The iptiQ Human-centered Design (HD) framework:

Insurance that is as attractive as humanly possible

iptiQ

By **Swiss Re**

Introducing the iptiQ Human-centered Design (HD) framework

Insurance that is as attractive as **humanly** possible

In a nutshell:
By bringing Behavioural Science and Design Thinking practices together and implementing them further upstream into the proposition design process, the iptiQ HD framework enables our partner brands to co-create new insurance solutions with us, centered around their end customers as well as their brand and therefore more likely to achieve the widespread adoption that is desired.

The interest in applying behavioural insights within the insurance industry has been growing steadily for years. However, these applications are predominately utilised in the final stages of a project. Imbedding these insights from the very start of the project means that the customer remains a pivotal focus throughout product and service development. From our experience, insurers are interested in applying behavioural science in earlier stages of products, but they lack guidance in how to successfully integrate behavioural interventions. Responding to this need, we have developed a 3-stage human-centric design framework that facilitates this process by applying detailed research of the contextual and behavioural realities of their customers.

In this White Paper, we explain the background and rationale for developing the HD framework, and the steps it involves. We also include a number of case studies where we have applied this framework in collaborations with new partner brands.

Do come **talk to us** to find out more.

What **problem** are we addressing?

> Simply put: if people do not actually see the value of doing something, if it doesn't make intuitive sense to them coming from that brand, if they are not contacted in the right context, where it is easy to perform the desired behaviour... they won't do it.

Insurers, like every organisation, are in the business of behaviour change.[1] Whether they are launching a new product, designing a new feature, or creating an online journey, very often the real proof of success depends on customers behaving a certain way.

Do customers see the value of the products and buy the coverage?

Do they complete the online journey?

Do they start using the new feature that has been added to their policy?

Judged in this light, it must be acknowledged that many insurance initiatives, well-meaning though they were, have failed to attract the desired level of behaviour-change (in terms of adoption or sales). An insurer builds a new health & wellbeing app for its customers but is then surprised with the low take-up. Or they design a new insurance feature but don't understand why customers don't see the value. The list goes on.

So why is it that products and services that have been carefully perfected by insurers do not achieve the desired behaviour change?

We propose that it's because of a **fundamental empathy gap**. Insurers too often fail to take into consideration how human beings *actually* think and make decisions. Using the language of Behavioural Science, we would say they have been building for 'Econs' rather than 'Humans'. 'Econs' are hypothetical individuals who have well-defined preferences, are able to accurately predict future consequences of their actions, have immense computational abilities, and are unemotional. Humans, on the other hand, are impulsive, cognitively lazy, emotional and computationally constrained. **Empathy gaps occur when the insurer designs products, process and programs for Econs, when in fact the end customer is a human.[2]**

So, in many cases insurers have been building insurance proposition or new features that people "should want" – for instance because they have an objective need for the insurance and can afford it. Or, they have been building propositions that people "say they want" – for example, cheaper prices or more comprehensive coverage. Unfortunately, this too is rarely successful, because it neglects the fact that, most of the time, customers don't know what they want. In the words of Henry Ford: "If I'd asked people what they wanted, they would have said a faster horse".

Finally, **insurers have sometimes built features that people do actually want, but what is being offered to customers makes too many demands on them.** For example, customers may be keen to achieve a discount on their policy, but the hassle of uploading their data or filling in a form puts them off actually doing it.

Simply put: if people do not actually see the value of doing something, if it doesn't make intuitive sense to them coming from that brand, if they are not contacted in the right context, where it is easy to perform the desired behaviour... they won't do it.

Is there a **better** way?

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10 years of progress
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Behavioural Science can help. Academics pioneering this field have repeatedly shown that humans are not the all-rational beings that we may think they are.[3,4] **Just because individuals know that something is good for them does not necessarily mean that they will engage in that behaviour,** for example eating healthily or buying insurance.[5] Seemingly irrelevant factors across varying contexts influence the manner in which individuals engage with products.[6,7] We have now repeatedly seen these effects in our work at iptiQ, too. When presenting an insurance offer on the phone, we have found that the timing of the offer (a "seemingly irrelevant factor") can have a significant impact on the take-up of the offer. In separate trials, **small changes such as the wording of a letter or the framing of information on a website can radically influence customers' behaviour.**

Over the past 10 years, we have seen a great deal of progress in the field of applied Behavioural Science. Within the insurance industry, Swiss Re has been a pioneer of Behavioural Science, with its global team of experts working to uncover the subconscious drivers that influence the way that customers interact with our products and services. Our expertise of tackling customer pain-points with behavioural science learnings in **over 250 trials have allowed us to build up an industry-leading bank of learnings.**

Broadly speaking, there are **two main areas where organisations attempt to target behavioural change**: in the **"first mile"** and in the **"last mile"**. The first mile has generally focused on strategy development, product innovation, development and testing. For the most part, insurers have focused on "last mile" issues – aiming to drive improvements within current processes and structures (for example tweaking a campaign or letter to achieve uplifts in the desired behaviour).

We see a role for insurers to improve their behavioural insights applications at all stages of the journey – starting with important foundation work in the very first mile – that is "shaping" new innovations, products and propositions. This, we believe, can help achieve more successful innovation or market disruption initiatives, as they stem from shaping products & proposition around unmet needs.

It's time for **behavioural insights** to be applied further upstream

What would it look like for an insurance company to harness Behavioural Insights in the way it designs its whole insurance proposition?

As interest in behaviourally-informed solutions has grown, so too has the demand for Behavioural Insights being used upstream.[8,9] We began to ask, **what would it look like for an insurance company to harness Behavioural Insights in the way it designs its whole insurance proposition?**

This is where **iptiQ's Human-centric Design (HD) framework** comes in. We could not find any existing frameworks that can assist insurers in successfully integrating behavioural interventions into their product and service development, so we developed our own, **bringing together the best of Behavioural Insights and its "sister-discipline" Design Thinking**. We collaborated with the Swiss Re Institute and BEAR's Professor Dilip Soman, to ensure that the latest behavioural science findings could inform our framework.

Intended to be used at the very beginning of projects, the HD framework will guide insurers and partners in developing solutions that truly meet their customers' needs.

In the past, this phase of starting – and empathising – with the customer has too often been neglected, as the insurer and its new partner (e.g. a bank or retail brand) have leapt straight to the "product mode". The core focus at this stage could often be summed up as: "we want to sell this product – how can we get people to buy it?" Instead, our first line of questioning should be: **"what's unique about these customers and the way they interact with this brand? How can we build an insurance proposition that is appealing to them, makes sense to them coming from that brand, and present the offer to them in a context where buying is easy and attractive".**

3 steps of the HD framework:
Initiate, Investigate, Ideate

Human-centric Design (HD) − A framework for the **development of insurance propositions**

The HD framework comprises of 3 steps which all work to assure the development of appropriate and successful products and services: **Initiate, Investigate, Ideate**

Step 1 − **Initiate**

As we begin the process, it's important to **define the scope**. Whilst ideation with no boundaries can be fun, most of the time we are working with a specific partner/brand in a specific country to develop an insurance proposition together with them.

For example, a retailer approaches us to explore building a new insurance solution for its customers. Or a price-comparison website wishes to enhance the insurance offering they currently offer online.

So in step 1, we first define the broad "frame" of the **opportunity, including the restrictions**. We aim to identify an **alignment of interests** and to investigate the **scope for the potential project**. Whilst this sounds restrictive, this phase is actually enormously helpful in defining what is in scope and what isn't (e.g. certain product types may be outside this company's risk appetite).

Time taken: 30 minutes

Note: in some cases you may be dealing with an "open-ended" opportunity that does not involve a specific partner yet. For example, exploring the global trend of Sustainability or a whole segment such as the Luxury sector or the Gig Economy. In those cases, you can skip straight to step 2 and only identify business opportunities and potential partner brands later.

Step 2 – <u>**Investigate**</u>

In this step we unearth all current knowledge about our partner's customers and lay it out on our <u>**5-Dimension Customer Canvas**</u>. For this step, we draw on a the whole suite of Design Thinking tools to empathise with end customers and generate insights: in-depth qualitative **interviews**, generative **research**, quantitative **surveys** and other forms of **available data**. The aim is to unearth **insights into customers' preferences, associations and deep unmet needs**.

Step 2: Investigate
Using the 5-Dimension Customer Canvas, fill in all details that we know about our customer

- Customer
- Channel
- Brand
- Protection Needs
- Psychological Levers
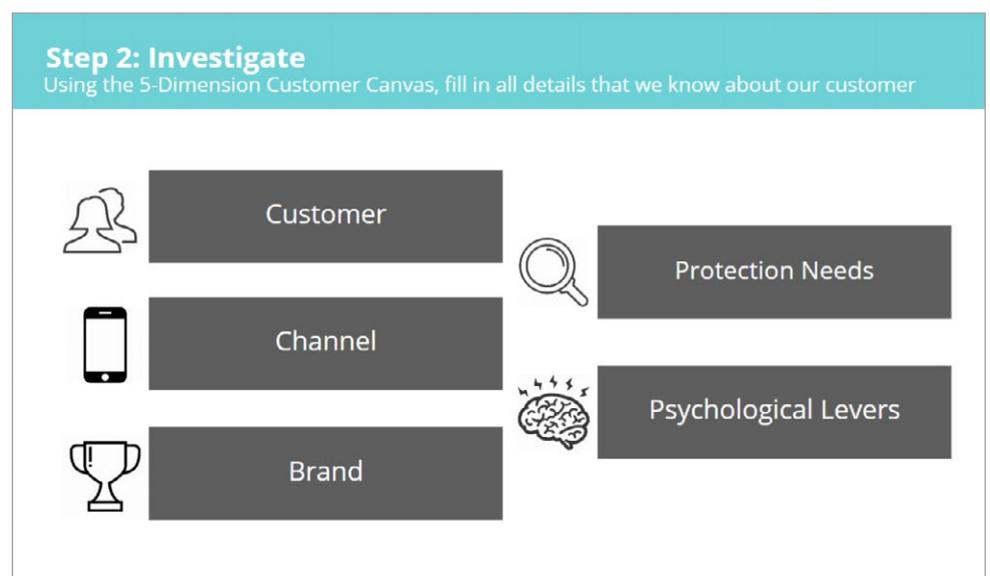
Customer: We map out **everything** we can find out **about** this **brand's customers**: segments, preferences, past behaviour, engagement levels and existing pain-points. To do this, we conduct in-depth qualitative and quantitative research that go beyond standard demographics.

Channel: We investigate how the **target audience** would **interact with** our **partner**: what are the current **touch-points** and **opportunities** to present an insurance offer (on mobile, in store, via digital or physical communication). Likewise, we look at their **technology level** to assess engagement across channels.

Brand: A partner's brand significantly influences a **customer's engagement** with the product. This is why we **analyse brand perceptions** to gather insights on how to harness existing views or to devise a strategy to develop a favourable attitude towards the company. **What do people associate with this brand**: convenience, luxury, reliability, innovation? These points will significantly affect the insurance solution we develop in order to create an insurance solution that makes intuitive sense to customers coming from that brand.

Needs: We examine the **"insurance triggers"** that exist when customers are interacting with this brand. For example, are people naturally thinking about the value of their home, their mobile phone, or their pets as they interact with this brand? If so, there may be an intuitive link to offering protection (i.e. insurance) for these needs. We also map out any **customer pain-points** or **frustrations** (both economic and psychological) with current insurance solutions. Maybe the current insurance offerings in the market are not rewarding enough, seem unclear, unfair, or too complicated.

Psychological levers: We assess what **behavioural science principles** are likely to be most relevant in this environment. For examples, are customers prone to being especially affected by what their peers are doing when interacting with this brand?

By cross-checking the desired customer behaviour against a **checklist of behavioural drivers from our bank of over 250 previous field trials**, we are able to develop propositions that will lead to **increased customer engagement** and **conversion rates**.

Time taken: 2 weeks, to allow for the provision of data, fact-find interviews and customer research. However, if needed, this can all be done much more quickly (1–2 days) at a high-level, though this will rely more heavily on assumptions about customers.

Step 3 – **Ideate**

Now we come to the really **exciting part**. Having completed the deep-dive into the customers' profile, we conduct a half-way workshop with our partner

By using this method, we can develop new insurance propositions that are totally focused on the end-customer, how they think, and how they interact with this brand. By doing this, we are able to develop insurance propositions with a far higher chance of success, in terms of adoption or sales.

Firstly, we **present** and talk through the whole **5-dimension Customer Canvas**. Now, we are ready to ideate new insurance propositions that are based on the customer's needs. We **collaboratively design** with the partner a few viable **propositions** that reflect their customers' preferences and needs. These propositions can be extremely varied, with a focus that could be the product itself, its features, additional services, the sale channel, trigger points or a combination of all of these.

We also **explore what it would look like to develop a product whose benefits are primarily economic** (e.g., maybe there is clearly a need for a better product) **versus experiential** (e.g. overall ease of use, simplicity, rewards etc).[10] In some cases, it is even possible to develop a solution that meets both of these goals.

To **test** the **idea's viability**, you have to show what unmet needs it is addressing, what customers it is targeted at, what intuitive connections to the brand can be made, and in what context(s) it would be offered to customers.

Finally, we **apply a behavioural lens to any idea being developed**, and note down parameters for specific product features. For example, what would loss aversion say about how product details could be framed? How can materials be set up to encourage an implemental mindset? How should the entire package be integrated to highlight simplicity and appropriate levels of choice?

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Here are some **examples** of insurance propositions we have developed with partners through the HD-framework:

Global home furnishing retailer: building a new contents insurance proposition.
- Through our consumer understanding phase, we identified that one of the barriers to considering switching home content insurance is not the product itself, but the perceived hassle of the switching process.

- Our solution harnesses the strong relationship that the brand has with its customers: we can gather home insurance renewal dates from customers throughout the year, and then target the offer at the right time, with helpful checklists of how to make the switch. We have seen improvements in conversion rates from this approach.

Tech company: building an Cyber Insurance solution for small businesses.
- Cyber insurance products are typically designed to be "comprehensive" – that means they cover the whole variety of cyber risks that a business could face: business interruption, data restoration, legal fees coverage. Whist this meets the customer's objective needs, it ends up being quite expensive and puts companies off buying the coverage.

- The consumer understanding phase unearthed a number of insights: customers are unfamiliar with Cyber insurance so would value seeing a tiered offer, to help them decide what level of coverage is appropriate for their needs. We also found that the number one feature they are looking for is a "crisis helpline" in the event of a cyber-attacks, ahead of financial compensation (which of course is still important). Customers also told us that they would expect to be able to talk to someone on the phone before making a decision.

- In response, we have designed a 3-tiered product, with the crisis-helpline as the standard feature in all levels, and the customer journey has been tailored to give people the option to buy online or to speak to someone on the phone.

New motor insurance proposition in a fully digital way
- Our partner wants to develop a new motor insurance proposition and is looking for intuitive links between its existing products and motor insurance.

- We discovered a customer pain-point around the process of adding extra named drivers (which customers assume means the price will go up). In response, we have developed a motor insurance product that allows you to update the named drivers seamlessly on their digital platform. This creates an intuitive link between the existing relationship these customers with the brand, and meets the unmet needs of the target demographic.

Price comparison website developing a new home insurance proposition
- Our joint challenge was to create a new home insurance offer that stands out in the fiercely competitive environment of a price comparison site.

- Our in-depth consumer insight work unearthed a number of pain-points and unmet needs in the existing home insurance products: solar panel exclusions, lack of smartphone coverage outside the home, and lack of loyalty rewards. By further developing each of these concepts and re-validating them with customers, we have identified the smartphone coverage as the number one feature that stands out as attractive to our prospective customers.

Time taken: one-day workshop between iptiQ and the partner brand.

What about **after** the ideation?

As soon as the broad insurance proposition has been agreed, we engage in iterative customer validation in the subsequent design and implementation.

Our framework emphasizes applying behavioural insights and design thinking principles at the beginning stages of a project. But the customer-centric work doesn't end there. As soon as the broad insurance proposition has been agreed, we engage in iterative customer validation in the subsequent design and implementation. This focus should remain even after the solution has been launched to allow for further refinement and ease of access.

Our research strongly indicates that projects that imbed behavioural insights from the start of a journey possess greater chances of success because they have been built with the customer in mind.

Authors

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Will pioneered the application of behavioural science within Swiss Re, establishing a team and setting this up as a client service in 2012. By using rigorous experimentation methods, this has helped insurers optimise their customer touchpoints in sales, retention, underwriting & claims. He then moved over to iptiQ in 2016, where he now leads the Behavioural Insights Group, with responsibility for consumer insight, CX strategy and of course, the application of behavioural science within iptiQ.

Francesca Tamma
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Francesca leads Swiss Re's Behavioural Research Unit – a truly unique group of industry-experienced behavioural scientists. Our aim is to design behavioural solutions for problems in the (re)insurance sector. We run field experiments and mixed-method research, which help our partners and clients determine what really works and changes policy holders' and insurers' behaviour. She has worked on setting behavioural research agendas and teams, first within the UK Behavioural Insights Team, the UK Tax Authority and now at Swiss Re. Her academic background is in economics (MA Hons from the University of Edinburgh and MSc with merit from the London School of Economics).

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Lauren is a Behavioural Scientist at iptiQ where she applies behavioural insights to customer pain-points by using a variety of research design methods such as gathering qualitative customer feedback, running A/B tests and leading Design Thinking projects. She studied Psychology at the University of Cape Town and then went on to complete a masters in Behavioural Economics at the University of Bath. Her previous research has focussed on the biased ways in which individuals perceive the world, and how these perceptions vary according to categories such as health, economics, human rights, safety and the environment.

Prof. Dilip Soman
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Dilip Soman is a Canada Research Chair in Behavioural Science and Economics, and serves as a Director of the Behavioural Economics in Action Research Centre at Rotman [BEAR]. His research is in the area of behavioural science and its applications to consumer wellbeing, marketing and policy. He is the author of "The Last Mile" and teaches a massive open online course "BE101X: Behavioural Economics in Action" on EdX.

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