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Insurance power shift

POST-COVID: PEOPLE BECOME MORE SPECIFIC ABOUT THEIR NEEDS

➳ Consumers struggling to recover from recession, pandemic looking to cut costs.

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Moneyweb

No single event in modern history has had the profound impact on consumerism that the Covid pandemic has.

Not only has consumerism moved from physical stores to online platforms, but discretionary spending has also come under pressure. This has forced many consumers to take a long look at their budgets, where tough calls are made on what were once necessity items.

Studies throughout history have proven that during times of economic recession, spending on items such as insurance takes a significant downturn. The impact of the current crisis is that consumers are more critical about what they are spending their money on and they are more active when it comes to managing their risk profiles.

Wynand van Vuuren, head of client experience at King Price Insurance, says the pandemic has had a profound impact on the short-term insurance industry.

"We're seeing two main effects. The first is that many consumers are struggling to recover from the double whammy of the recession and the financial impact of the pandemic. They are looking for ways to cut costs out of their budgets," says Van Vuuren.

"Insurance premiums are often an easy target. However, that leaves the public exposed in the event of accidents or incidents."

Ironically, the second effect is a greater awareness than ever of the need for insurance, as people re-evaluate their finances and their lives post-Covid.

WASHED UP

A fireman inspects the damage caused by a landslide in Laglio, northern Italy yesterday, after heavy rain caused floods in towns surrounding Lake Como. Picture: AFP

Insurance needs to cater for clients' specific risks.

Wynand van Vuuren
Head of client experience
King Price Insurance.

"There is a clear need from consumers to know exactly what their risks are, how they can reduce the likelihood of these risks having a material impact on their lives and how they can reduce their impact if they do occur," says Van Vuuren.

In the past, insurers presented a blanket offering of products designed to cater for the demand that was driven by the market at the time. The pandemic has seen the rise of the hyper-personalised consumer. Consumers feel if they are spending money on an insurance-based product, it needs to cater for their specific risks.

"People don't want to pay full premiums for assets that are standing idle or are being used infrequently.

"A growing number of companies are bringing usage-based products to market, basing premiums on the number of kilometres clients drive per month, the value of their cars and their personal-risk profiles."

Van Vuuren adds that consumers are the real drivers of change. Technology is the enabler, but clients are the disruptors.

While insurers have always developed their product with clients in mind, there has been a shift towards enhancing customer experience as a way to retain loyalty.

"Clients want easy-to-understand product comparisons, and slick digital application and self-service capabilities.

"They want rapid, automated underwriting that makes onboarding easy, with their risks assessed quickly and painlessly.

"They want to be able to claim via an app, if necessary, with claims assessed by [artificial intelligence] based on their risk profile.

"Most of all, they want to pay premiums that reflect their own risk profiles, and not that of a broader pool."

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