * n=585; base: smart wrist wearable users.

Figure 15

Q: Should insurance policyholders who are good members of society (e.g., no criminal record, pay taxes on time, do charitable work, etc.) have lower premiums?

Yes No Not sure/maybe



n=2,011.

Figure 16

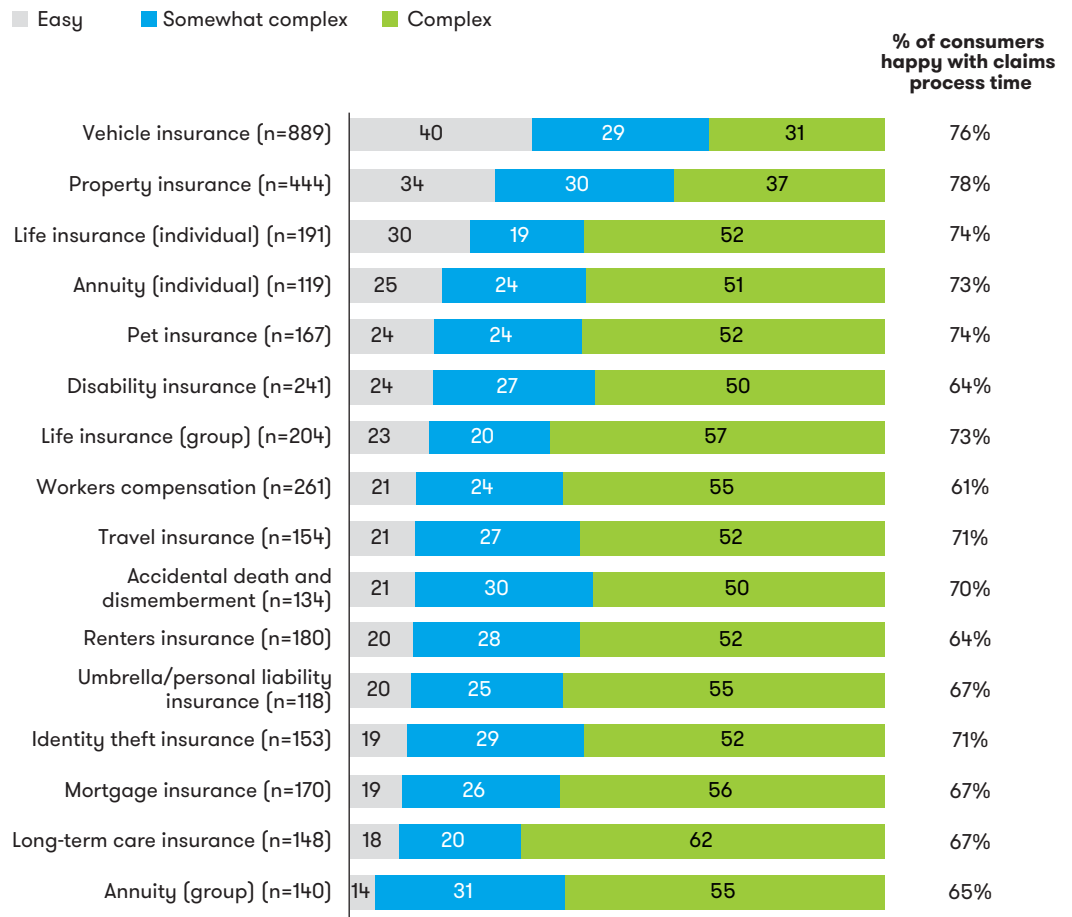
Consumers accept complex claims process and longer payout turnaround time — up to a point

Vehicle insurance seen as the easiest to claim; long-term care insurance seen as most complex to claim.

Consumers who responded to the survey say they are generally happy with the time it takes to pay out claims, particularly in the lines of business that account for most claims (**Figure 17**). Forty-five percent of respondents had made a vehicle insurance claim, and 76% were happy with the time it took to pay the claim. Twenty-three percent had made a property insurance claim, and 78% were happy. However, other lines weren't far behind. Individual life, pet insurance, group life, annuity, travel and identity theft all rate between 71% and 74% (74%, 74%, 73%, 73%, 71% and 71%, respectively).

Consumers found vehicle insurance the easiest to claim and long-term care the most complex. Group insurance was found the most troublesome when the insured was out of work or retired.

Q: How would you rate the insurance claims process for the following type of insurance claim?



Base: Those who claim the type of insurance.

Figure 17

Technology and consumer behavior are creating opportunities for insurers to offer new products and services

One in four consumers responding to the survey say they have lost digital assets worth an average of \$300. Twenty-five percent of consumers think people need cyber insurance — a figure that rises to 41% among those who have lost something. Consumers are reluctant to pay for cyber insurance, but one in three would like it bundled with their property insurance (**Figure 18**).

More than half of rideshare workers (53%) are interested in disability coverage, along with 49% of delivery drivers. More than one in three (38%) gig economy workers are interested in pay-per-hour insurance. Sixty-one percent of sharing economy landlords have made insurance claims as a result of tenants damaging their property.

Q: Would you purchase cyber insurance if it was a small additional fee on your property insurance?

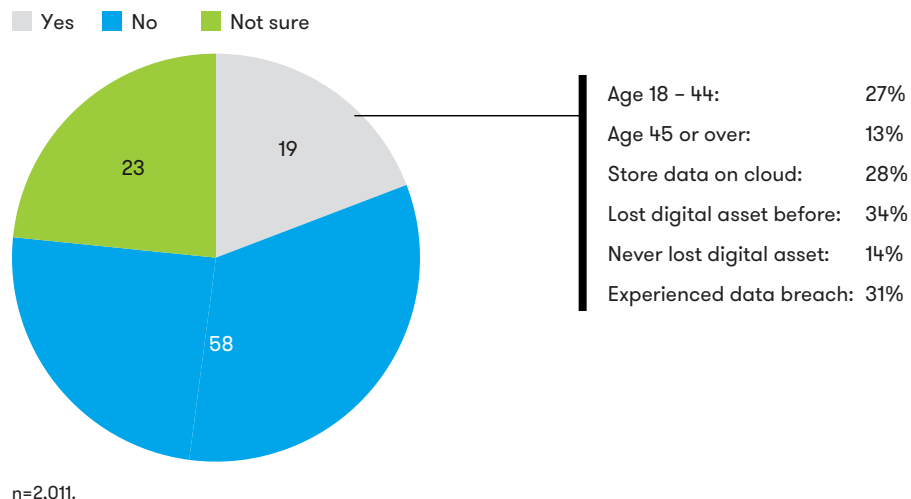


Figure 18

Only 1 in 5 willing to pay for cyber insurance, but 1 in 3 looking for it to be part of their property insurance.

Recommendations

With the changes brought on by the events of 2020, digital has become the epicenter of engaging with consumers. Customers' expectations and the pressure of keeping up with technology constitute challenges for insurers, but they also present new opportunities. The following are our recommendations for ways insurers can take advantage of consumer appetite for digital solutions while continuing the journey of digital transformation.

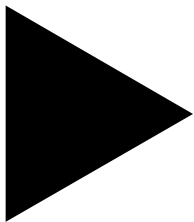
Accelerate delivery of digital capabilities for a more personalized customer experience.

Insurers that provide a digital experience on par with retail and other industries can increase customer loyalty. Consumers aged 18 – 44 represent a key underserved market and are most receptive to digital. Therefore, insurers that want to sell to that age group must employ digital avenues for engagement. More than 40% of consumers are comfortable with insurers using AI to provide more tailored policyholder services; therefore, insurers should accelerate the adoption of technologies such as AI, machine learning and robotic process automation, and employ solutions that simultaneously improve customer experience while increasing efficiency. For example, a life insurer could provide policyholders with an app-based, wellness-related gamification experience that rewards the insured when milestones are met. The insurer thereby benefits from mitigating potential short-term risk, and the insured enjoys a highly personalized digital experience that may lead to better health.

Prepare for new types of customer data and data security. Customers' willingness to share data will change how products are underwritten, allow insurers to better understand their customers, and enable the creation and accurate pricing of new tailored products and services. Accurate pricing with data also allows insurers to target new markets, for example, individuals who may have chronic diseases such as diabetes or hypertension but are health-conscious. Insurers need to prepare for the storage and distribution of new types and greater volumes of customer data. Along with greater use of customer data comes increased responsibility for protecting that data. Insurers should look to partners to help them manage constantly shifting data security needs and also meet compliance demands in the jurisdictions in which they do business. This is of particular importance today, given California's new data privacy laws, which bring the United States closer to the rules of the European Union's General Data Protection Regulation (GDPR).

Build and leverage a partner ecosystem. To keep up with the accelerating demands of customers and competitive table stakes, insurers must rely on an ecosystem of partners and services. Leveraging a strategic partner to manage and curate insurtechs lowers insurers' risks. Partner management and curation of available capabilities are becoming increasingly important skills in an insurer's IT organization, as internal staff focuses on strategic differentiation. Insurers should take advantage of the burgeoning insurtech movement to provide a variety of services to clients and distribution partners, as well as leverage software and infrastructure/cloud providers.

Commit to product innovation. Technology is changing consumer behavior both at work and during leisure time, creating new risks and new opportunities for insurers to address them. Insurers should explore new types of products, such as temporary, on-demand coverage and parametric policies. Insurers should also explore new combinations of products, as customers may be interested in bundled products they would be unlikely to purchase separately. Finally, insurers must simplify offerings to create genuinely digital products. Policy details must be redesigned and reformatted for informative simplicity, so that customers can quickly make a buy/no-buy decision. For example, one insurance company launched a comprehensive insurance product for small businesses that combines multiple coverages. The new product detail is only three pages long and links coverage for worker's compensation, liability, property and auto insurance.



Embrace a broadened concept of the insurer/customer relationship. Consumers' desire for a digital customer experience is an opportunity to make the carrier/policyholder experience more intimate, with more frequent touchpoints. Instead of a relationship built on one-off traditional product sales, insurers should aspire to serve as risk management and wellness consultants to their policyholders. This means not only helping customers to better understand and manage their risks through products and services, but also educating them about how insurance works. While the basic traditional value proposition of insurance has long been clear — protecting against potential loss — how it actually operates has remained mysterious to consumers. The emerging insurer/customer relationship will be one where insurers provide transparency into what is covered and why. It will also be one where both parties will interact with greater frequency and a mutual understanding of what measures and behaviors will decrease risk and the potential for loss, and thereby how these things affect premium cost. Digital investment can help deepen the customer relationship and provide the transparency that customers are looking for.

By embracing new technologies, infrastructure and partner solutions, insurers can transcend the traditional insurance proposition to become proactive partners in helping customers manage risk, prevent losses and improve holistic wellness.

For additional results or more detailed information about this survey, contact your DXC sales representative.

At DXC, we are committed to helping insurers reach new, digitally savvy consumers and gain a competitive edge. This is all possible through our suite of technology and business process services, tools and capabilities in the DXC enterprise technology stack, which helps insurers optimize legacy technology while harnessing all that comes with a digital future. Together, we can thrive on change.

Does your organization have what it takes to succeed in the world of digital insurance? Benchmark your digital maturity against that of your insurance industry peers. Access **DXC's digital insurance IQ assessment tool** (www.dxc.technology/insurance-assessment) to find out. Then determine the best way forward on your journey to a fully digital insurance operation.

Learn more at www.dxc.technology/insurance

Methodology used in this study

- DXC's insurance survey conducted by Telsyte is based on a survey of 2,011 U.S. consumers aged 18 and over conducted during October 2019.
- The sample was stratified to the U.S. population, and survey results were weighted to U.S. Census Bureau statistics for age, gender and location.
- The population (18 years of age and older) is measured at 256.0 million, according to U.S. Census Bureau and Telsyte estimates.
- The survey had a confidence interval of +/- 2.19, with a confidence level of 95%.
- The survey was conducted with a paid consumer research-only panel (not used for marketing) that adheres to industry best practices.
- The survey took 45 – 50 minutes to complete.
- Interviews were conducted via an online survey. Telsyte acknowledges and is comfortable with any biases that might have arisen as a result of an online survey. All care has been taken, and after comparing key findings to industry statistics published by the U.S. Census Bureau and other industry bodies (e.g., broadband and mobile market shares), Telsyte is confident with the sample's representativeness.
- In addition, Telsyte analysts conduct ongoing desk and media secondary research to monitor developments across vendors and geographies.

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