

**Julie Robson and Yasmin Sekhon. Addressing the research needs of the insurance sector.**

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**Abstract**

The purpose of this paper is to report on HEIF4 funded research exploring the important areas of research currently being conducted by insurance research practitioners and to identify the key challenges they face when conducting this research. Empirical data was collected via ten in-depth telephone interviews and two separate round table group discussions with research practitioners in the general insurance sector. Three key challenges were identified: over-researching and respondent fatigue; the increasing use of incentives and the emergence of professional respondents; and the problem of ensuring research credibility. The findings reveal the need to update research practices, to take account of the changing context within which research is undertaken, discussing research methodologies and social issues as well as the evolving and ever changing nature of research.

The study focused on the general insurance sector. The challenges identified reflect in part the unique nature of this sector but are likely to be equally applicable to other financial services sectors. It would therefore be useful to explore the prevalence of these challenges in other financial sectors. The paper calls on academic researchers to address the challenges identified. Research practitioners want further information, guidance and to learn from "best practice" on how new research techniques can be used to provide quality and timely research; the impact incentives have on research in a business and management context; and how the value of research can be measured. These implications are discussed against a financial backdrop and take account of academic, practitioner and industry challenges.

Keywords: Insurance, Research practice, Research challenges, Methodology, Research methods

**Addressing the research needs of the insurance sector**

To provide a contextual backdrop to this special issue on insurance the results of recently conducted research within the insurance sector is outlined here (1). This research included themes relevant to this special issue and explored the areas in which research is currently being conducted by insurance research practitioners and the challenges they face when conducting this research.

The insurance industry is typically divided into two parts, general insurance and life assurance. The research presented here is based on interviews with senior research practitioners who were typically members of GIMRA (the General Insurance Market Research Association). Data was collected via 10 in-depth telephone interviews, and 2 separate round table group discussions (with 16 and 11 members respectively). The interviews were all taped and transcribed. The research was carried out between October 2010 and July 2011.

The findings reveal good practice in the industry; the many challenges faced by researchers, from respondent fatigue, incentivising research and ensuring research credibility. What is certain is societal norms have changed and research practices need updating. Currently the collection of data

does not necessarily require a traditional approach. Social networking sites and instant communication methods are on the one hand allowing the researcher to collect data with ease, but on the other hand demanding participants to respond via their mobile phone, their email, at work and home. This has resulted in access having no boundaries or time delays, so impacting respondents. These considerations need to take account of a number of factors in the research process, from ethics, methodological choices, on line technologies, social networks and context. The societal, industry and ethical context impacts research, results and applicability, so giving the researcher a number of factors to consider.

### **What types of research are insurance practitioners currently conducting?**

Insurance practitioners are conducting a wide range of research with numerous audiences. Customer satisfaction was a key focus for all research practitioners and covered the total service experience from premium quote to claim handling to renewal.

*We do a lot of satisfaction tracking and opinion tracking. We have three audiences, we have the consumer and policyholders, then we have intermediaries and we also have employers as well. (Practitioner no. 8)*

In the general insurance context, customers fall into two broad groups. In the intermediated market, where insurance companies transact insurance via a broker, the intermediary is one type of customer. In the intermediated and direct market the policyholder (often also called the end customer in the intermediated market) is the second type of customer. Policyholders can be either a private individual (for personal insurance) or a company (for commercial insurance). Customer satisfaction research is conducted with all groups. Intermediary satisfaction studies are conducted to identify their views on the service they receive from insurers. These studies are carried out by individual insurers as well as on a syndicated basis with other insurers enabling individual companies to benchmark their performance within the industry.

*Most often I would say we do satisfaction: it could be satisfaction with the service and end customer or satisfaction in terms of satisfaction with the product. So we interview every month (Practitioner no 3)*

It is interesting to note that although insurance falls into the classic definition of a service, insurers differentiate their offerings in terms of 'product' and 'service'. The product is seen as the insurance policy and the service includes the policy quotation or claims service. The latter is often described as the 'acid test' of insurance as it is at this point that the customer truly experiences the promise that they have purchased. Satisfaction with the claim service is therefore extensively researched.

Product development was the second most frequently mentioned area of research. This included in-depth research on particular market segments to aid understanding of the needs of that market as well as survey and interview work on the generation and testing of new ideas with intermediaries and policyholders. Other research themes frequently mentioned included pricing, product communication (e.g. advertising and product documentation) and brand.

Practitioners reported using a good mix of qualitative and quantitative methods. Although practitioners selected the method based on the objectives of the research, researchers were influenced in part by the preferences of the internal client, typically underwriters. This preference was explained by one practitioner:

*It is an industry of people that love numbers and I do think that people do actually value that. I think that qualitative is seen positively as well but I think it has to be couched in the right way if you know what I mean and I think a lot of this is industry lead because you have a lot of underwriters and for example all the board here are chartered institute members so they have all gone through that process of attaining those qualifications which a lot of it is very numbers based (Practitioner no. 2).*

The majority of practitioners were also collecting data on-line, using on-line surveys and on-line journals. On-line was particularly liked for its speed.

*We can send the survey out to our audience and we had something like 10,000 responses in a week and that's just phenomenal. So speed especially when you need to change something quickly, the fact that they are data entering so you don't get a data imputer making mistakes. Practitioner no 6)*

And for its fit with their delivery channel:

*We do a lot of business on-line, it is a channel that our customers are familiar with and therefore it's good to use that channel (Practitioner no. 1)*

Few practitioners however were found to use new technology, such as social media, as a part of their data collection methods, although this was increasingly being considered as a possibility in the near future. The benefits of research using social media, particularly for qualitative research, were recognised by respondents:

*I am looking at dialogue and you get a lot of information and it becomes very qualitative, so I can see that evolving and I am quite excited about that it would be a very good way to get the views from a wider audience but I think you have to think about the structure, what kinds of questions you are asking (Practitioner no. 5)*

Insurance practitioners were looking for guidance on how best to use social media. They were concerned about its application for complex products, mature markets and issues of reliability in terms of response rates (particularly in B2B markets) and data quality.

#### **.What challenges do practitioners encounter in their research?**

Two internal challenges were identified in the research. First, and a challenge faced by most project manager, was the problem of balancing time, budget and quality:

*The challenges are around costs and budget, time and quality and what you can do with the budget in the time available and that is a constant business issue (Practitioner no. 3)*

*...the challenges are budget and time. Everything is wanted yesterday; sometimes they push too quickly for results in my opinion for us to do a proper analysis. To do a proper piece of research you need time to pool together everything you need. (Practitioner no. 6)*

Quality was also an issue in the context of meeting the internal client's objectives, especially when these were not always communicated clearly:

*The main thing is making sure the problem has been defined properly for the research needs and working with our internal clients to make sure that they are communicating the problem properly to us. It is difficult to find a solution if you don't know what the problem is. (Practitioner no. 8)*

With research budgets increasingly coming under pressure from the business in which the researchers operate, respondents reported the need to more clearly justify their research budgets and demonstrate value for money for each project. There is therefore an increasing need to agree clear objectives with the internal client and demonstrate a return on investment on the research spend. Time from the start of the project to the presentation of the findings, budget in terms of the cost of the research and quality in terms of its contribution to the business (i.e. did the research add anything new or help a decision to be made) were therefore key indicators.

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In terms of external challenges, respondent fatigue and the growth in incentives were the most frequently mentioned. Both were particularly pertinent in the B2B context and with intermediaries (but were also recognised to be a growing issue in the private consumer market). Whilst the use of incentives is becoming common place in many markets, the type, the frequency and the rationale of their usage still raises a number of questions.

As the majority of insurers share the same brokers over researching and respondent fatigue was mentioned by almost all practitioners. This problem is particularly an issue amongst the small number of top performing brokers (the key accounts) whose views all insurers wanted to research on a regular basis. Associations such as GIMRA are working to address this issue by promoting syndicated work to lighten the research burden of brokers; however response rates continue to be a problem.

*On the commercial side its respondent fatigue, not so much on the consumer side, there are plenty of ways to get to the consumers..... There is respondent fatigue especially amongst brokers, we deal with a lot of insurance brokers and there is a lot of fatigue. We are seeing people that just don't want to take part; and we are seeing companies who are saying that we don't want to participate in research, that is probably the biggest issue. ... it is harder to get feed back on other things like on the product development side, we are finding it very hard to pool them for a new product and they are being offered incentives and they are starting to hold out for incentives and that is starting to worry me as well as it is going to make it harder for everyone in the long run, you know it does have a knock on effect, (Practitioner no. 6)*

As individuals are time poor, and having to balance both work and personal commitments respondent fatigue is further exacerbated. Insurers are concerned that sample sizes are suffering,

quality of responses are impacted and so is the potential credibility of the research findings. Incentives also add to the cost of the research and put pressure on the research budget.

Insurers are however increasingly using incentives to encourage respondent participation, but this creates problems in its own right. In particular, concerns are being voiced amongst those undertaking work on the personal insurance side about respondent integrity and the emergence of the 'professional respondent' who repeatedly participate in research primarily motivated by the incentive provided. Questions are being asked about how this repeated exposure impacts on the quality of the information they provide? These are some of the worrying observations to emerge from this research. , Hence further work is required on the extent to which the respondents are real 'amateurs' rather than 'professional' participants. How can the pool of respondents/participants be widened?

### **Advice for Academics**

Although there is a plethora of literature guiding researchers on methodological issues, areas of involvement in research, ethical considerations, the use of incentives and respondent fatigue, there is still a need to develop these areas further and in different contexts, particularly within insurance where experience research practitioners are grappling with these problems.

The findings from the research undertaken in the general insurance context reveal that practitioners want further information and guidance on the following:

- a) How can new research techniques, such as social media, be utilised to provide quality and timely research particularly in the areas of customer satisfaction?
- b) What is the impact of incentivising on research in a business and management context;
- c) How can the value of research be measured?

There is also a desire to learn from 'best practice', the findings revealed researchers and practitioners in Insurance wanting more forums and workshops to learn from others across different industries and sectors.

### **Notes**

- (1) This findings presented here are from a larger HEIF4 funded project on financial services enterprise.