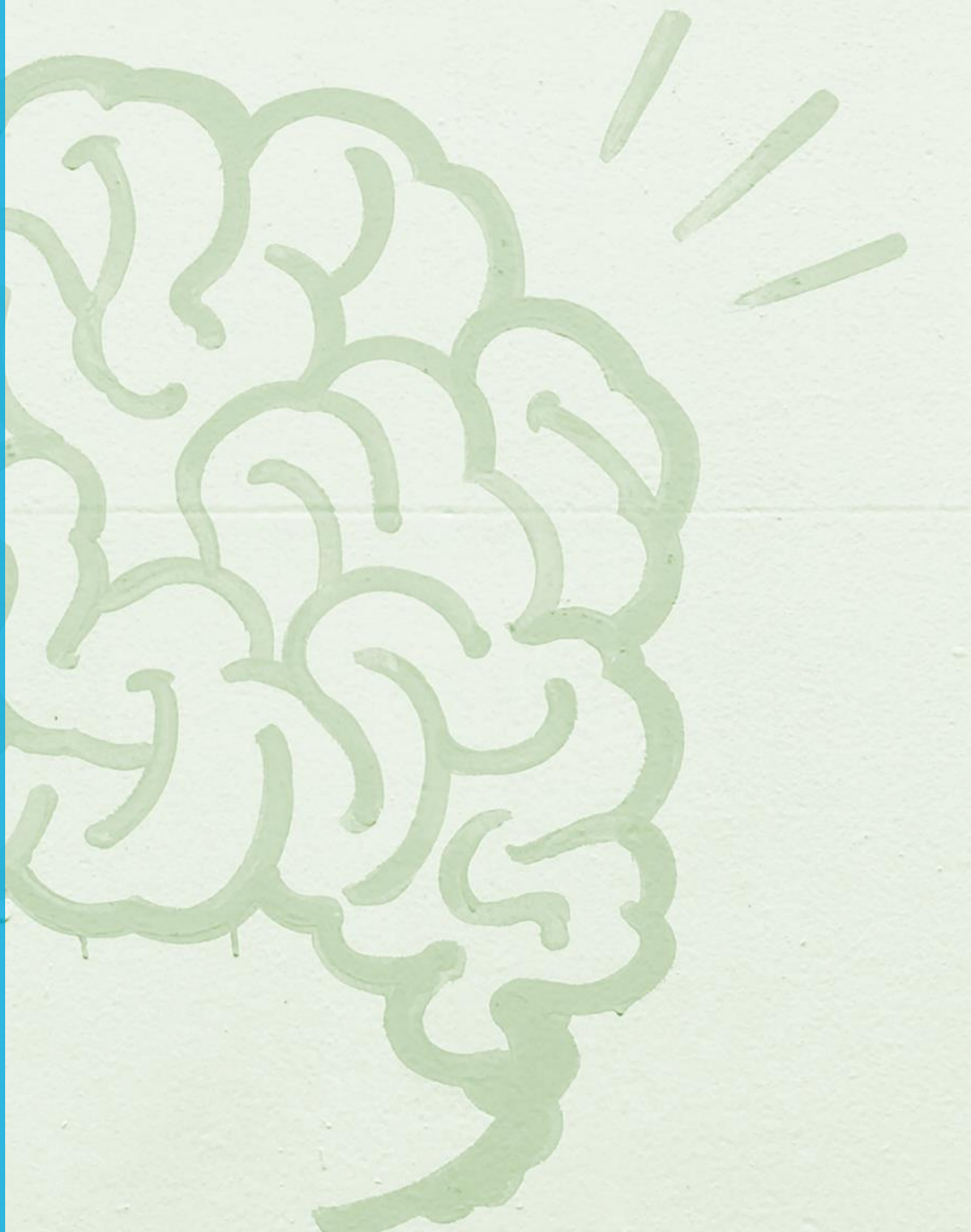
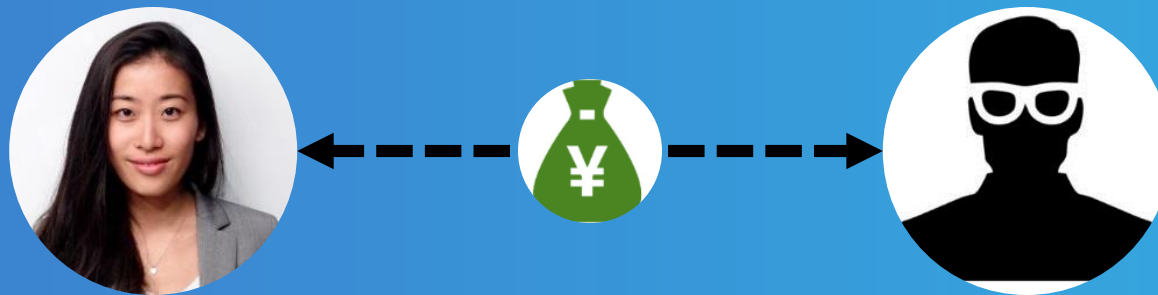


# Behavioural Insights in Action

Tiffany Zhang  
4<sup>th</sup> June 2018





# Thinking fast and slow

## Traditional Approach

Assumes that people:

- are **rational** & have set preferences
- seek to **maximize utility**



To change behaviour...

**information:** better understand cost

**financial incentives:** change the relative 'prices' of costs and benefits

## Behavioural Science Approach

Understands that people:

- are **not always rational**
- hugely affected by seemingly irrelevant "**contextual**" factors

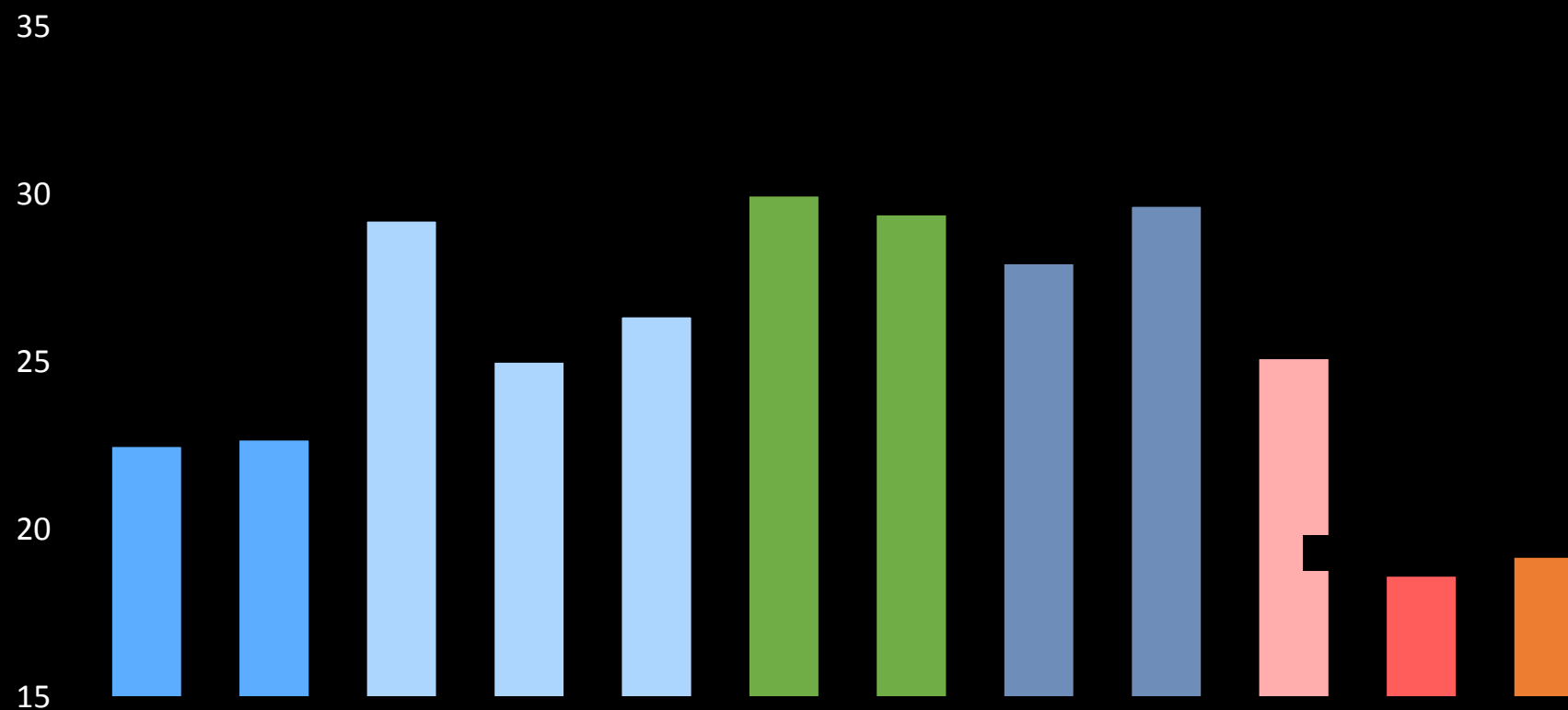


To change behaviour...

change the context within which decisions are made: "**nudge**"

**test** everything and **measure** impact

# Financial incentives for behaviour change?



# The journey of behavioural economics in insurance



# Application in underwriting



- Honest and accurate disclosure of health questions



- Drop off rates for online and tele-underwriting



- Speed of doctor requests



- Underwriting engine Straight Through Processing (level of useful responses and data)

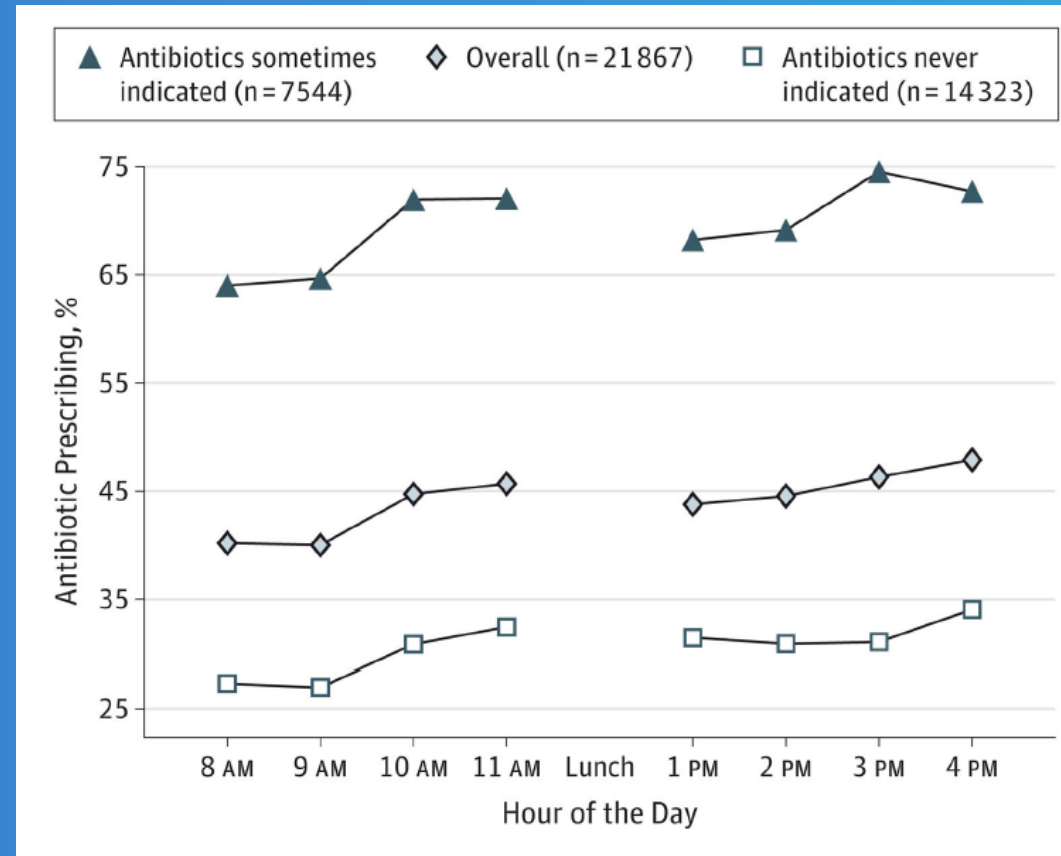


- Take-up of substandard cases

- Selected experience

- Improvement in **disclosure**: **27%** in **smoker** status, **31%** in **drug** use, **3%** in **alcohol** consumption, through changes in application form
- **3%** increase in **uptake of interactive underwriting route** through changing the online form
- **107%** increase in **turnaround time** of medical evidence for an Irish insurer

# Behavioural intervention for expert professionals



Source: Linder et al. (2015) "Time of Day and the Decision to Prescribe Antibiotics"

# Behavioural intervention for end-customers

## Problem statement

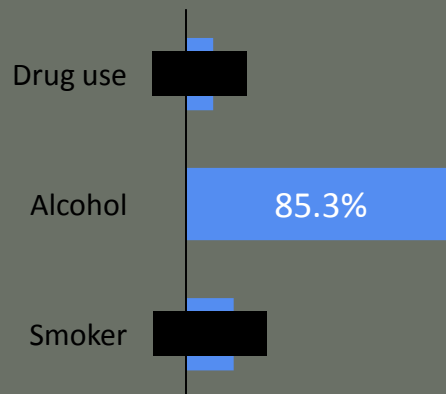
- Client has identified several areas of under-disclosure

## Business challenge

- How to improve disclosure in smoking, alcohol consumption, and drug use?

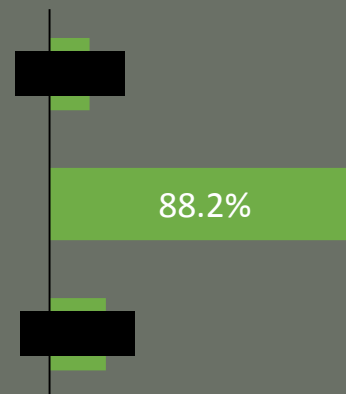
### 1. Control UW form

Honesty declaration at the **end** of the form



### 2. New UW form

Honesty declaration at the **front** of the form



### BE intervention

- **Salience:** changed **placement of the honesty declaration**

### Results

- 31% relative improvement in drug use disclosure
- 3% relative improvement in alcohol consumption reporting
- 7% relative improvement in smoker disclosure
- All improvement statistically significant



# A deeper look at disclosure

Environmental cues

Human-machine interaction

