Europe

# Voice of the customer
# Time for insurers to rethink their relationships

Global Consumer Insurance Survey 2012

Ernst & Young
Quality In Everything We Do

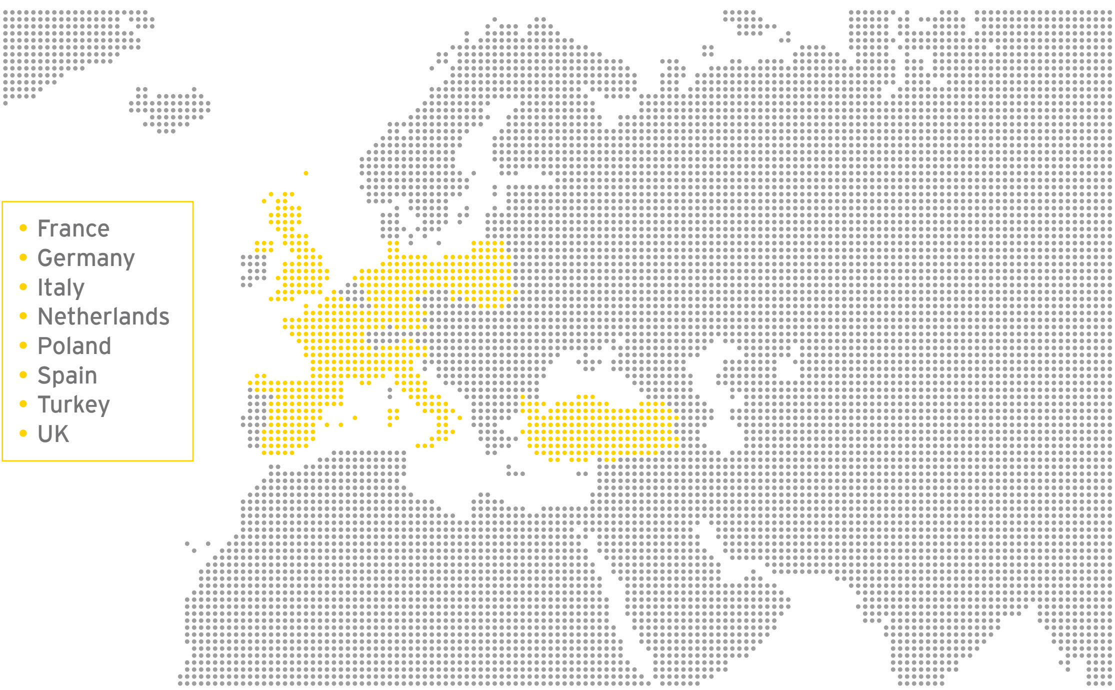
Contents

# Global Consumer Insurance Survey 2012 — Europe

Faced with the unprecedented challenges of troubled financial markets, changing regulatory oversight and economic uncertainty, there is a risk that some insurers may not be listening and responding to the most important voice of all — that of their customers. For any insurer hoping to navigate through this difficult time, understanding how customer behaviors and attitudes are changing is critical. Previous assumptions and received wisdom about customers may no longer be reliable, and those insurers who are able to respond best to what customers want now are most likely to succeed.

In light of this, Ernst & Young conducted a groundbreaking survey of insurance customers. Working with the research firm Ipsos, we set out to test the received wisdom by interviewing 8,532 consumers of life and non-life personal insurance products in Europe between August and October 2011, as part of a global survey covering 23 countries in seven regions around the world.[1]

| 24,000 | 7 | 23 |
|---|---|---|
| Global customers | Global regions | Countries |




[1] For a full description of the global methodology used to create this report, please see page 31.

# Executive summary

The countries selected for the survey vary considerably in economic and demographic characteristics, and this will inevitably impact the insurance opportunities in each country. However, we found some remarkable consistency in underlying customer motives and preferences, albeit manifested in different behavior in different markets or geographies. The explosion of the internet and globalized social media has enabled customers to interact with insurers in a far richer way, giving rise to a greater level of self-confidence and appetite for self-help across financial services as a whole. We believe a better understanding of these underlying customer motives will better enable insurers to design propositions and operations that appeal to customers and therefore to compete and grow.

The European survey covered eight countries — France, Germany, Italy, Netherlands, Poland, Spain, Turkey and UK. Although relatively prosperous compared to most of the other regions we surveyed, wealth and demographic differences can still be quite stark. The countries range widely in wealth: for example, Germany has nearly three times the GDP per capita of Turkey. Differences in demographics also drive market dynamics and proposition design: for example 54% of the population of Turkey is under 30, compared to Italy, where just 31% is under 30.[1] Customer behavior is also influenced by the current level of insurance penetration: for example, in Poland, life insurance premiums account for 1.9% of GDP, whereas in the UK, this figure is 9.5% of GDP.[2]

One consistent feature is that compulsion exists in all the European countries we surveyed for motor insurance and, to varying degrees, for second-tier pension provision. We also found that all the European countries had competitive insurance markets with relatively low levels of concentration. For non-life insurance, Italy and Poland were most concentrated with just over 50% of the market controlled by the largest three companies. For the life market, Poland and Turkey crept over the 50% level of market concentrated into the top three firms. [3]

This complexity of market structure, legislative environment and demographics means that insurers need a detailed understanding of customer behavior, if they are to avoid falling into the trap of relying on out-of -date assumptions. We therefore set out to explore customers' attitudes and behaviors today, to separate myth from reality and provide some hard evidence of what customers want now.

**European life and pensions key findings**

- The good news is that consumers appear more confident in the industry than might be expected, particularly following the financial crisis that began in 2008. But there is no room for complacency.
- The internet is transforming consumer offerings in other industries. There is now far more information available to allow customers to compare products and prices and obtain independent opinions before purchasing. Consumers now expect the same from life and pensions and plan to do more independent research even though they may often continue to use an advisor to complete the purchase.
- The same trend means consumers are demanding greater simplicity and transparency to help them make better-informed decisions when purchasing, rather than relying on providers and intermediaries to know what's right for them. They are accustomed to companies responding to their changing needs and expect the same from insurers.
- Consumers are willing, and indeed prefer, to buy more from companies they trust and make things convenient for them. However, they expect companies to deliver and to reward their loyalty. Customers see the insurance industry lagging other sectors on service delivery and rewarding loyalty, so insurers need to do more to earn customers' trust and loyalty if they want to build long-term relationships.
- Providers can be more effective in retaining customers — particularly by meeting their changing needs and improving the quality of customer relationships.

**The combined impact of these findings is simple but profound: insurers need to become as customer-focused as other consumer businesses and deliver a genuinely customer-centric experience. This means:**

- Providing simple and transparent products that customers can buy with confidence
- Making it easy to access relevant products and information throughout the product life cycle, particularly online
- Building trust by delivering a great customer experience and responding to customers' changing needs throughout the life cycle
- Rewarding customer loyalty, particularly when offering additional products

1. Ernst & Young analysis of United Nations World Population Prospects 2010 revision.
2. Ernst & Young analysis of Swiss Re Sigma Report No. 2/11 *World insurance in 2010.*
3. Ernst & Young analysis of BMI Insurance country reports, Datamonitor country reports and Mapfre report *The Spanish Insurance market.*

**European non-life insurance key findings**

- In the non-life insurance market, consumer motives are surprisingly global: regardless of territory, customers are driven by convenience and value.
- Convenience, however, is complex — it includes customers being able, easily, to research and buy when they want. This has driven the growth of provider direct and third-party online websites. But convenience also includes avoiding problems later on — with cover, service or technology — and this means that some customers still rely on tried and tested channels such as agents, family advice or trusted brands.
- One aspect of convenience is that customers expect a high level of service from providers. A good claims experience is expected but will not drive improved customer loyalty. Bad claims experience, however, will drive down retention and diminish brand value.
- The desire for convenience, however, presents opportunities for repeat and additional sales. Customers are willing to buy multiple products from the same trusted provider and are also willing to renew their existing cover if insurers make the effort to retain their business, but they don't see insurers actually making this effort.
- Value is about more than just price; it reflects a balance, product features and service, which varies by market and customer type. While price is the most important in motor insurance, quality is a larger issue with health insurance, while the complexity of home insurance leads many customers to look for brand recognition.

**The overall conclusion from these findings is that in a part-online, part-offline world, characterized by complex customer segmentation, delivering convenience and value has become more complicated. For non-life insurers, meeting this challenge means:**

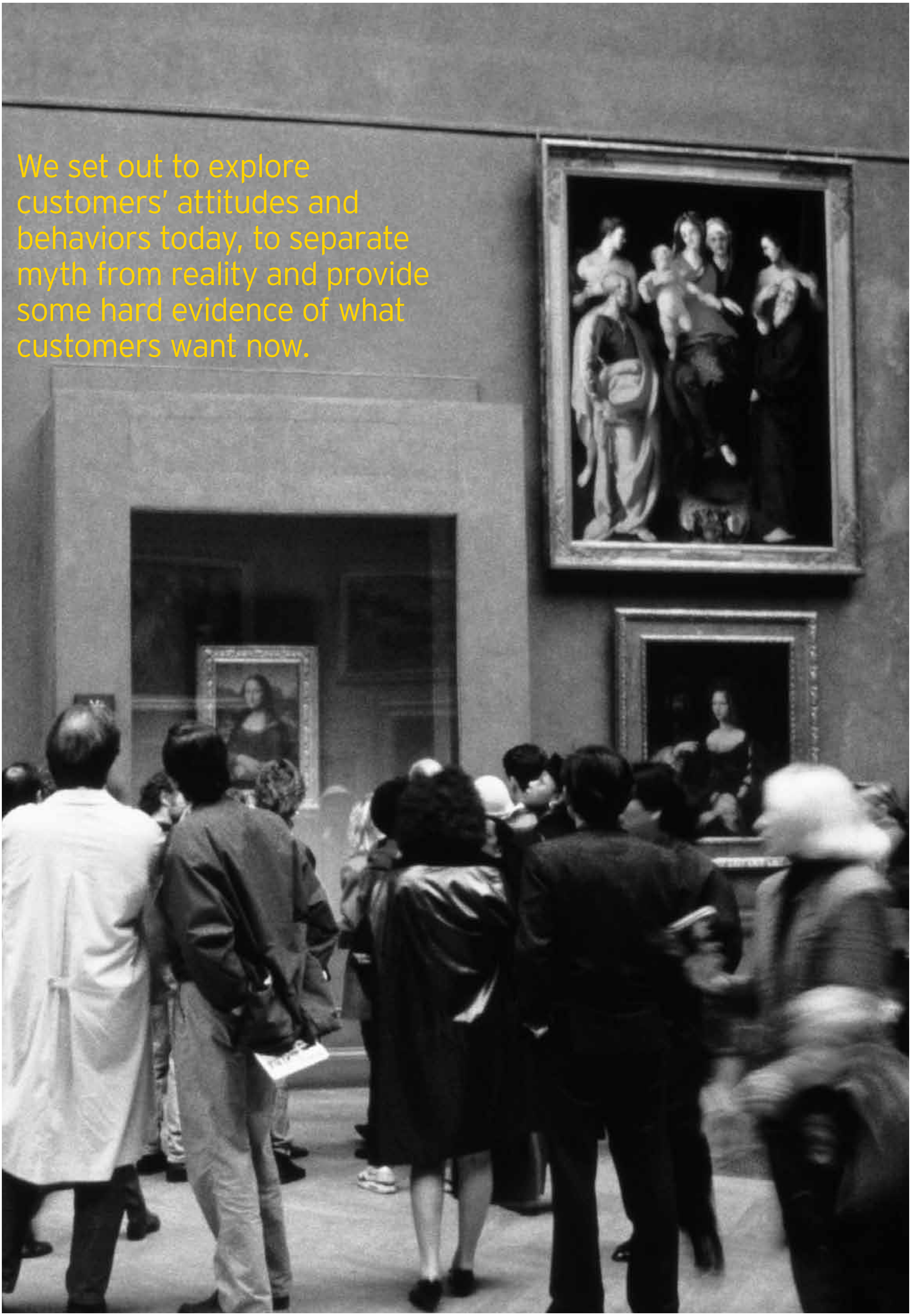
- Integrating online and offline channels seamlessly to meet changing customer needs over the product life cycle
- Ensuring technology is integrated across several different communication channels serving both sales and back-office functions
- Making sales and renewal simple and convenient for customers across whichever channel or medium they chose
- Understanding how to personalize service and show customers they are valued, particularly in an ever more digital environment
- Understanding the cost to serve the many customer micro segments to understand how service expectations and profitability differ
- Developing and managing brand(s) to ensure they support key value messages and that they are given sufficient management and protection in the digital world

We hope you will find this research useful in shaping your customer strategies and considering how you shape your business going forward.

If you would like more information, and to review the detailed findings, please contact your usual client service partner, or go to www.ey.com/insurance.

Geoffrey Godding

**Geoffrey Godding**
Partner, EMEIA Insurance
Ernst & Young LLP



We set out to explore customers' attitudes and behaviors today, to separate myth from reality and provide some hard evidence of what customers want now.

01

## Life and pensions (including investments)

While there is some truth in the received wisdom around how life and pensions products are bought and sold, the reality is more complex. Understanding customers' current attitudes and behaviors will help insurers determine what they can do better or differently to attract consumers, deepen and retain relationships and unlock greater customer lifetime value.

**Our survey explores the following myths:**

**1.** Customers have low confidence in the life and pensions industry
**2.** Life insurance is sold, not bought
**3.** Personal interaction is essential
**4.** It's hard to cross-sell to existing customers
**5.** Providers can't influence persistency

Myth 1

# Customers have low confidence in the life and pensions industry

Received wisdom is that the financial crisis has created mistrust of financial services, and a perception that all financial services companies are untrustworthy. Our research indicates that this is not the case in the insurance sector.

**European customers are generally satisfied and confident**

Most customers have a surprisingly positive view of the insurance industry. The findings show that, in virtually every country, most customers are confident that the product they have bought meets their needs – 79% on average in Europe, with only 16% saying they are not very, or not at all, confident.

Customers are also generally satisfied with the service that insurers are providing. The overall mean customer satisfaction rating for the industry is 7/10, with relatively consistent ratings across the region, ranging from 6.6/10 (Italy) to 7.3/10 (UK).

We also found that, perhaps surprisingly, the financial crisis has had limited impact on customers' attitudes to risk: 54% say their attitude to risk hasn't changed in the last two years, while 30% are more conservative and 8% are more likely to take risk.

**There is room for improvement compared to other industries**

Despite this general satisfaction, customers believe the industry performs less well compared to others in terms of providing customer service and rewarding customer loyalty. Overall, a net 18% agree with the statement that the industry is behind others in quality of service. On rewarding loyalty, the finding is stronger with a net 42% agreeing the industry is trailing others. These perceived shortcomings are strongest in Italy with respect to providing service and strongest in Poland with regard to rewarding loyalty.

Customers want the industry to serve them better. The top service improvements mentioned by European customers are: more easily accessible and more transparent information (28%); having a named contact to deal with (26%); and access to information online (24%). These findings show that the industry could do more to bring itself into the 21st century.

In addition, for the minority (16%) of customers who aren't confident that they have the right product, the main reasons are lack of information and understanding. This suggests the industry could do more to improve clarity of communication and information about products.

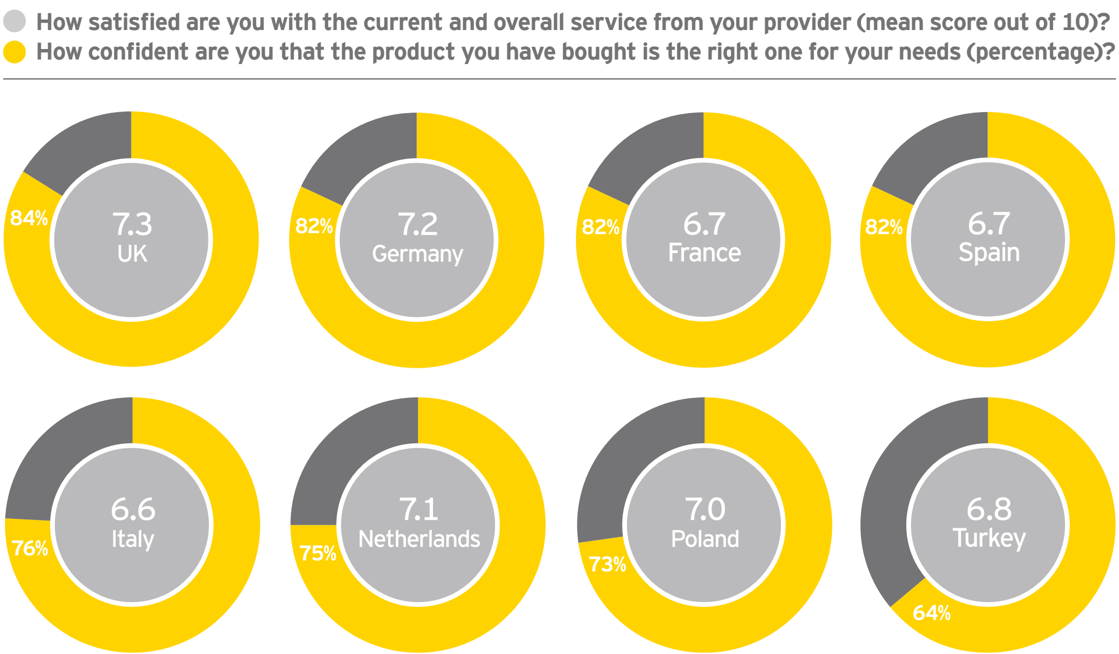
**Implications for insurers**

**Benchmarking against other sectors is necessary**

These findings are positive for the industry, but are not grounds for complacency. Customers judge insurers against other consumer industries: they expect comparable standards of service and rewards for loyalty, like those they already receive from non-financial services companies. Insurers need continually to evolve customer propositions to meet changing needs and expectations, particularly for improved information and transparency. This message is reinforced by findings later in this report (see pages 10 and 11).

**Quality of online offering needs to improve**

This is particularly the case where ease of online access is concerned. Customers who are used to genuinely customer-centric business models, such as those of pure internet businesses, will increasingly demand similar engagement with insurers: access when and where they demand it; intelligent use of their data to personalize the service and respond to their needs; access to objective customer-driven information to support purchase decisions; and rewards for loyalty.



# Life insurance is sold, not bought

Received wisdom is that because of a lack of customer knowledge and confidence, life insurance products are "sold" to consumers – the purchasing decision is not customer-driven. Our research indicates that for a growing minority of consumers, this is not the case.

**27%**

of respondents on average across Europe say that they conducted a fair or great deal of research.

**Customers expect to do a lot more research in the future**

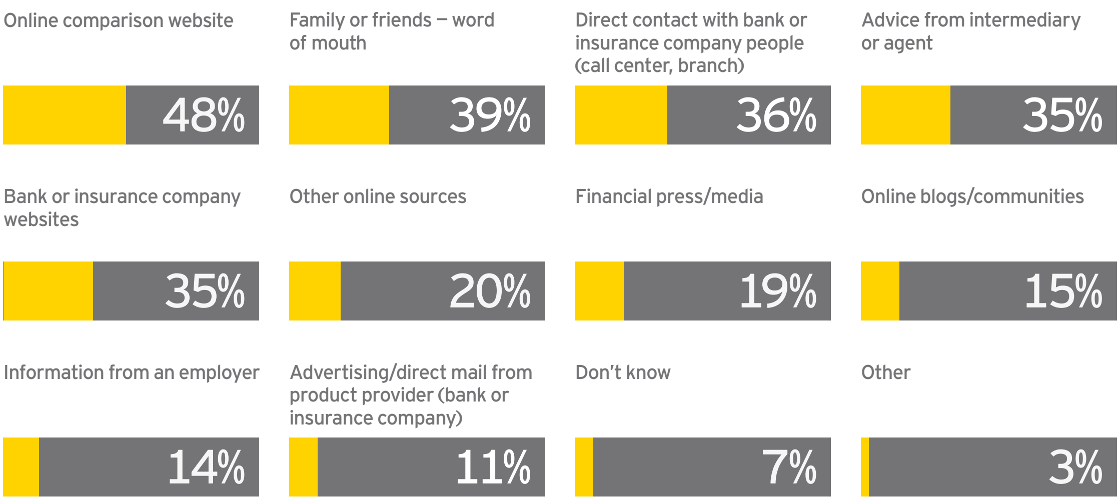
Despite this very persistent belief, we found strong evidence that customers want to take more control when buying life and pensions products. Although customers may lack knowledge, the survey reveals that they are increasingly seeking information themselves, rather than simply relying on being "sold to."

Customers have a greater willingness to conduct research themselves before future purchases, particularly online and other objective sources. For previous purchases, only 27% of respondents on average across Europe say that they conducted a fair or great deal of research. For future purchases, however, 65% expect to conduct that level of research. Although this varies by country, the direction is the same in all countries. For example, the lowest scores for current/future buyer research are in France (10%/44%), while the highest scores (41%/80%) are in Turkey.

Differences in customer behavior can be explained by cultural or regulatory factors. In France, there is a compulsory "duty to advise" placed on insurance providers, which means they must make sure that their clients are well-informed regarding the type of product they are buying. Providers must complete a formal questionnaire with clients to determine their risk profile and appetite for risk.

In the Netherlands, the proportion expecting to conduct significant research in the future (53%) is the second lowest, which can also be explained by the significance of employer-based schemes. Although not mandatory, pensions form part of employee benefits packages, with employers paying virtually all the fees associated with the scheme. This provides a strong economic incentive to choose the employer scheme, particularly given low levels of state pension provision. Similarly, life insurance is often a condition of obtaining a mortgage, and therefore, combined selling is widespread.

**Which sources of information would you use when researching a new policy?**



**Use of online information sources is increasing**
Customers want to use sources they can trust – without risk of sales bias. In the past, customers often used friends and family as their trusted reference points. Although this is still important, the survey shows willingness to use online sources, which they perceive to be objective, for future research. These include comparison sites, blogs and social media. Advice from an agent is still mentioned as a frequently consulted source, but it is only one of a wide range of sources consulted.

Our findings on information sources vary by product. Unsurprisingly, given that pensions are often provided through the workplace, customers are more likely to use information from the employer when researching pensions. Comparison sites score more highly for commodity products – including life protection and annuities. Direct contact with a bank or insurance company scores more highly for investment products. Younger people generally show a stronger preference for online sources, but older customers also cite these as important sources that they would consult.

**Customers understand their needs and what products should do**
Customers have a clear understanding of the financial needs they want their products to meet, and this shows a logical variance by life stage. In their research, customers are looking for factual information to confirm they are selecting the right product to meet their needs. The top three factors customers identified were: financial stability (48%); product features (48%); product track record (37%). Factors such as brand or advisor recommendation are less important. This shows that customers are less influenced by providers' own claims or the recommendation of a salesperson, which could be biased; they want objective information to ensure that they make the right choice.

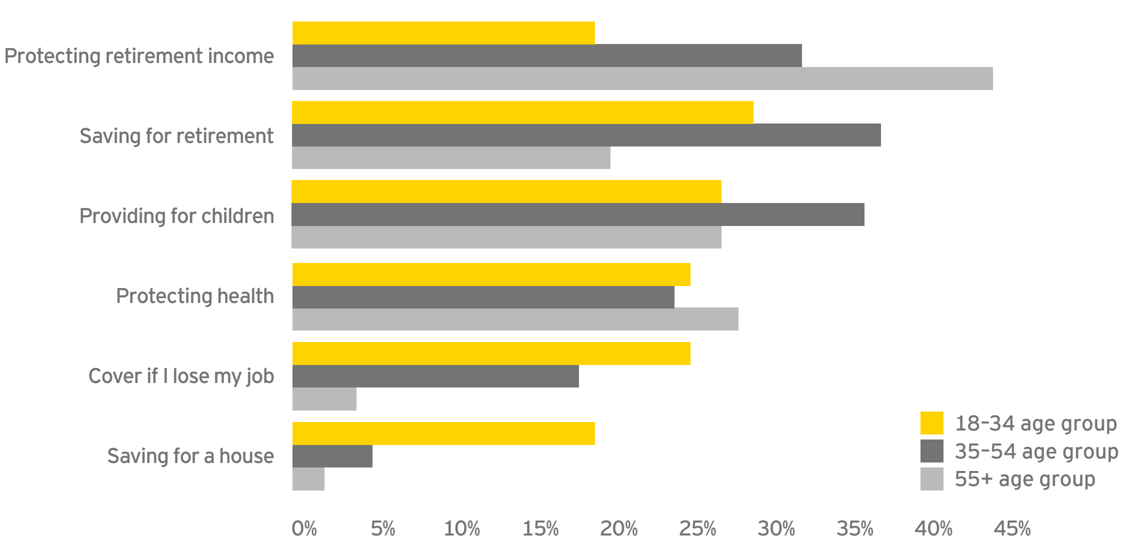
Unsurprisingly, given the current uncertainty surrounding the financial system and the long-term nature of life and pension products, customers also consider the financial stability of their insurer to be very important.

**Implications for insurers**

**Influencing objective sources is critical**
Traditional marketing and distribution methods are not well suited to the emerging customer trend of researching before purchasing, using objective and independent sources. The challenge for insurers is how to communicate their propositions so that objective sources represent them fairly, allowing the customer to make a well-informed choice.

**Actions speak louder than words**
This goes beyond simple advertising. Getting the right message across to customers on internet-based information sources is a new challenge, to which other consumer industries are already responding. Insurers need to consider how they can simplify and demystify products and ensure they consistently deliver the service customers expect, so that independent commentators (including their own customers) comment positively about the company and its products through the independent sources. Simply telling customers how good you are can't do this; you need to prove it by what you do and how you do it.

**What is most important to you financially? (Top two requested)**



# Personal interaction is essential

Received wisdom is that personal interaction is essential to educate customers about their financial needs and explain which products to buy. Our research indicates that this largely remains the case, but some customers are becoming more self-directed.

**46%**
of customers say they would not pay for advice from agents or intermediaries.

**Personal interaction remains important for most customers**
Our research demonstrates that the received wisdom that customers need personal interaction remains largely true. Most customers still lack confidence to buy without assistance. The two most common reasons cited for the continuing use of advisors in Europe are that products are too technical and complicated and that customers feel they need expert advice when making important financial decisions.

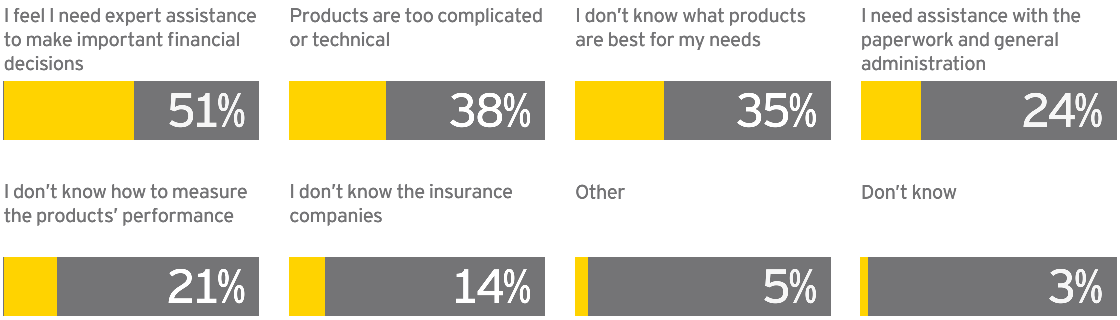
Fifty-one percent of customers who seek expert assistance prefer to buy through intermediaries representing more than one company, and only 20% prefer a single representative from a single company. This suggests that they feel they will receive more objective advice where there is a choice of provider.

Despite the need for expert assistance, customers are reluctant to pay for advice. Across Europe, 46% of customers say they would not pay for advice from agents or intermediaries, while 18% are happy to pay commission and 10% an upfront fee, and 11% say they would pay a combination of fee and commission. Of those surveyed, 11% even think that the advice is free of charge. This suggests many customers don't really understand the cost, or appreciate the value, of advice. This problem may be exacerbated as regulators around the globe move to increase transparency of advisor remuneration and even in some cases ban commissions altogether. In the UK, for example, after implementation of the Retail Distribution Review (RDR), insurers will no longer be able to pay commissions to advisors for the sale of investment products.

**Some customers prefer to take complete control**
Our findings also show that a significant minority – on average 14% of people – no longer consider personal interaction important. Although this segment is similar across the age groups, it is slightly higher at 19% for higher income customers, suggesting they have more confidence to buy without assistance and prefer to avoid using an intermediary. It is also higher in Northern European countries – 20% in the UK, 19% in the Netherlands and 17% in Germany – compared to Southern Europe – 10% in Spain, 9% in France and 8% in Turkey. These customers want complete control over the buying process and don't want to be subjected to sales pressure. They also feel it is more convenient and they will get a better deal buying this way.

A further nuance to the European picture of personal interaction is the role of workplace marketing. Many customers already use the workplace as a channel, primarily for pension products, but also for other products linked to employee benefits, such as life cover. This is mainly driven by employer incentives, such as employer contributions into the pension scheme. As these purchases are generally driven by the employment relationship, customers are less likely to have received advice or to have done much research before purchasing: the employer endorsement and incentives are the main motivating factors.

**Why is personal interaction important to you?**



## Implications for insurers

**Sales channels need to focus on where they really add value to the end customer**

Given the continued need for personal interaction by the majority of European customers, insurers need to ensure their sales channels are effective at delivering what these customers need – in particular, providing the right expertise to help people make well-informed financial decisions. This will be helped by greater transparency in the advice process and in product design.

Forthcoming regulatory changes in Europe recognize the asymmetry of information that exists between providers and consumers of financial products. Changes to the distribution of retail financial products in the UK and the Netherlands, as well as wider EU regulation (PRIPs, IMD and MIFID II), will require insurers and advisors to provide better information and transparency on products and the advice process. But given the reluctance of many customers to pay for advice, sales channels will have to make a convincing case that advice is valuable or risk losing business. This is reinforced by the earlier finding that customers are increasingly doing their own research. Intermediaries – and the insurers that rely on them to distribute their products – need to be clear on where the value is being added in advising customers and distributing products, and whether current payment mechanisms (such as commission or fees) are properly aligned to the value being delivered to the end customer.

**Personal interaction can be delivered remotely, at lower cost**

Of course, personal interaction doesn't necessarily mean face-to-face contact. Telephone contact can be appropriate for some transactions, provided it builds the necessary customer confidence. Increasingly, web-based chat/video interaction is becoming acceptable, leading to much richer opportunities for remotely delivered personal interaction. Insurers may be able to develop new, lower-cost ways of interacting with customers that meet the need for personalized contact without the requirement for expensive face-to-face channels. This could be important as the cost of advice becomes more transparent to customers.

**Insurers can't afford to ignore the new breed of independent consumer**

Insurers also need to recognize the importance of customers who are confident to buy on their own, and respond to this segment's needs. These customers are looking for good value products that they can buy directly, preferably over the internet. New, mainly online, products are emerging to target this segment – particularly in the wealth management space and for buying simple life-protection products – using approaches similar to non-life insurance comparison sites. This sales route may take an increasing share of the market, so insurers need to respond to this trend if they want to maintain market share.

**Why is personal interaction not important to you?**

# It's hard to cross-sell to existing customers

Received wisdom is that customers are reluctant to buy more products from the same provider. Our research shows that while current cross-selling levels are low, customers are willing to buy more products.

**19%**
of those surveyed have bought more than one product from the same provider.

**Cross-selling is low**
On average across the region, only 19% of those surveyed have bought more than one product from the same provider. This varies from a high of 25% in Italy, where strong bancassurance relationships probably drive higher cross-sales, to a low of 11% in the UK, which is dominated by independent advisors who select from a wide range of providers.

**Satisfied customers will buy more – and respond to incentives**
Across Europe, trust in the provider and convenience are the main factors driving repeat purchases. This suggests that insurers who build trusted relationships with customers and make it easy for them to buy will sell more.

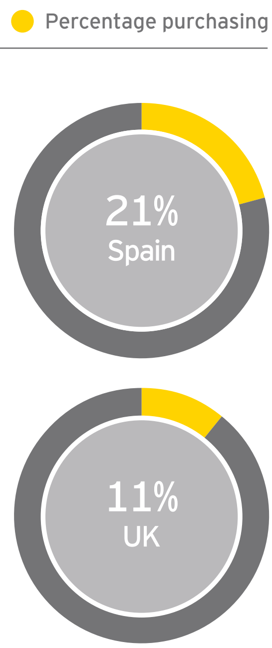
Supporting this, we found that satisfaction with the provider drives higher repeat purchases, with 22% of highly satisfied customers making repeat purchases versus less than 10% of dissatisfied customers making them. Similarly, 23% of customers who strongly agree that the contact with their insurer is meeting their needs have made repeat purchases, compared to only 12% of those who disagree.

Incentives for repeat purchase are also important. Price discounts are cited by 20% of respondents as the top reason for buying additional products, and 16% want additional services at no extra cost. As noted earlier on page 7, customers regard the insurance industry as behind others in rewarding loyalty – a key way of encouraging customers to repeat purchase from the same provider.

**Customers expect more flexibility in responding to their needs**
It is also important for providers to be able to respond flexibly to changes in customers' needs. Across Europe, slightly more than one-fifth of people cite the provider's inability to respond to their changing needs as the source of their dissatisfaction with insurers.

Of those who feel that contact with their insurer is not meeting their needs, 33% of customers say this is because the provider is more focused on selling than on understanding customer needs. This rises to 56% in Turkey, which still only has an average cross-sell level of 18%, suggesting that, there at least, heavy sales pressure does not translate into higher sales.

**Customers who have bought additional products from the same provider**



**20%**
of respondents cite price discounts as the top reason for buying additional products.

## Implications for insurers

**Cross-selling is key to boosting profitability**
Most European countries have high levels of product penetration, so many "new" sales are simply business churning from one provider to another. The high costs of new customer acquisition compared to lower product charges mean that profitability is increasingly driven by retaining customers for longer and increasing revenue per existing customer – in other words, increasing customer lifetime value. This makes it essential for insurers to increase their cross-selling efforts. The challenge is how to achieve this.

**Providers need to work in partnership with distribution channels**
In some cases, lack of cross-selling arises from a lack of ownership of the customer relationship because of the use of intermediaries. As patterns of intermediation change with forthcoming EU consumer protection regulation, there may be greater opportunities for insurers to build direct relationships with customers.

Even where insurers continue to rely on intermediaries, it is usually in the interest of both provider and intermediary to cross-sell – particularly in exclusive distribution arrangements. This requires agreeing on protocols for customer access and aligning economic incentives to obtain the best outcome for all parties – for example, by incentivizing multiple product sales – so that insurers and intermediaries cooperate to act in the best interests of the customer.

**Providers who make their contact, their products and their reward structures right are winning repeat business**
The survey shows that customers are willing to consider repeat purchases from their existing providers when they trust the provider, when it is easy to buy without excessive sales pressure, and when the product offer is relevant and meets their needs. Discounts and incentives – in other words, rewards for loyalty – may also help. One French bancassurer's online proposition has a "shopping cart" facility (like other online retailers) that rewards customers making multiple purchases with discounts and upgrades. This incentivizes multiple purchases and provides instantaneous rewards for loyalty, rather than waiting for some time to recognize the value the customer brings.

Recognizing the value of the customer relationship is vital, both at the point of initial sale and over the customer lifetime. Some insurers are developing effective "sales through service" operations, which use routine servicing contacts to understand customers' changing needs and offer carefully selected, relevant products where a need is identified. These operations are based on customer segmentation models, which identify customers who have the highest propensity to purchase. Such operations can be highly effective and improve customer satisfaction, compared to traditional unfocused "product push" cross-sell efforts.

**Which factors are important to you when deciding whether to purchase additional products from your existing provider?**

| | |
|---|---|
| I trust the provider | 39% |
| It was easier to buy from a provider I already know | 34% |
| I received a discount for buying additional products | 20% |
| My agent advised me to buy from this provider | 18% |
| I received additional services without additional cost | 16% |
| I received other rewards for buying additional products from this provider | 10% |
| The product I already had was outperforming the market | 10% |
| Other | 7% |
| Don't know | 5% |

# Providers can't influence persistency

Received wisdom is that providers feel they have little ability to make a material difference to persistency. Our research shows that insurers can improve customer retention by better meeting customers' changing needs.

**Providers do little to influence persistency**

Persistency is an increasingly important driver of value for the industry. Our analysis of European insurers indicates that a 10% improvement in persistency can deliver a 2% to 4% improvement in embedded value and as much as a 10% improvement in new business value. Not surprisingly, many companies are starting to develop retention strategies.

However, there remains a common perception in the industry that it's hard to influence persistency, particularly with largely intermediated sales in which insurers have limited contact with end customers. Our survey shows that, with the exception of a few countries, customers' perception is that providers do very little to contact them at the point where they are lapsing. Insurance providers across the region only make fair or great efforts to retain customers in 30% of cases on average.

Our findings show that insurers in Turkey make greater efforts than providers in other countries to retain customers. Private pensions are relatively new in Turkey and during the 2008 financial crisis, insurers experienced serious financial leakage through cancellations. In response, most life companies have established strong retention functions. These contain proactive elements – preventative analytical modeling to reduce churn – and reactive elements – communication with customers to try and deter them from switching.

Local industry factors influence retention. For example, in France, the tax regime applicable to early redemptions incentivizes policyholders to keep their policy for at least eight years. As a result, only 5% of customers have switched during the last five years, 53% have held their products for more than six years and one-third have held their products for more than ten years. In the UK, where penalties for early switching are less prevalent, the level of switching is 10%.

**10%**
improvement in persistency can deliver a 2% to 4% improvement in embedded value and as much as a 10% improvement in new business value.

**Providers can influence persistency**

Contrary to received wisdom, the survey shows that the top two reasons customers cite for switching providers – inability to meet changed needs and poor service – are factors that providers can influence directly. Agents are an important factor in switching providers, but they can also be influenced to some extent, and improved EU consumer protection legislation should encourage agents to act more in customers' interest when advising them to switch rather than being driven by commission.

**Insurers making a great or fair amount of effort to retain customers**

The idea that providers can influence persistency is further supported by the fact that, of customers who strongly agree that the contact with their provider is meeting their needs, only 5% say they are very likely or certain to switch in future, while 15% of those who disagree are very likely or certain to switch. Furthermore, when asked if the level and quality of contact with their provider makes them more loyal and less likely to switch, 47% of customers agree and only 16% disagree.

**16%**
say they are fairly or very likely to switch providers in the next five years.

The research also shows that actions by providers could make customers reconsider switching. By far the most important factor is an improved offer on their existing product – providers would obviously need to consider the trade-off between offering this and the impact on overall profitability. But improved transparency, better service and more personal contact are also important factors.

### Switching is set to increase

The survey indicates that switching behavior may increase in future, as customers become more demanding that products and service meet their needs and expectations – 16% say they are fairly or very likely to switch providers in the next five years, compared to only 8% who switched in the previous five years.

### Implications for insurers

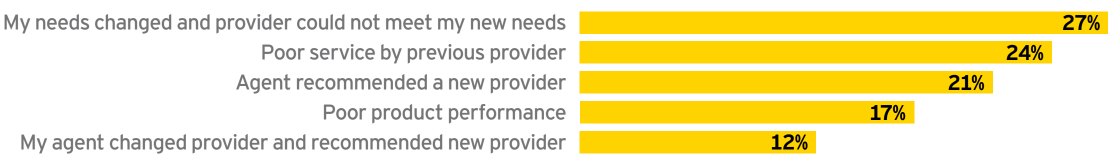
The survey shows there is a real opportunity for insurers to influence persistency and that they should consider an effective customer retention function essential.

**Better customer engagement will drive loyalty**
Retention activity should be supported by improved engagement with existing customers. The survey shows that overall customer satisfaction and the quality of customer contact across the life cycle have a material influence on retention. They need to be backed by flexibly designed products that can respond to changing customer needs. Firms should also consider whether to provide financial incentives to reward customer loyalty – perhaps over the customer life cycle rather than just at the point of lapse. But the key to improving persistency is removing the reasons why customers consider leaving in the first place.

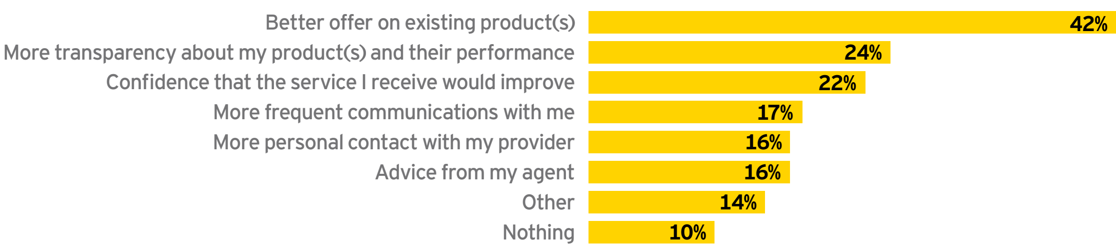
Use of predictive models can be helpful to target customers based on likelihood of lapse and the value of retaining them, but "test and learn" approaches are essential to work out which interventions are most effective.

**It is important to manage the impact intermediaries have on persistency**
Insurers can also influence persistency through better management of intermediary channels, whether tied or independent. Some providers are segmenting distributors based on a profitability model that takes into account the persistency of business introduced by intermediaries, refocusing their sales management effort on more profitable intermediaries and withdrawing business from those who do not behave profitably.

**Why did you change provider?**




**What would have made you reconsider switching providers?**



# 02

## Non-life insurance

While there is some truth in the myths around how non-life insurance products are bought and sold, the reality is more complex. Understanding the nuances helps insurers understand what they can do better or differently to attract consumers, deepen and retain relationships and unlock greater customer lifetime value.

---

**Our survey explores the following myths:**

**1.** The future is online
**2.** It's only about price
**3.** Good claims experience builds loyalty
**4.** Customers don't respond to cross-selling
**5.** Insurers can't influence customer retention

---

# The future is online

Received wisdom is that the use of internet resources is growing rapidly and in the future online will be the dominant channel — not only for research, but also for transactions. Our research indicates that while use is growing, online channels need to be part of an integrated channel strategy.

**57%**
of respondents in the UK are using comparison sites, blogs and other resources for research.

### Online research is growing quickly

The importance of online channels for research and their expected continued growth are clear throughout our survey. Growing reliance on the internet for research extends beyond the use of third-party websites, with 32% of European customers currently using a range of online channels, including comparison websites and blogs, to research their purchases.

Within the region, there are variations by geography, product and age. For example, 57% use online sources for research in the UK but only 19% in France. When researching motor insurance, 39% use comparison sites, but only 19% use them to research accident and health insurance.

Online use is particularly prevalent among younger customers but is growing in other age segments. Differences by age are relatively narrow when analyzed at the level of the individual channels that customers actually consider.

Crucially, the proportion of customers using online resources for research is growing quickly: across Europe, 37% of consumers expect to make more use of comparison websites in future.

### Online sales are lagging behind

Online sales lag behind internet use for research purposes, with only 14% of consumers across Europe reporting that they bought through a comparison site. The proportion transacting through a comparison site varies across different markets. Less than 10% of customers in Spain, Poland and France bought this way, while in the UK 27% say they purchased through a comparison site. This suggests that at present, many customers don't believe that the speed and flexibility offered by comparison site transactions outweigh concerns over reliability or unfamiliarity. As insurers improve online sales processes – giving customers confidence that they can purchase a reliable product quickly – more customers will migrate to this channel.

### The UK is a leader in online

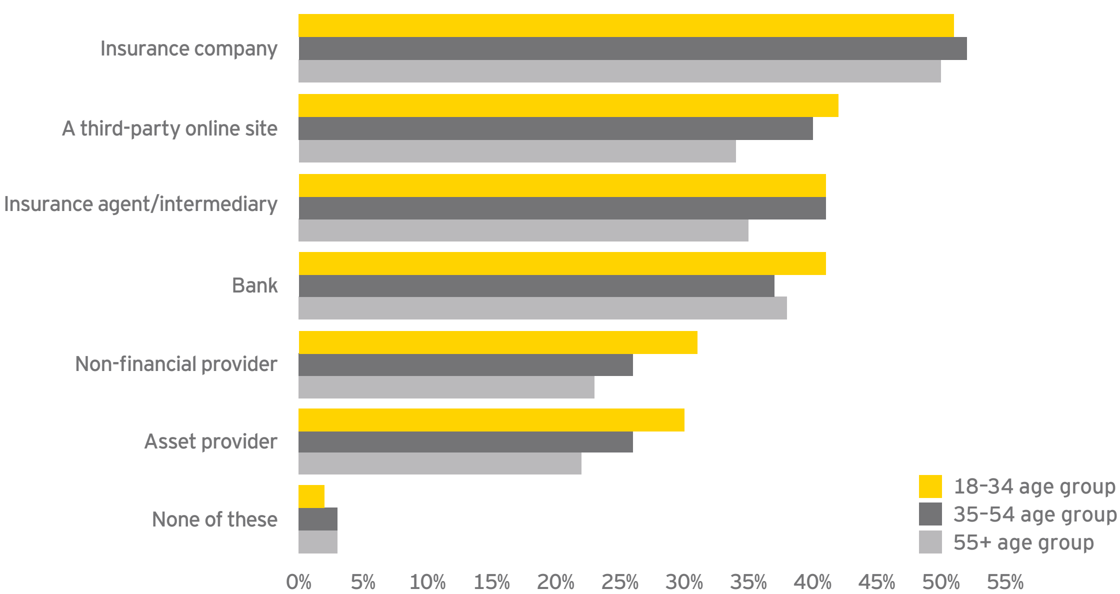
The UK provides the clearest example of how far and fast online use can penetrate. Although comparison websites were initially just used for research by consumers, since 2007, growth in first-time purchases online has been fast. Now, 57% of those surveyed are using comparison sites, blogs and other online resources for research. Nearly half of all UK respondents with motor insurance said they would make more use of comparison sites in the future for research.

Willingness to buy online in the UK partly results from the fact that a sizeable proportion of non-life business was already conducted over the telephone, without advice.

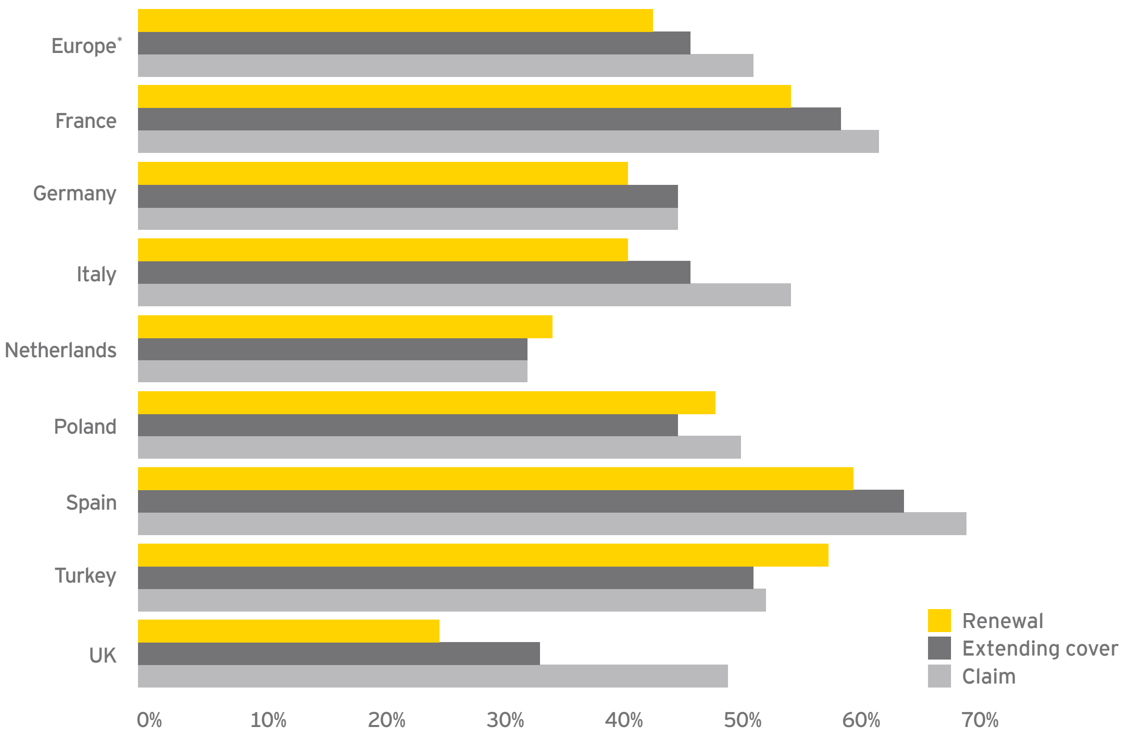
### Personal contact is still important in Europe

Direct personal contact, however, remains important in Europe during many phases of the product life cycle. This is particularly true when consumers are renewing, extending cover or making a claim. In France, Spain and Turkey, for example, at least 50% of customers prefer personal contact, both at renewal, extending cover and when making a claim.

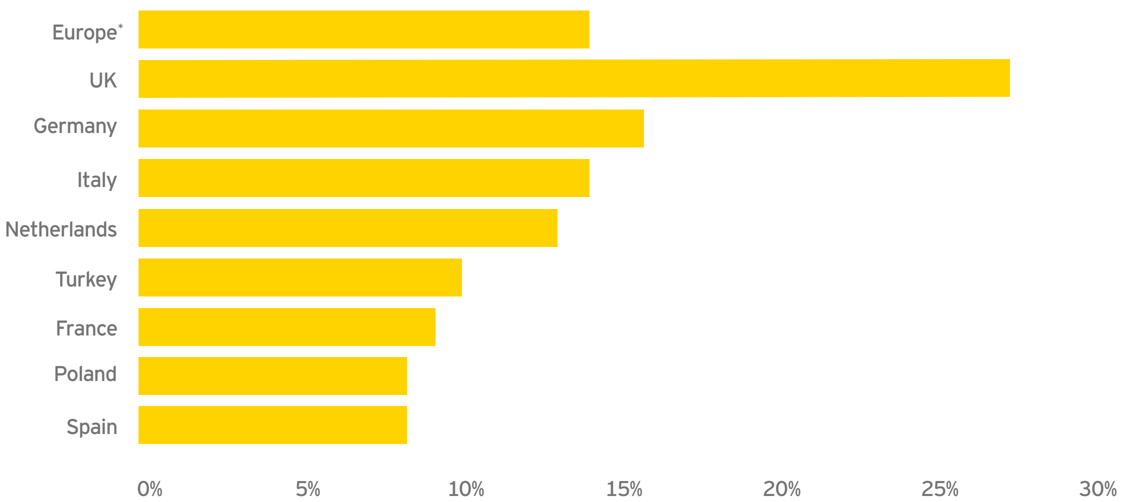
**Which channels did you consider when buying your policy?**



**Percentage of respondents who prefer all personal contact for renewals, extending cover and claims interactions**




**Percentage of respondents who have bought through a comparison website**




* Total percentage for the overall region.

**37%**
of consumers across Europe expect to make more use of comparison websites in the future.

## Implications for insurers

**Meeting customer expectations across channels**
The challenge is to ensure that online propositions really match up to customers' expectations. In addition to providing clear product information for new buyers, this may include utilizing technology that enables personal interaction — such as chat box facilities for simple queries or a simplified renewal process for returning customers. Of course, taking into account the mix of customer types and their differing information needs is important, but creating easy and reliable processes is key right across the consumer base.

Many insurers have made progress in ensuring sales processes are adapted to support online custom, but there has been less progress in back-office functions — servicing and claims — largely because of the number and variety of interactions. For some, legacy systems are also an issue. Customers expect insurers to be able to integrate different methods of communication: they want to choose the communication method that suits them at the time and for the purpose, and to switch between channels without repeating part of a transaction.

Insurers have to be able to integrate online and offline channels seamlessly to meet changing customer needs over the product life cycle.

Ensuring accurate and easy-to-use record keeping across three or four different communication methods is a technology challenge for many organizations. Certainly, when consumers decide they want personal interaction, whether face-to-face, by telephone or web chat, they want a prompt response; they do not want to squander their time on an insurer's own process inefficiencies or internal requirements.

**Online is no panacea: flexibility is key**
Online sales should not be seen as a way to lower costs as conversion rates are low, marketing costs high and websites need constant updating. It's a mistake to believe that online propositions are just electronic versions of traditional propositions. To succeed, insurers will need to design their online sales and service processes around new media, be it a home pc or smartphone.

Customers have high expectations of the sales process, and a contact center (phone and internet) will still be needed to support queries. Also, as the adoption of smartphones over the past two years illustrates, technology is constantly evolving at speed. Only agile companies with short product life cycles and flexible operating models will be able to adapt sufficiently fast to future technology advances.

# It's only about price

Received wisdom is that non-life insurance products are commoditized, and price, therefore, is the only criterion on which they are purchased. Our research indicates that this is not the case.

**53%**
of European respondents state price is the key driver in purchasing decisions.

### Price is important, but so is brand value

Price is an important component of value but it's not the only one. Pricing is particularly sensitive for new business. At renewal, in making their value decision, customers will also consider the service they have received and the confidence they have in the provider. However, the degree of switching is also influenced by individual country culture and market structure — for example, with respect to the number of providers available.

In some ways, non-life insurance products operate very differently from commodity goods, which are characterized by standardized quality but at the same price. In contrast, although price comparison websites and "whole of market" agents are driving price convergence in many markets, in non-life insurance, customers don't simply choose the cheapest product. Many seek to differentiate providers on other components of value, such as a trustworthy brand, previous experience and good product features.

Across Europe, price is the key driver in purchasing decisions for 53% of respondents followed by a well-known or trustworthy brand (45%), financial strength and stability (30%) and track record or reputation (26%).

### Price sensitivity is not uniform

The analysis shows some distinct differences across countries: the UK shows the greatest price sensitivity while in Germany, customers do not rank price among the top six factors they consider when buying a product. German customers are more focused on quality than price and believe the insurer's financial stability and strength to be most important (56%), followed by a well-known and trustworthy brand (37%) and recommendations (27%). These findings appear to be based on cultural factors and are in keeping with the traditional intermediated nature of the German market, in which self-directed behavior is at lower levels than in other European countries.

Price sensitivity also varies by product: price is a key factor for 61% of motor insurance customers across Europe, whereas only 49% of customers buying household products consider it a key factor. Customers who have switched insurer say that the primary reason is price: 66% of motor customers and 55% of household customers say price is a key reason for switching. The reasons loyal customers give for renewing are far less dependent on price, with only 24% of motor and 21% of household customers saying that they renewed due to their insurer's competitive pricing.

Online research and comparison sites are leveling the price playing field in a number of markets. Some insurers have responded by unbundling their products to offer a low headline price. Through unbundling, customers have the ability to purchase only the components they value, rather than all the ancillary covers on offer. For those ancillary products perceived as overpriced, sales will drop quickly.

**31%** of customers said they would pay an additional premium for a financially stable brand.

## Implications for insurers

**It's not just about price: it's about building your brand, too**
Following a sustained period of price competition in non-life insurance markets, there has been an increase in both price transparency and price convergence, which is raising the importance of non-price buying factors, such as brand and track record.

Asked whether they would pay an additional premium for a financially stable brand, across Europe 31% said they would; however, interestingly, the over-55s were more reluctant with only 26% saying they would pay more.

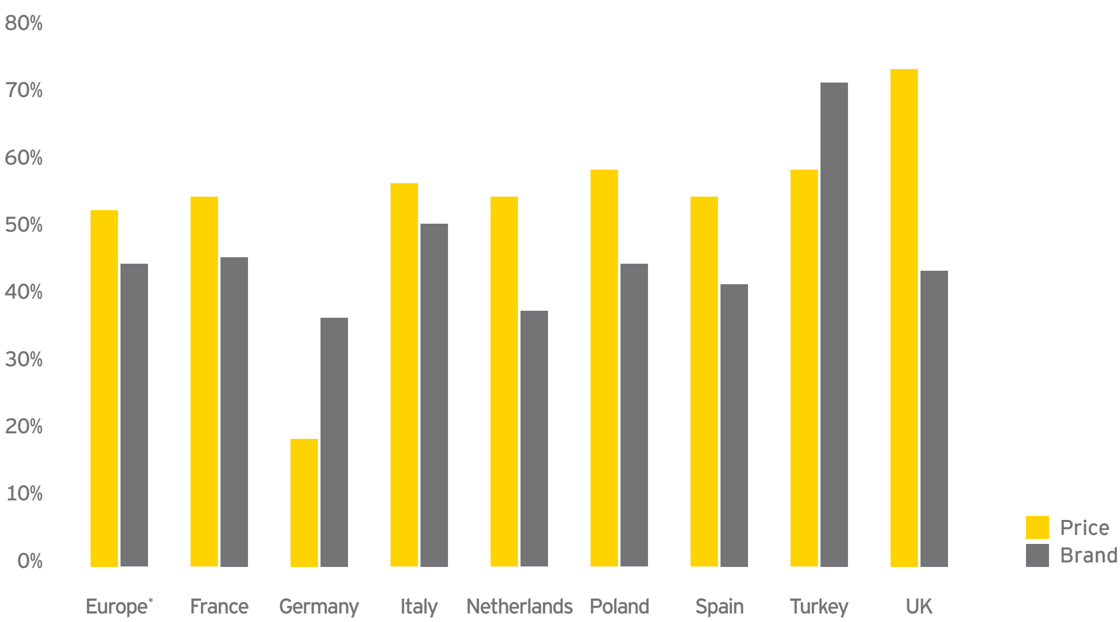
If a customer is faced with a number of providers who are proximate on price, they will revert to secondary buying factors, such as brand or reputation, to make their final choice. A recent Ernst & Young research paper on motor insurance in the UK,[1] for example, found that even for customers buying through an online comparison site, half chose a provider that was not the cheapest.

The variety of customer groups and distribution channels means that understanding the true cost to serve for each segment and building this into pricing models is also critical. Customers' vulnerability to other insurers' brands or products must also be included in pricing models to determine what price can be charged and still win the business. For example, if insurers have a strong brand, how much can they add to the price and still beat a weaker brand?

**Manage your brand in online media**
As brand is clearly very important, insurers also have to invest in managing their brands online to ensure that blogged and tweeted comments reflect their brand values. Managing their reputation through social media it's not something most industries – or individuals, for that matter – have had to do either.

Insurers need to decide how to position their brand message – whether to have a multi-brand strategy, targeting different customer segments, or invest in a ubiquitous brand with general appeal. Whichever option is chosen, insurers will not only need to invest in customer insight techniques and technology, but also in building this insight into their customer operational processes and product design – ensuring they are agile enough to appeal to a wide set of customer behaviors.

**Which factors are most important when purchasing your policy?**




[1] Bringing profitability back from the brink of extinction – a report on the UK retail motor insurance market.
* Total percentage for the overall region.

# Good claims experience builds loyalty

Received wisdom is that if providers offer a good claims experience, customers will be delighted and this will drive loyalty and help build brand value. Our research shows that a good claims experience is expected, but that a bad experience diminishes brand value.

**46%**
of European customers who had a poor claims experience say they would renew with the same provider.

**A good claims experience is necessary but doesn't build loyalty**
An efficient and effective claims function is a key profit driver for any insurer. From a customer perspective, however, our research shows a very clear and consistent picture regarding claims. An efficient and quick response will validate a policyholder's view that he or she has chosen the right insurer. But customers expect great service and a good claims experience as a matter of course, so this will not drive greater loyalty or significantly improve customer retention. Conversely, a poor claims service is likely to drive customers to switch provider.

In our research, only 46% of European customers who had a poor claims experience say they would renew with the same provider. This is 14 percentage points lower than the proportion intending to renew among those who did not make a claim. Conversely, there is only a few percentage points difference between the likelihood of renewing by customers who had a good claims experience and those who made no claims. Our research shows that the downside risk associated with claims is greater than the potential upside and that loyalty is driven by factors other than good claims experience.

In some cases, there seems to be some increased loyalty from customers who have had a good claims experience, such as those in Germany (10 percentage points higher). However, those who had a poor claims experience consistently poll lower, suggesting poor claims experience is predominantly a downside risk. In France, for example, loyalty drops from 68% before a claim to 31% for those having a poor claims experience. French respondents also showed slightly less loyalty if they had a positive claims experience!

This was a familiar pattern across all the territories we surveyed, with most countries showing only a marginal uplift in loyalty for those who had enjoyed a good claims experience and two regions (Americas and India) actually showing a decrease in loyalty following a good claim. In all cases, the drop in loyalty from those not having a claim to those experiencing a poor claim is greater than any uplift for good claims experience.

Fortunately, the proportion of those surveyed who felt they had had a poor claims experience was 25%, so the majority of claimants are satisfied.

When asked what their insurer could have done to improve their claim handling, the overwhelming responses were speed (31%) and better communication (28%).

## Implications for insurers

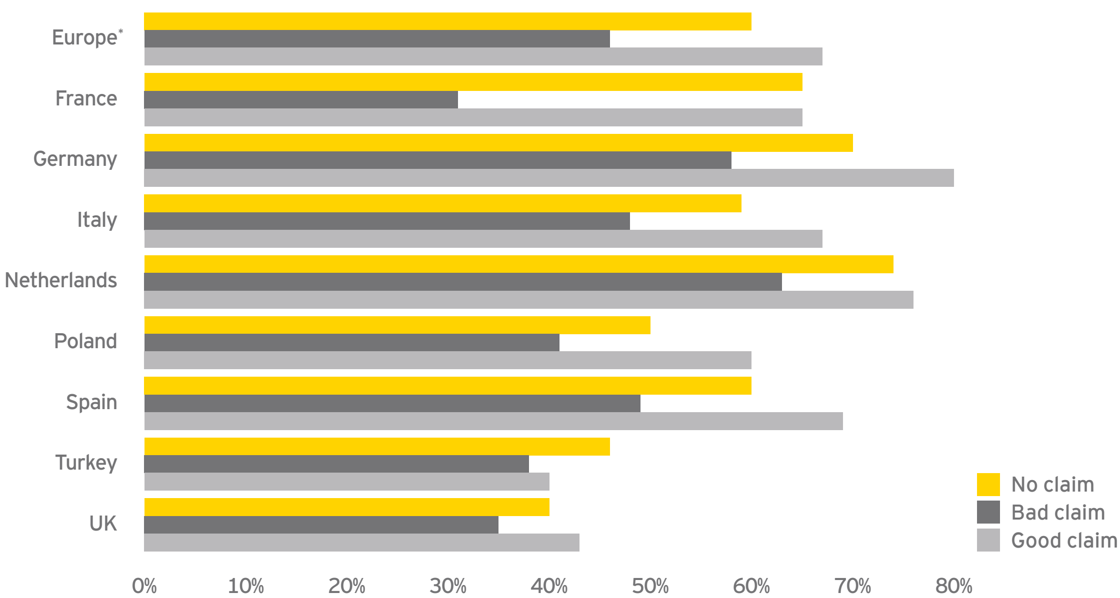
**Target the bottom line when investing in claims**
Inefficient claims processes are a source of financial leakage for insurers. Improving claims efficiency and effectiveness can therefore have a significant impact on profitability. Investment in claims processes and technology should not be driven by the belief that it will help to improve retention, but only to improve efficiency for insurers and their customers.

In difficult economic times, when there may be a greater tendency for customers to claim against insurers the parameters around claims assessment, it is absolutely critical that insurers communicate clearly and consistently the scope of the cover and the mechanics of the claims response, so that there can be no room for doubt and no opportunity for failing to meet expectations.

**Ongoing investment is critical**
It is difficult to differentiate in customers' eyes by claims service alone. This means that claims service carries a predominantly downside risk. As customer expectations change, it is critical that insurers invest to keep up and to ensure that communication methods and distribution channels integrate seamlessly. Otherwise, a level of service that would have scored 8/10 today will only score 6/10 in three years' time.

Consumers across all age groupings may rely on a variety of communication channels — phone, email or text — to stay informed as a claim progresses. Insurers need to be sufficiently agile to respond promptly and appropriately — and maintain transparency and consistency across multiple channels and touch points — to meet customers' expectations.

**Percentage of respondents who said they were unlikely to change insurer**




* Total percentage for the overall region.

# Customers don't respond to cross-selling

Received wisdom is that customers don't enjoy the sales process and resent insurers trying to sell them additional products. Our research found that customers are willing to buy more products.

**49%**
of consumers across Europe agree they prefer to buy different types of insurance from one provider.

### Existing customers want to buy from insurers

Our research shows that customers are willing to buy multiple products from existing providers. In fact, many prefer to do so if it can be done in a way that is convenient for them and that delivers greater value. In the survey, 49% of consumers across Europe agree they prefer to buy different types of insurance from one provider.

Of those customers who prefer to buy multiple products from the same insurer, the key factors are simplicity and multi-product discounts. In Germany, for example, 68% cite convenience as an important factor, while relatively high scores are also recorded for convenience in the UK (63%), Spain (54%) and France (79%). In Italy and Turkey, however, the prime reason given for multiple product holdings was the belief the customers will get better service.

### Convenience and value are key drivers

The repeat purchase process has to be convenient for customers – for example, by providing an opportunity to buy other products at the time of original purchase and via the channel of their choosing. Increasingly, customers see other industries putting their existing data to good use, to offer tailored or more relevant products. In our survey, 57% of European respondents say they are happy to share additional information if this reduces their premiums. It seems reasonable to assume that, in the future, many customers will expect their providers to use their knowledge and insight to offer good deals on products related to their initial purchase.

It appears that some channels are better suited to cross-selling than others. Having an existing product is an important factor for 32% of respondents buying through a bank, but only 14% of those buying through a comparison site feel that an existing product influenced their decision.

### Implications for insurers

**Leverage customer data to make every interaction count**

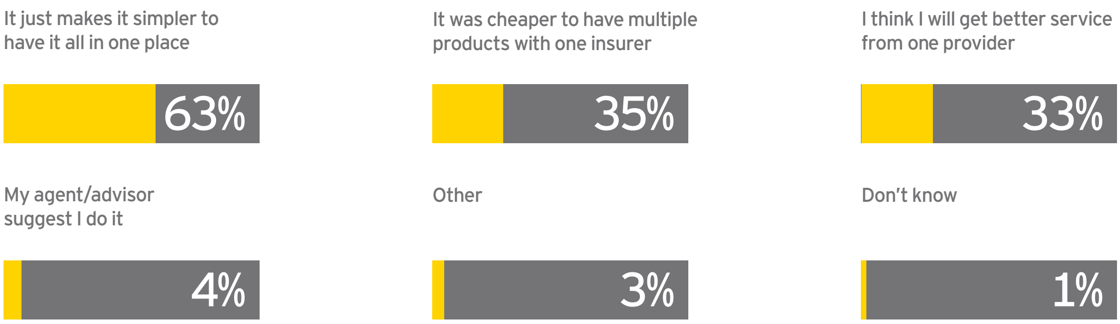
Insurers need to ask how they can demonstrate that an additional purchase is either easier or better value than going to another insurer. If it is properly managed, insurers should be able to use improved customer data to align the product proposition to the customer's needs, regardless of channel.

Unlike some other financial services industries, such as banking, many insurance customers will have only one or two interactions with their provider in a year. Insurers therefore need to make these interactions count.

To make purchasing easy and convenient, sales processes for repeat sales need to leverage existing customer data to shorten the sale time and help to tailor the product. Trying to cross-sell after the primary purchase is likely to be less successful as this is perceived as no more convenient than buying from a new insurer.

If insurers ask questions to which they already know the answers, they will lose their goodwill advantage very quickly. In addition, customers in many countries will expect a discount for holding more than one product, so insurers need to develop a pricing model that allows this: for example, by sharing some of the benefits from a lower cost of sale or an improvement in the assumptions on retention for those customers with multiple products.

**Why do you prefer to buy different types of insurance from one provider (all Europe)?**



# Insurers can't influence customer retention

Received wisdom is that providers feel they have little ability to retain customers – it's just not something they can control. Our research found that this was not the case.

**52%**
of consumers who switched providers report that their insurers made no effort to persuade them to stay.

**Too little, too late**
On the whole, non-life insurance providers have a patchy record on customer retention. Retention rates vary widely across different countries, but across Europe, on average, 32% have changed provider in the last five years. This result is partly explained by the level of effort insurers put into pre-renewal effort.

In aggregate across Europe, 52% of consumers who switched providers report that their insurers made no effort to persuade them to stay, and a further 30% made only little effort. However, 56% indicate they are more likely to renew if their provider or agent contacts them to discuss their needs.

**Levels of effort vary by country**
This lack of effort is particularly pronounced in France, where 62% of consumers report that their insurer made no effort to retain them. By contrast, in Turkey, only 21% of providers/agents fail to make an effort. However, this may reflect the highly competitive nature of the agent market in that country.

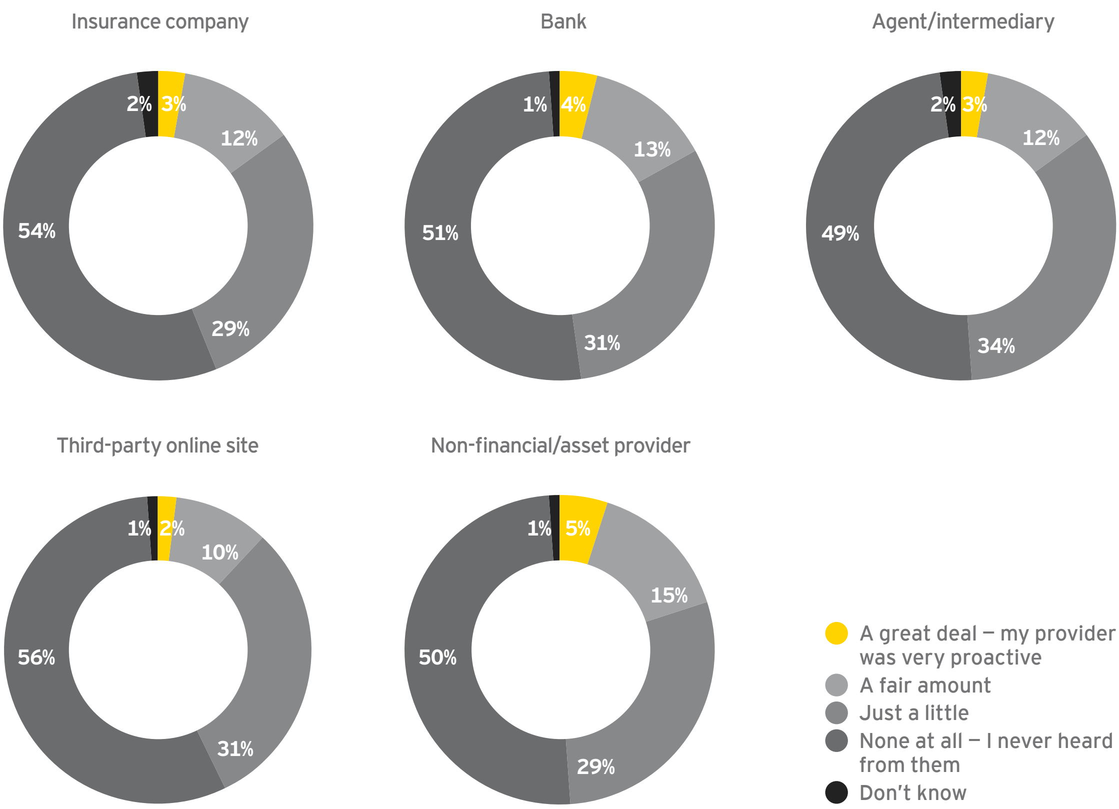
The research also shows that customers are reluctant to switch as it is inconvenient. In Europe, 58% of consumers say they are either not very, or not at all, likely to change insurers in the next five years.

Consumers in Germany and the Netherlands are the most loyal with over 70% of consumers reporting they are unlikely to change insurance provider in the next five years.

Customers that remain with their insurer cite trust and service as the key reasons. A sizeable proportion (21%) sees no reason to change.

Sadly, if customers have reached the point where they are about to leave, our research shows it may be too late to repair the relationship. Perhaps drawing on their experience from other industries, consumers are accustomed to rewards for loyalty, either through price discounts or extra value, and are disappointed when insurers fail to meet this expectation. Building stronger loyalty by meeting customers' needs and expectations over the product lifetime will make a difference to retention.

**How much effort did your previous provider make to persuade you to stay with them?**



**58%**
of European consumers say they are either not very, or not at all, likely to change insurers in the next five years.

## Implications for insurers

### Don't rely on inertia

Customer inertia may work in an insurer's favor, but it is clear that there is more to gain in some countries from improving retention activity. To boost retention further, insurers need to improve the quality of contact with customers — particularly with those at risk of lapse. Those providers who are able to use their customer data to identify valuable customers stand a better chance of improving retention and potentially up-selling or cross-selling other products.

### Understand cost to serve

Given that retaining their best customers is the goal, insurers will need to understand the cost to serve different customer segments and channels. Without a firm grasp of costs, insurers can't work out whether a customer is worth retaining and, therefore, how much they should invest in retaining him or her. Insurers also need to understand the switching behavior of their clients and how this differs by territory and customer segment. Combining an understanding of cost to serve with propensity to switch will strengthen retention strategy.

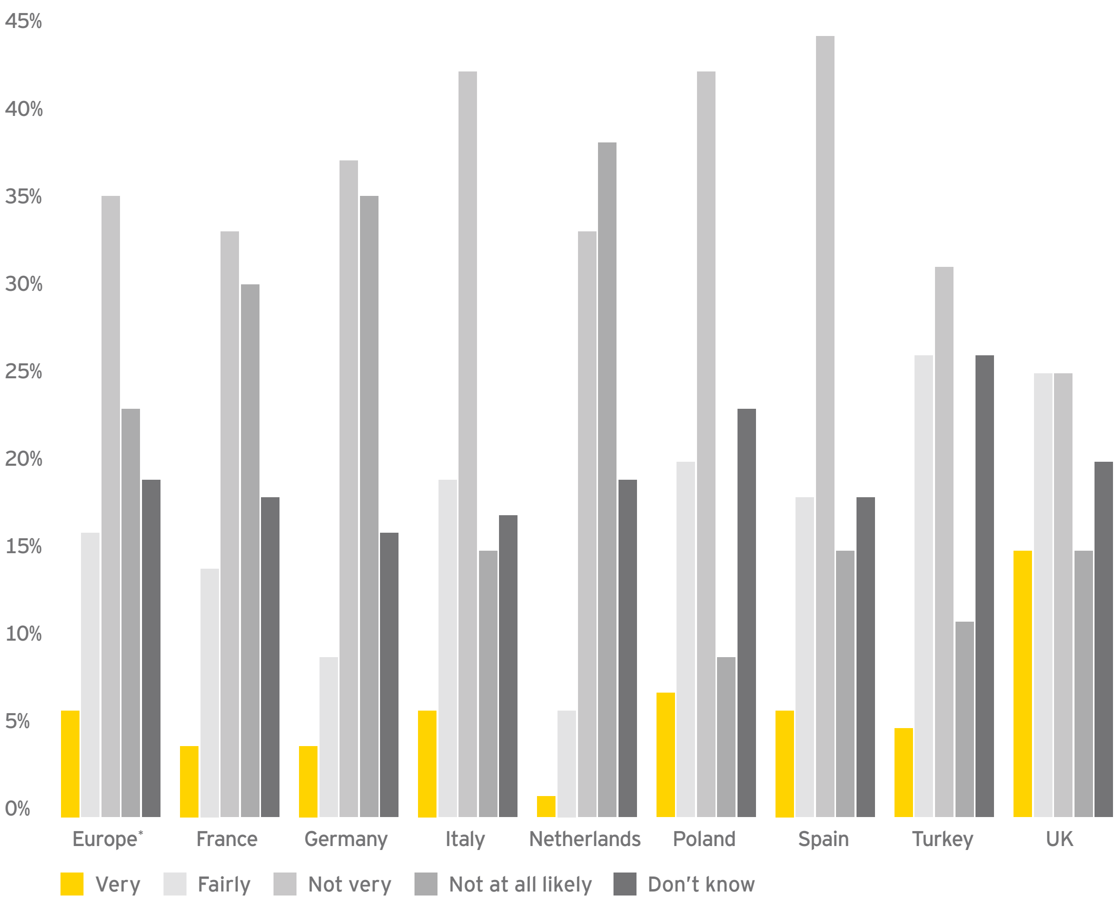
### Investing in retention is vital

In some markets and for some insurers, a sophisticated approach using a highly trained specialist retention sales force, able to make appropriate recommendations around cover and pricing combinations, will be the correct strategy to retain more customers.

This requires not only dedicated staff, but also agile products with flexible pricing models so that the retention team can negotiate effectively on price and product coverage. Without this level of product flexibility, the retention team will only be able to offer blanket discounts, which rarely create long-term profitability.

In other markets and for other insurers, an existing high retention rate may require a more defensive strategy, but it will certainly require different capabilities in different countries. Having an effective customer retention function that segments the customer base, targets those who are most valuable and communicates with them proactively is becoming increasingly important for insurers to boost retention and profitability.

**How likely are you to change provider in the next five years?**




* Total percentage for the overall region.

During August and October 2011, Ernst & Young commissioned a global customer insurance survey. Working with Ipsos, this research focused on better understanding the behaviors and expectations of customers across the globe.

The survey covered **24,000 customers** across **7 regions** and **23 countries**.

The survey was designed to be broadly representative of the insurance-buying population in each country, accessible through online panels. Only people holding at least one insurance policy were eligible to participate. This methodology has been widely used by Ipsos for insurance, consumer products and services clients around the world.

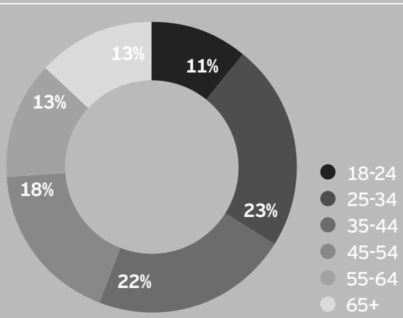
It is important to remember that in developing markets, online panels tend to be more representative of an urban and relatively affluent population than of the population as a whole. However, as this is the group that is more likely to buy insurance (and indeed, consumer goods and services in general), it was felt that an online approach still produced a sample that is broadly representative of the target market for insurance companies. It is also a reasonable assumption that younger people are less likely to own an insurance policy and therefore formed a smaller proportion of responses to the survey than they do of the population as a whole.

**The following steps were taken to reach a cross-section of insurance customers via the online panels:**

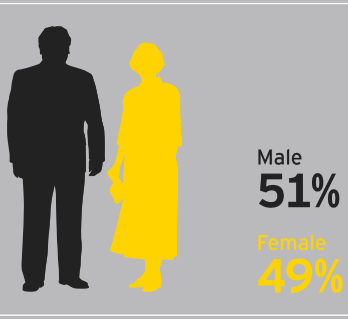
- Interviews were conducted in each market using online access panels* among members of the adult population.**
- The outgoing sample, i.e., the group of people initially invited to respond to the survey, was balanced to be representative of the national population by age, gender and region.†
- A screening question was placed at the beginning of the survey to exclude respondents who did not hold at least one product from a set list of insurance products.
- Quotas were set on life and pensions and non-life insurance to ensure equal numbers of responses across the two main insurance categories (in order to facilitate analysis within each category).
- No further quotas were set. The interviews were left to fall out naturally across the online demographic groups on the assumption that the responses should broadly reflect the profile of the insurance market in each country.
- For the European, American, Asia-Pacific and India regions, the data has been weighted according to the size of each individual country's Gross National Income adjusted for the Purchase Parity Power (GNI PPP). Source: *World Bank website, 2010 data.*
- Analysis of the survey findings has been conducted jointly by Ipsos and Ernst & Young.

**Life and pensions**

**Age**

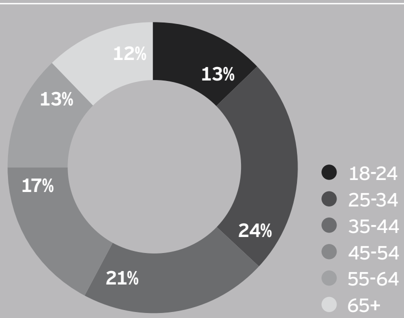



**Gender**

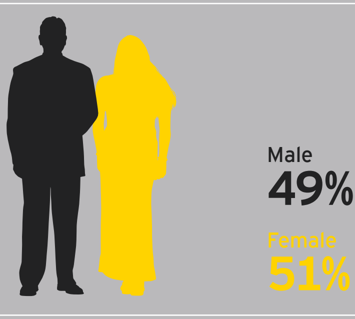



**Non-life insurance**

**Age**




**Gender**




* South Africa conducted offline and India mixed online/offline.
** In some markets this is 18-65 years old, extended to 65+ where feasible.
† Excludes regions in some developing markets where this is not appropriate.

Ernst & Young is a global leader in professional services and has significant experience providing a broad range of services to the insurance industry. Our reputation is built on assembling multidisciplinary insurance teams from around the world to deliver a range of services, including: performance improvement; financial management and control; change management; regulatory reporting; risk management; information technology; product design; tax; transactions; actuarial; corporate advisory; and audit services. This means you get a clear perspective of your market and the options available to you. It's how Ernst & Young makes a difference.

Find out how we can help at **www.ey.com/insurance**, or contact a member of our team.


France
**Pierre Planchon**
Partner
Ernst & Young France
Email: pierre.planchon@fr.ey.com Tel: +33 1 46 93 62 54

Germany
**Andreas Freiling**
Partner, EMEIA Insurance Leader
Ernst & Young GmbH (Germany)
Email: andreas.freiling@de.ey.com Tel: +49 6196 996 12587

Italy
**Paolo Ratti**
Partner
Reconta Ernst & Young SpA
Email: paolo.ratti@it.ey.com Tel: +39 02 72212440

Netherlands
**Niek de Jager**
Partner
Ernst & Young Nederland LLP
Email: niek.de.jager@nl.ey.com Tel: +31 88 40 73879

Poland
**Iwona Kozera**
Partner
Ernst & Young Business Advisory Sp. z o. o. i Wspólnicy sp.k.
Email: iwona.kozera@pl.ey.com Tel: +48 22 557 7491

Spain
**Manuel Martinez Pedraza**
Partner
Ernst & Young, S.L.
Email: manuael.martinezpedraza@es.ey.com Tel: +34 915 727 222

Turkey
**Seyda Oltulu**
Partner
Ernst & Young Turkey
Email: seyda.oltulu@tr.ey.com Tel: +90 212 368 57 65

United Kingdom
**Geoffrey Godding**
Partner
Ernst & Young LLP
Email: ggodding@uk.ey.com Tel: +44 20 7951 1086

**Mark Robertson**
Partner
Ernst & Young LLP
Email: mrobertson@uk.ey.com Tel: + 44 20 7951 1469

Assurance | Tax | Transactions | Advisory

**About Ernst & Young**
Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 152,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients.
For more information, please visit www.ey.com.

**About Ernst & Young's Global Insurance Center**
From globalization to technological innovation, businesses around the world are exploring new and different ways of achieving their potential. By investing in dedicated Global Industry Centers around the world, Ernst & Young can give you a global perspective on your assurance, tax, transaction and advisory needs, whatever your industry. The Centers serve as a hub for sharing industry-focused knowledge, enabling our global network of professionals to give you highly responsive advice that helps you compete more effectively in your industry.
It's how Ernst & Young makes a difference.

www.ey.com/insurance

© 2012 EYGM Limited.
All Rights Reserved.

EYG No. EG0078a

In line with Ernst & Young's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

Design: www.home-associates.com