



Article from

Reinsurance News

July 2018

Issue 91

Talk to Me: How Personalized Persuasion Could Enhance Protection Offerings and Reduce Underinsurance

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Many years ago, a preacher from a small village found himself asking a rather peculiar question: How do you get a horse down the stairs?

The preacher had made a wager with a friend that he could get a horse to climb up the stairs of his house. The horse made it up quite easily and the bet was won.

But that is when the problems began—once at the top of the stairs, the horse would not come back down. Neither carrot nor stick made a difference. The animal was spooked and refused to budge. With an increasingly panicked horse stuck upstairs in his house, what could the preacher do?

After much trial and error, the preacher persuaded the horse to go back down by partially covering its eyes, thus blocking out the strange new environment. This calmed the animal and it could take steps downwards gingerly, until reaching the safety of solid ground. This, supposedly, is how horse blinkers were first invented ... and they have been widely used ever since.

The story itself may be apocryphal—it is commonly referenced, but poorly sourced. However, the lesson of the story is untested: blinkers reduce an animal's peripheral vision, often to as little as 30 degrees, keeping it focused on the path ahead. In this way, it can move forward, untroubled by any potential distractions.

I am not sharing this story in case you ever find yourself having made an unwise bet involving animals. I am doing so because I believe it has important parallels for understanding human behavior and communication—parallels which can be applied to our industry.

Just like a horse, human attention, and therefore behavior, is heavily influenced by our surroundings. Most of our actions



are triggered by environmental cues which we process unconsciously. It is estimated that the human brain receives around 11,000,000 bits of information per second through all our senses, but the conscious brain can only process about 40 bits per second. This means we are continually being influenced in ways of which we are not consciously aware.

For example, experiments have shown that a person's honest and truthful disclosure can be influenced by environmental factors, such as light lux levels. In one experiment, participants were asked to score their own math tests. They would receive a cash payment for each right answer. Participants, it turned out, were about **37 percent less likely to be dishonest in their scoring** when completing the exercise in a well-lit room as opposed to a dimly lit room. There are good and honest people, but there also good and honest contexts, and too often we ignore the influence of these.

Understanding the true drivers of human behavior is essential if we are to capitalize on opportunities offered in a new era of personalized persuasion—opportunities that will enable us to reduce underinsurance, help our customers live healthier and longer lives, and deliver better risk results for our businesses. Developments in personalized communications and real-time decision prompts are enabling simple solutions that, when carefully applied, can deliver very meaningful results.

PERSONALIZED PERSUASION

“Personalization” has become a buzzword throughout retail financial services, not just insurance. Research from Accenture suggests that **80 percent of insurance customers are looking**

for more personalized offers, policies and recommendations from their auto, home or life insurance providers.

In reinsurance, the focus of personalization has often been on the use of demographic and behavioral data to improve underwriting. This has already had clear benefits: for example, using credit-based scores to predict mortality or lapse likelihood may provide a more sophisticated picture of each applicant's risk profile. Such personalized propositions are demonstrably favored by customers: the same Accenture research shows that 77 percent are willing to provide usage and behavior data in exchange for lower premiums, quicker claims settlement and insurance coverage recommendations.

To date, however, less attention has been paid to another very important aspect of personalization: direct communications with customers. The importance of this should not be overlooked, because persuasive communication is core to the success of the insurance industry—from selling protection to the need for honest declarations and encouragement of risk-reducing behavior.

Personalization involves tailoring communications to both the individual making a decision and the context in which their decision is made. It therefore applies to both the content and the timing of communications.

COMMUNICATIONS TAILORED TO THE INDIVIDUAL

It has long been known that a message or piece of information can be more persuasive if it matches a person's psychological traits. The trait-based approach most commonly used by academics is the Five-Factor Model of Personality. The five factors which define human personality and account for individual differences are: Openness, Conscientiousness, Extraversion, Agreeableness and Neuroticism (often referred to as OCEAN).

Numerous studies have shown that a message is more persuasive when framed to be congruent with the recipient's personality profile. For example, **Facebook adverts that match the content of persuasive appeals to an individual's psychological characteristics** result in up to 50 percent more purchases than to their mismatching or non-personalized counterparts. A message appealing to extraverts, for example, may focus on the excitement and unlimited creative opportunities of a new product, whereas one appealing to those with the greater need for stability associated with higher neuroticism index scores might focus on its safety and security.

People also perceive risks and rewards in line with their cultural values, a characteristic known as "culturally-motivated cognition." For example, those fitting the definition of "hierarchical individualists" believe in personal freedom and traditional family values. They may dismiss the existence of threats that would imply greater outside regulation of personal activities is needed—the threat of climate change, for example. As such,

they are less likely to protect themselves or insure against these hazards. Conversely, when something seems to threaten someone's way of life or personal values, they will believe it is objectively dangerous even in the face of contradictory statistical information.

For insurers, the link between psychological traits, cultural values and behavior is not new. We have long-known that high levels of conscientiousness, for example, negatively correlate with risk appetite, increasing demand among individuals with high conscientiousness for insurance and reducing the risk of insuring them. The challenge has often been in identifying these psychological characteristics.

New technology and big data enables us both to better understand our audience and to communicate with them on a more personal level. Today, we can quite accurately infer much about people's psychological characteristics from their digital footprints, such as their Tweets or Facebook likes. For example, individuals who express concern for the environment, and are engaged with health and fitness issues tend to score highly on the conscientiousness scale.

Attempts have been made to use social media data such as these to screen potential customers and set the price of their insurance. But there are regulatory and, for some, ethical barriers to doing this: In 2016 **Facebook blocked the plans of Admiral, a U.K.-based car insurance company**, to enable customers to voluntarily share with it some of their social data to "secure a faster, simpler and discounted quote."

If we want to reduce underinsurance then we cannot just sell to the conscientious. We need to make insurance appeal to a wider audience and encourage this audience to behave in ways that reduce their premiums while increasing their sense of well-being. We need to personalize not just the product, but also the rationale for wanting it. But there are regulatory, ethical and reputational issues to consider here, too. Obtaining informed consent from individuals as to how their personality profiles are being used is likely to be key.

One area where this is likely to be an opportunity to use this approach openly with individuals is at the other end of the value-chain: in encouraging healthier behaviors amongst the insured. For example, research suggests that when creating and communicating interventions aimed at those who have been diagnosed as pre-diabetic or at risk of becoming pre-diabetic, tailoring the approaches to personality types can increase the effectiveness of the intervention.

These groups are likely to be more highly motivated to change their behaviors and so receptive to a more personalized and effective approach.

COMMUNICATIONS TAILORED TO THE MOMENT

In addition to understanding the psychological characteristics of individuals making their insurance-buying decisions, we need to understand the context in which those decisions are made. Often it is context, rather than character, that is the main determinant of behavior.

Most of the decisions we make are quick, intuitive and unconscious; our brains take mental shortcuts when making them to stop us from getting bogged down in endless detail. This “fast and frugal” cognitive processing style, while speedy and efficient, can create many biases and errors in our decision making.

For example, our brains often rely on information that is most easily available, rather than searching for information that is most valuable. This is known as the “availability heuristic”—a cognitive processing error that mistakenly equates ease of recall with truthfulness and importance. As such, people tend to heavily weigh their judgments toward more recent information, making new opinions biased toward that latest news.

Another common bias is our tendency to use the first piece of information we receive as the benchmark against which we evaluate all subsequent information. This is known as the “anchoring effect.” Once an “anchor” is set, other judgments are made by adjusting away from that anchor, and the value of each subsequent judgement is often determined relative to the original anchor. This is a bias you see in the real world all the time. For example, people are often willing to pay more for a house, a car or even goods at a supermarket, if it has a high initial list price.

Biases such as these are very powerful and they can be difficult to override. Education and constant repetition of messages can have an impact, but they are expensive to provide and often yield disappointing results. It is much more effective to acknowledge these subconscious decision-making biases and account for them in our communications.

One of the most powerful approaches we can take is to communicate “in the moment”—that is, when a person’s attention is already focused on the decision or behavior, not before.

Communicating important information at the exact point of decision making is the holy grail of persuasive communications, and this is being enabled by digital technologies.

For example, the U.K.’s National Health Service (NHS) has been trying to reduce the number of patients sent for unnecessary lab tests. In a randomized and controlled behavioral science trial, two hospitals in England programmed their IT system to show doctors the price of a discretionary lab test right at the moment they were ordering the test. The cost of a lab test should already form part of a doctor’s decision-making process and information about the costs of each test are provided in books to which

doctors can refer. These books, however, are rarely consulted. This simple act of reminding doctors of the cost to the NHS **reduced the number of lab tests booked by one-third.**

Similarly, the **Reword** campaign in Australia is looking at how providing information at the right time can reduce offensive and bullying online behavior by children. Reword is a simple tool that makes children aware when their online behavior starts to take on bullying characteristics. The app detects insults in a person’s typing, and when one is found, the user is alerted with a red strikethrough of the offending text, instantly interrupting behavior, highlighting that these words might cause offense and prompting them to reconsider their words.

In both of these examples, the approach is not to force the person to behave in a certain way but to ensure an important piece of information is prominent at the point they are making a decision.

There is clear potential to apply some of these techniques to the insurance industry, especially as so much of the application and claims processes has moved online. Smart use of prompts, questions and key information could positively influence a decision. The focus should therefore be on designing online and mobile sites that allow this level of functionality rather than simply replicating a physical form online.

THE LOUDEST SOUND IS A WHISPER

Levels of protection are less than ideal for both individuals and society at large. Industry professionals know we need to do a better job persuading people to insure appropriately, and then to behave in ways that reduce their risks and premiums.

If someone is not paying attention to something we think is important, our instinct is often to shout louder than everyone else. However, this is an ineffective approach in a world where attention is at a premium. When communicating about insurance, we need to create messages that reflect how people really do think and behave rather than how we believe they should think and behave.

Technology can improve the timeliness and salience of our communications. Persuasion, just as products, should be personalized. ■



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