



# **Annex 2 to Evaluation Paper 19/1: Analysis of consumer survey data and insights**

October 2019

# Introduction

As set out in Section 1 of [Evaluation Paper 19/1 \(EP 19/1\)](#), we envisaged that our intervention would prompt consumers to pay greater attention at renewal, engage, shop around and make better informed decisions about whether to renew their insurance policy.

Even if a consumer doesn't take further action (eg negotiate or switch), it is still a positive outcome if they are making a better-informed decision at insurance renewal, despite the cost (eg the time taken) of doing so. We did not quantify this in our pre-intervention work. However, [Occasional Paper 12 \(OP 12\)](#) and [Consultation Paper 15/41 \(CP 15/41\)](#) noted that more motor insurance consumers who had last year's premium on the renewal notice said that they shopped around than those without it (73%) compared to consumers who didn't have last year's premium on the notice (67%).

We have gathered consumer survey data and insights to compare consumers' stated behaviour before and after our intervention. Analysing these data helps us to uncover some potential reasons why we might see the outcomes from the various analyses carried out in this evaluation. This evidence provides context to the rest of our findings, and we do see changes over time. However, it is worth noting that none of the evidence presented here implies causation (ie that our intervention has led to changes in the consumer survey evidence presented).

We have relied on the following consumer survey data sources:

- The long-term data collection in the home, motor and pet insurance markets by Consumer Intelligence (see [Annex 4](#) for further details on their approach)
- The FCA's [Financial Lives Survey \(FLS\)](#)
- Consumer survey data that the FCA has access to on an ongoing basis, including Ipsos' Financial Research Survey (FRS) and consumer survey reports from Mintel
- The general insurance pricing practices market study's (GI market study's) [consumer research from London Economics](#).

This annex summarises the main and relevant insights from these consumer survey data sources.

The rest of the annex is structured as follows:

- Section 1 summarises changes to indicators of consumers' active decision making and engagement at renewal. This includes changes in consumers' beliefs, behaviours such as assessment of appropriate cover, and shopping around.
- Section 2 presents information on consumers' negotiating behaviour at renewal.

# Section 1: Consumer engagement at renewal

This section summarises observed consumer engagement measures before and after our intervention. As reflected in the main report, our key findings when making this comparison are:

- There has been a notable increase in the proportion of consumers 'actively renewing' (ie shopping around, getting a premium quote on a price comparison website). In doing so, it appears that these consumers have moved away from relying only on their notice to renew.
- There has been a fall in the proportion of home and motor insurance consumers reporting that they 'cannot be bothered' to shop around (though, it remains a popular reason for not doing so).
- Both before and after our intervention, home and motor insurance consumers rate the price of their policy as an important factor when choosing their provider, whereas pet insurance consumers appear to focus more than home and motor insurance consumers on non-price factors.
- Fewer pet insurance consumers appear to be constrained by factors related to their pet.

We also find, and briefly discuss here, some aspects of consumer behaviour that have not changed after our intervention compared with before, such as the main reasons for consumers to choose either to shop or not shop around, and other factors (including where and how consumers shop around, ie the shopping around 'channel').

## The data show an increase in consumers actively choosing to renew their insurance policy

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We found that the overall shopping around rate<sup>1</sup> has increased and, particularly, that among those that decide ultimately to renew with their existing provider more are shopping around before doing so. However, we also found that a proportion of consumers remain unengaged in the renewal process.

### We observe small positive increases in the shopping around rate across all three markets

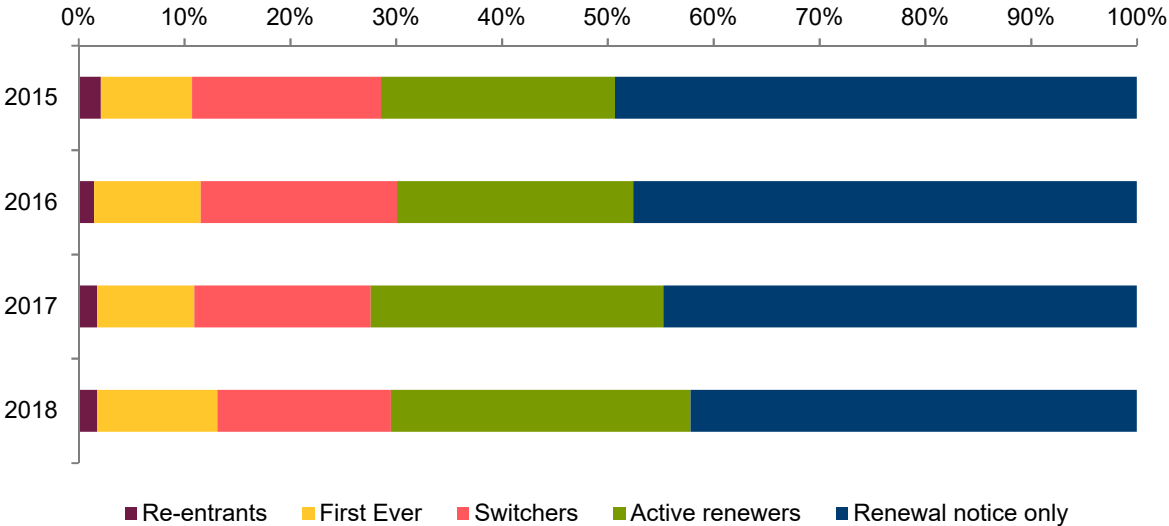
Before our intervention, we considered that consumers were unlikely to be making an informed decision at renewal if they were not undertaking a comparison of their renewal offer with what they could get from competing firms. The renewal requirements state that firms must include information that consumers check the level of cover offered is appropriate and indicate, if they wish, to compare prices and levels of cover offered by other providers. We envisaged that our intervention would prompt consumers to shop around.

<sup>1</sup> 'Shopping around rate' – defined as the percentage of consumers who shopped around, including consumers who shopped and stayed with their current provider, as well as those consumers who shopped around and switched to a new provider.

The data show that home insurance shopping around rates have increased after our intervention by 3.1 percentage points (to 77.5% of consumers).<sup>2</sup> Motor insurance shopping around rates have also increased, by nearly 1 percentage point (to 84.6% of consumers).<sup>3</sup>

The proportion of consumers, in terms of gross written premium, who now rely on their renewal notice alone and do not shop around has been reducing over time in the home and motor insurance markets (see the sections of the bars furthest to the right in Figure 1).

**Figure 1: Home insurance annual gross written premium by buyer type<sup>4</sup>**



**Source: Ipsos MORI Financial Research Survey**

Figures 2 and 3 show changes in the proportion of consumers ‘actively renewing’ (ie shopping around and obtaining at least one price quote before choosing to renew) in the home and motor insurance markets respectively. Again, the data show that the proportion of consumers actively renewing has increased after<sup>5</sup> our intervention. The increase appears to have coincided with a fall in the proportion of consumers using only their renewal notice at renewal (ie not obtaining a price quote).<sup>6</sup>

2 Consumer Intelligence, Pre: October 2015-March 2017 and Post: April 2017-September 2018. Sample size pre c. 17,160 and post c. 18,040.

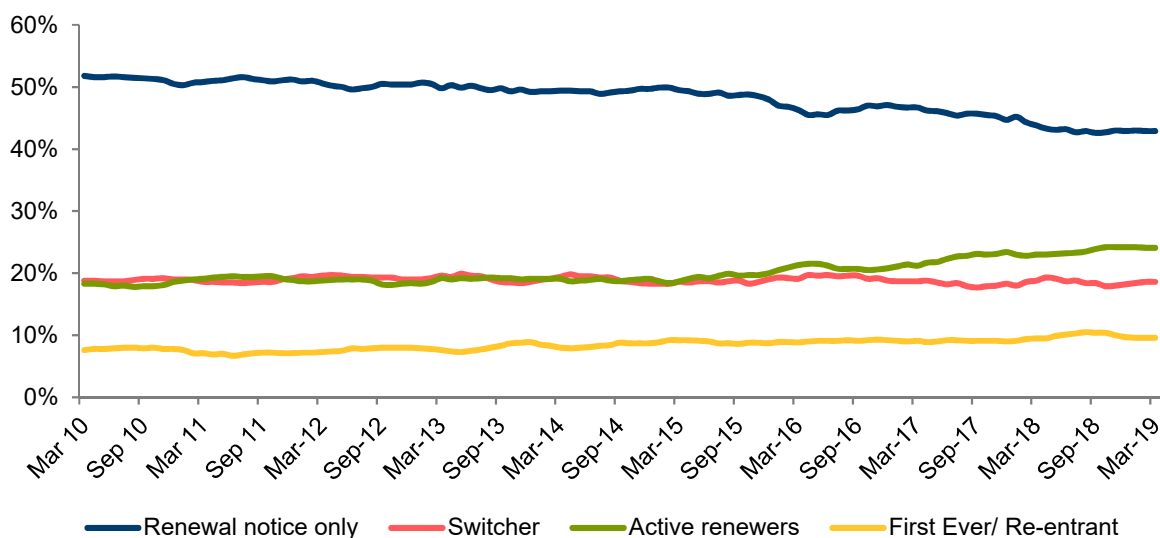
3 Shopping around rates in motor have marginally increased from a very high base. However, before our intervention our Financial Lives survey found that 24% of motor insurance consumers had not considered switching their provider.

4 Re-entrants: Had a policy in the past, not at time of arrangement; First ever: first ever insurance policy; Switchers: Switched insurer in the last 12 months; Active renewers: Those who get at least one quote at renewal but do not switch provider; Renewal notice only: renew policy with existing provider without getting at least one quote at renewal.

5 As set out in the main report, we use the word ‘after’ to signal analysis that is non-causal (ie we cannot claim that a change happened as a result of our intervention). We use the words ‘due to’ and ‘because of’ to signal analysis that is causal. All of the findings presented in this annex present relevant indicators from consumer survey data and insights. It is not a causal analysis so we cannot claim that the changes we see are solely due to our intervention.

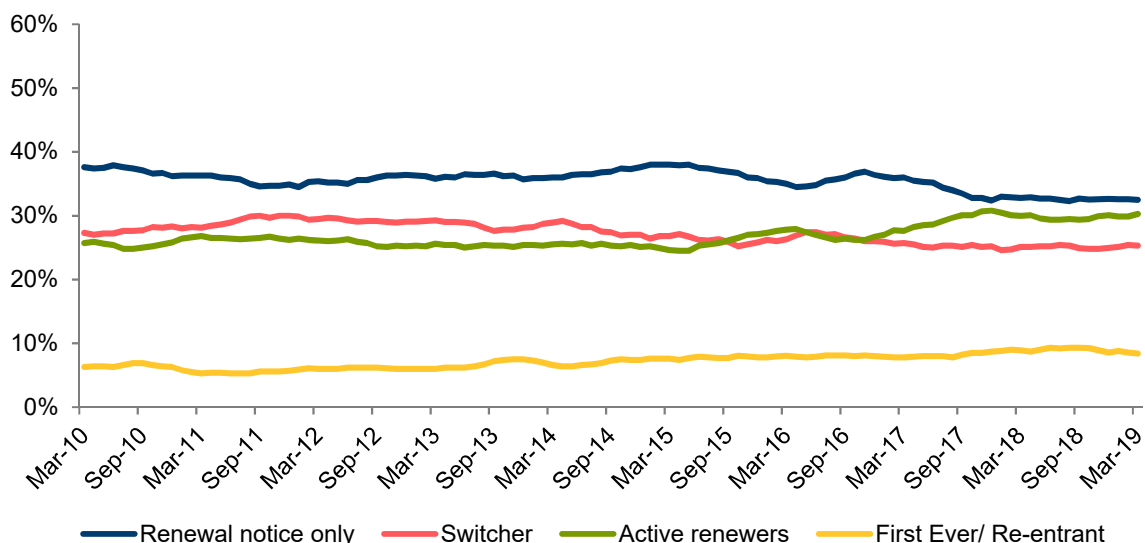
6 Ipsos MORI FRS monthly data, sample example: for six months to March 2019 14,365 for home and 15,363 for motor.

**Figure 2: Home insurance policies by buyer type (%)<sup>7</sup>**



Source: Ipsos MORI Financial Research Survey

**Figure 3: Motor insurance policies by buyer type (%)**



Source: Ipsos MORI Financial Research Survey

**Some consumers started from a low level of engagement with the renewal process and documents**

Before our intervention there were groups of consumers who did not engage with the renewal process. For example, 6% of consumers that had renewed their motor insurance policy did not know whether this had automatically renewed or not.<sup>8</sup> Our FLS 2017<sup>9</sup> found

7 Re-entrants: Had a policy in the past, not at time of arrangement and combined with first ever: first ever insurance policy in this chart. Switchers: Switched insurer in the last 12 months; Active renewers: Those who get at least one quote at renewal but do not switch provider; Renewal notice only: renew policy with existing provider without getting at least one quote at renewal.

8 Financial Lives Survey, 2017, FCA.

9 Financial Lives Survey, 2017, FCA.

that, of those motor insurance consumers that had taken out, renewed or switched their provider less than three years ago:

- 19% read the policy documentation 'carefully'
- 39% 'looked through it briefly'
- 30% 'just looked at the key points'.
- 10% 'didn't look at the documents at all'
- 2% that 'don't know' what they did.

We were unable to collect information on how this changed after our intervention. However, an awareness of the pre-intervention data is helpful in setting our evaluation's findings in context. This is because these data suggest that there are limits to how effective the intervention could be, given that pre-existing consumer behaviour showed that a small proportion of consumers stated that they did not to engage with renewal documentation. Hence, if this behaviour persisted after our intervention (and there is little reason to believe that changing the renewal notice would have changed whether, for example, consumers who didn't look at the disclosure before the intervention would do after), then it is unlikely that our intervention would have had a notable impact on these types of consumers.

## **Fewer consumers report that they 'couldn't be bothered' to shop around**

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We have some evidence that there has been a small increase in the proportion of consumers who value shopping around. Consumers appear to exhibit different shopping around behaviour, depending upon the relative change (ie increase or decrease) in their renewal premium.

### **Despite our intervention, there appear to be some behavioural barriers to shopping around, including underestimating the potential benefits of doing so**

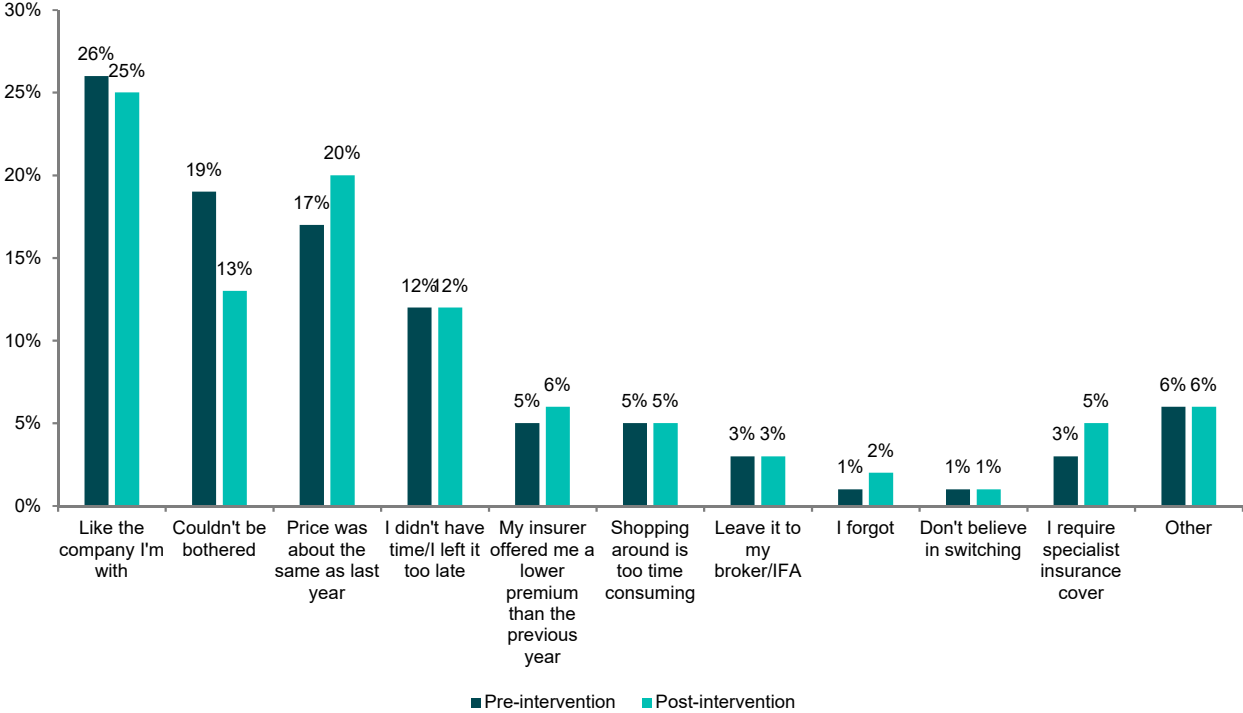
Before our intervention, our evidence suggested that home insurance consumers did not switch or negotiate prices when they rationally should have been doing. It appeared that the expected benefit from negotiating or switching (ie the lower premium that a consumer could pay from doing so) was sufficiently large to outweigh any reasonable search costs. We also found that consumers had low perceived benefits, relative to the actual benefits, of shopping around, and we concluded that this was a key factor that drove consumer inertia.

We have some evidence to suggest that consumers' estimates of the costs of shopping around have improved. For example, home insurance consumers show a decreasing propensity to say that they 'couldn't be bothered' to shop around (from 19% before our intervention to 13% after in Figure 4 below).<sup>10</sup> Motor insurance consumers also showed a similar decreasing propensity to answer in this way (from 18% before our intervention to 14% after) though it was still the third most popular reason to not shop around.<sup>11</sup>

<sup>10</sup> Consumer Intelligence. Pre: October 2015-March 2017 sample size c. 4,620. Post: April 2017-September 2018 sample size c. 4,130.

<sup>11</sup> Consumer Intelligence. Pre: October 2015-March 2017 sample c. 2,935 and post: April 2017-September 2018 sample c. 2,800.

**Figure 4: Home insurance consumers: Main reasons why you decided not to shop around<sup>12</sup>**



Source: Consumer Intelligence

**Consumers also often choose not to shop around because their premium has not changed or has reduced**

The data suggest that consumers have been increasingly responding that an unchanged premium is a reason for them not to shop around. It is possible that our intervention has affected consumer awareness of last year’s premium on average, and therefore this may account for the observed increase in the proportion of consumers with unchanged premiums. It is also possible that more consumers have received an unchanged or lower premium after our intervention than before it.

Survey evidence shows that:

- Beyond certain premium increases (ie in currency terms), consumers are more likely to shop around and switch. Increases above £20 in home insurance and £30 in motor insurance triggers a shopping rate above the respective average shopping around rate.
- For home and motor insurance consumers, the biggest increases in shopping around and switching behaviour appear to be when consumers’ premium remained unchanged from the previous year.<sup>13</sup> Premium decreases also prompted some shopping around and switching behaviour.<sup>14</sup>

<sup>12</sup> Consumer Intelligence. Pre: October 2015-March 2017 sample c. 4,620 and post: April 2017-September 2018 sample c. 4,130.

<sup>13</sup> Based on Consumer Intelligence data. For example, home insurance consumers with unchanged renewal premiums showed a statistically significant 4.2 percentage point increase in shopping around rate when comparing after our intervention with before it. Among motor insurance customers, those with unchanged premiums showed absolute shopping around levels lower than for those customers who receive either higher or lower premiums, however the share of motor insurance customers shopping around after our intervention increased significantly (from 65.8% before our intervention to 68.4% after).

<sup>14</sup> Based on Consumer Intelligence data.

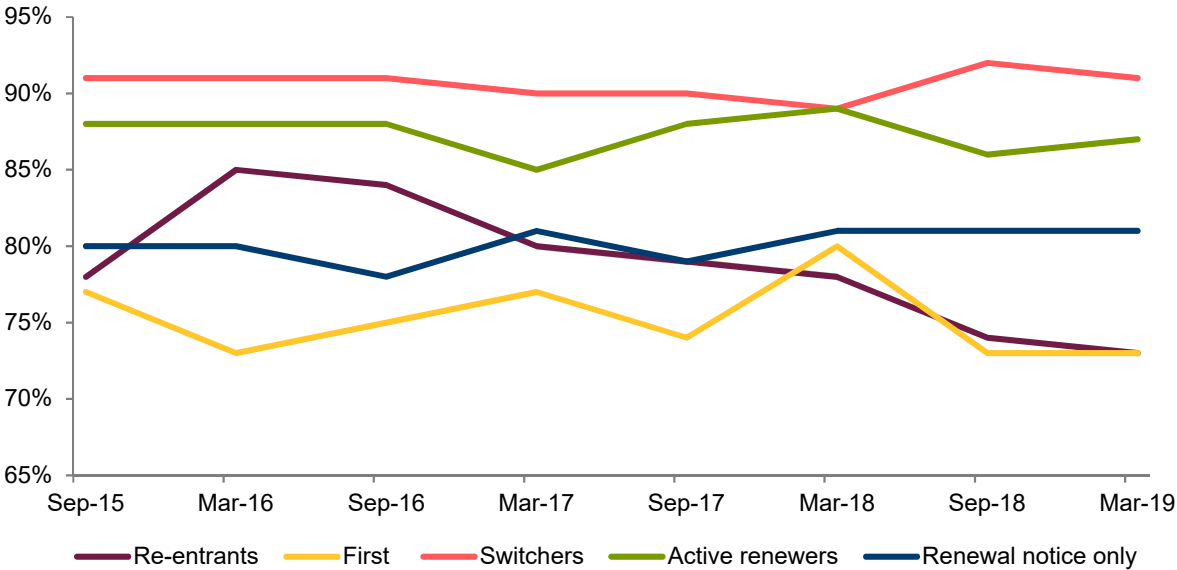
- In the pet insurance market, consumers that experienced a renewal premium decrease showed greater amount of shopping around behaviour, with 77.7% shopping around, than those with premium increases (50.4%) or premiums that didn't change when compared to last year (41%).<sup>15</sup>

**Price and non-price factors are important to motor and home insurance consumers, whereas pet insurance consumers focus more on non-price factors**

We have evidence to suggest that non-price factors may also impact on consumer engagement with renewals, though price continues to be a critical factor.

Figure 5 shows that motor insurance consumers, regardless of their renewal behaviour, continue to focus on the cost of the policy when selecting a provider. Similarly, more home insurance consumers rate the cost of the policy as important after our intervention, with 76% rating it highly after our intervention compared with 72% doing so before our intervention.<sup>16</sup>

**Figure 5: Percentage of motor insurance consumers which select 'Cost of Policy' as a key reason to pick their provider, split by consumer type**



Source: Ipsos MORI Financial Research Survey

In the pet insurance market, consumers appear to focus more on non-price factors than in the home and motor insurance markets, although this focus has fallen slightly after our intervention. After our intervention, 41% of pet insurance consumers perceive the need for 'best cover' as a key driver of their decision to pick their current provider.<sup>17</sup> This is a

15 Consumer Intelligence. All figures are for the period after our intervention, April 2017-September 2018. Before our intervention, shopping around rates were 49.5% for those pet insurance customers who experienced a higher premium and 37% for those with an unchanged premium and 74.6% for those with a lower premium.

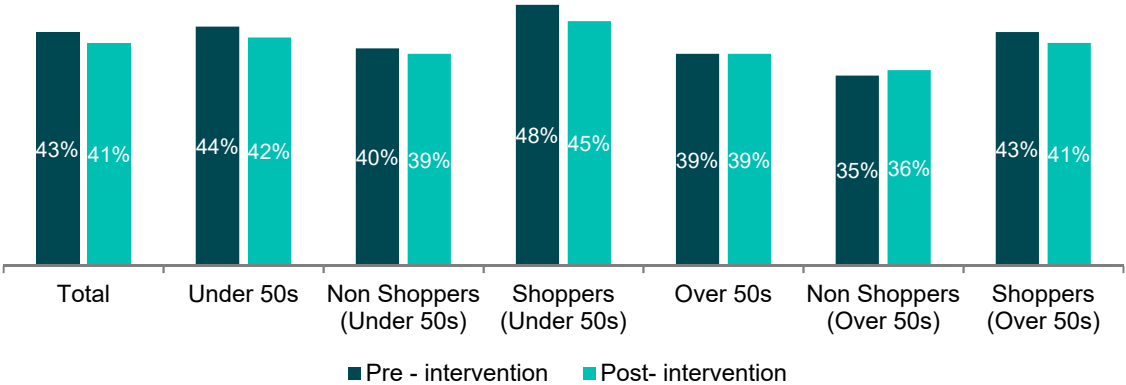
16 Ipsos MORI Financial Research survey.

17 Consumer Intelligence. Post: April 2017-September 2018, sample c. 3,430.



two-percentage point decrease from before our intervention, though it remains the most popular reason to choose a pet insurer (see Figure 6).<sup>18</sup>

**Figure 6: Percentage of pet insurance consumers who answered that the perception of having the best cover is one of the reasons to choose their insurance company**



Source: Consumer Intelligence

We found that more pet insurance consumers rate ‘trust in the company’ as one of the main reasons for choosing their provider after our intervention (25%, compared with 21% before our intervention).<sup>19</sup> They also rate ‘ease of purchase’ very highly, which was the second most popular choice for a reason to choose an insurer (29%, compared with 26% before our intervention).<sup>20</sup>

**Fewer pet insurance consumers appear to be constrained by factors relating to their pet**

After our intervention, a decreasing proportion of pet insurance consumers appear to be constrained by factors related to their pet. For example, fewer consumers responded that the main reason they didn’t shop around was because ‘my pet has a pre-existing medical condition’ (from 9% before our intervention to 7% after), or that it is ‘hard to get cover because of my pet’s age’ (from 8% before our intervention to 5% after).<sup>21</sup>

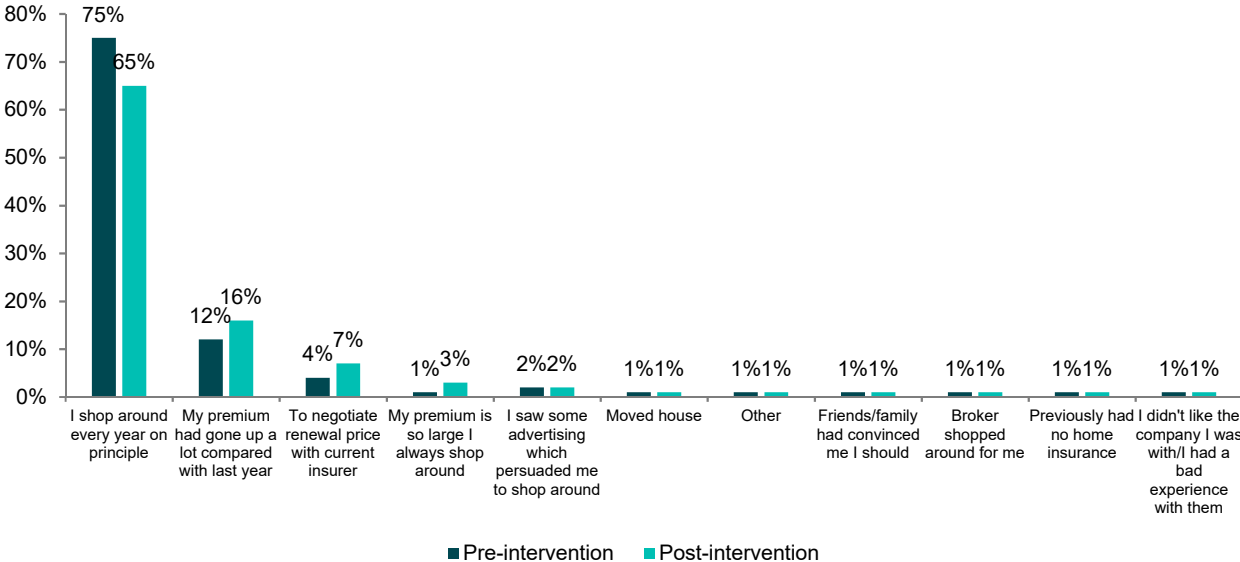
18 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,640 and post: April 2017-September 2018, sample c. 3,300.  
 19 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,640 and post: April 2017-September 2018, sample c. 3,430.  
 20 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,640 and post: April 2017-September 2018, sample c. 3,430.  
 21 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,700 and post: April 2017-September 2018, sample c. 2,650.

## We observe additional factors that may help explain consumer behaviour but have not changed following our intervention

### Many insurance consumers report shopping around on principle every year both before and after our intervention

Consumers were asked their main reason for shopping around. Across all markets, 'I shop around every year on principle' was consumers' main reason, both before and after our intervention, though this fell after our intervention. Figure 7 shows that more than 65% of home insurance consumers that report shopping around do so every year either on principle or because their premium is very large.

**Figure 7: Home insurance consumers - Main reason to shop around<sup>22</sup>**

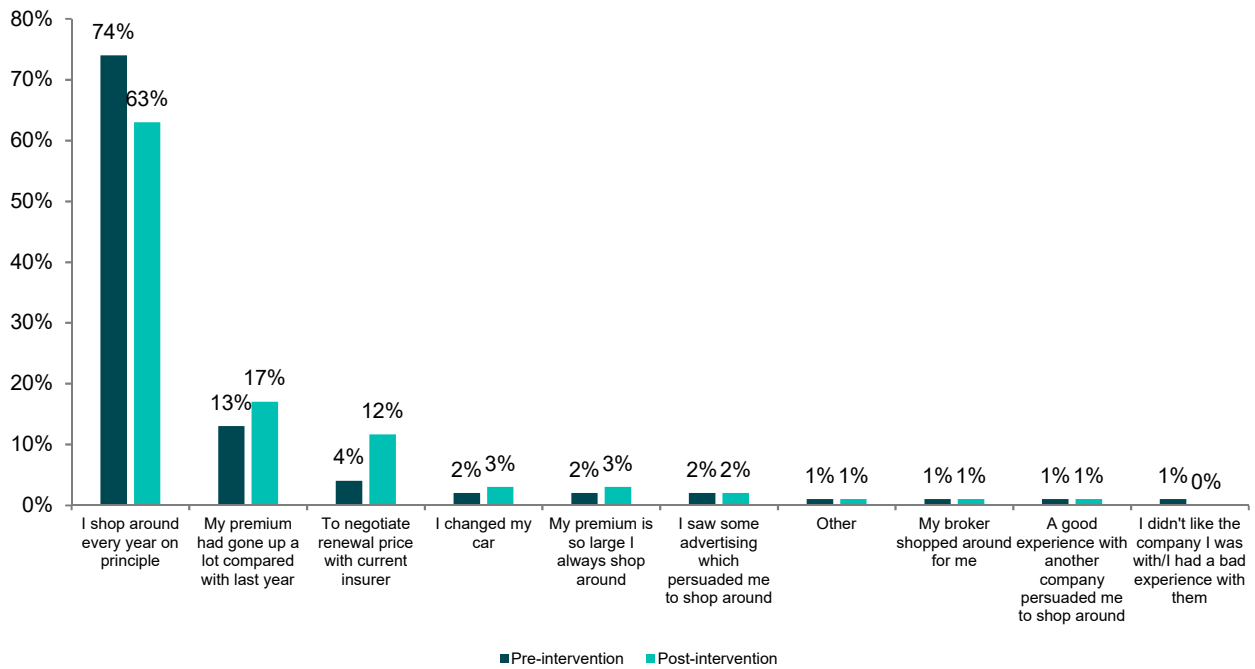


Source: Consumer Intelligence

Figure 8 shows that 63% of motor insurance consumers report shopping around every year on principle after our intervention. This was a fall from the pre-intervention figure, with premium-related factors increasingly stated by consumers (eg 'my premium had gone up a lot compared with the last year').

<sup>22</sup> Consumer Intelligence. Pre: October 2015-March 2017, sample c. 13,400 and post: April 2017-September 2018, sample c. 14,220.

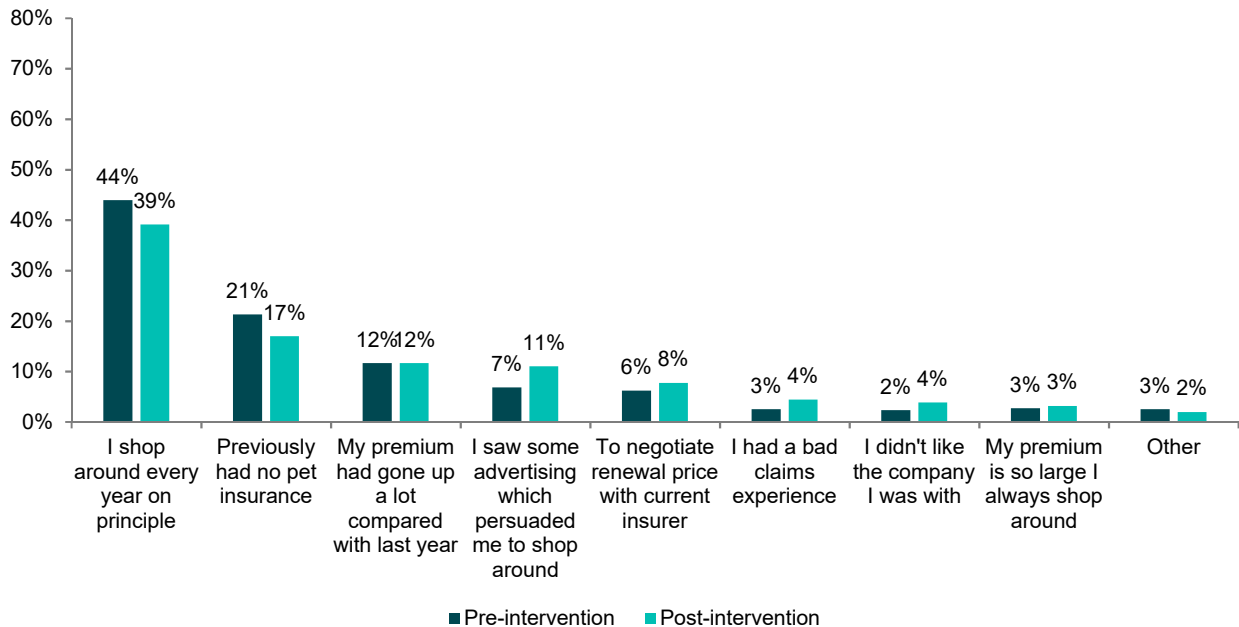
**Figure 8: Motor insurance consumers - Main reason to shop around<sup>23</sup>**



Source: Consumer Intelligence

Figure 9 shows that the proportion of consumers who shop around for pet insurance on principle is lower (ie in absolute percentage terms, 39%) than in the home and motor insurance markets.<sup>24</sup>

**Figure 9: Pet insurance consumers - Main reason to shop around**



Source: Consumer Intelligence

<sup>23</sup> Consumer Intelligence. Pre: October 2015-March 2017, sample c. 15,060 and post: April 2017-September 2018, sample c. 15,450.

<sup>24</sup> Consumer Intelligence. Pre: October 2015-March 2017, sample c. 3,350 and post: April 2017-September 2018 sample c. 3,430.

## **Consumers' view of their existing provider is key in their decision on whether to shop around**

Consumer engagement is a measure used by Consumer Intelligence to assess consumer satisfaction and loyalty to their current provider.<sup>25</sup> In each of the three markets, there was a statistically significant relationship between consumers' engagement and their shopping around rate.<sup>26</sup> That is, higher levels of the 'consumer engagement' measure were associated with a reduced likelihood of consumers shopping around.

## **Consumers' reasons for not shopping around often included satisfaction with their current insurance provider or product**

Whilst we didn't expect our intervention to affect consumers' satisfaction levels directly,<sup>27</sup> satisfaction is one of many factors that might influence how likely a consumer might be to shop around or switch.<sup>28</sup>

The main reason, in all markets, that consumers don't shop around is because they say that they like their current provider.

- For home insurance consumers, this reason was given by 25% of consumers after our intervention, which was a fall from 26% of consumers before our intervention.<sup>29</sup>
- For motor insurance consumers, this reason was given by around 26% of consumers after our intervention, which was a fall from 28% before our intervention.<sup>30</sup>
- The proportion of pet insurance giving this reason was higher, in absolute levels compared to the other two markets, before our intervention (40%). This increased after our intervention to 47% of consumers.<sup>31</sup>

However, the data also show that after our intervention, few consumers appear to be prompted to shop around due to a bad experience with their current insurer. For example, in motor insurance, we found no respondents aged over 50 who selected this option when asked why they shop around.<sup>32</sup>

25 The measure is made up of several other metrics such as 'trust', 'care', 'service', 'cover satisfaction', 'overall satisfaction'. Home insurance: between October 2015-September 2018, sample c. 36,320; Motor insurance: between October 2015-September 2018, sample c. 36,316; Pet insurance: between October 2017-September 2018, sample c. 4,100.

26 Consumer Intelligence. Significance by insurance type: home -0.6, motor -0.5 and pet -0.5.

27 See [our evidence](#). It is difficult to know the extent to which consumers value premium as part of their reason for high levels of satisfaction with their existing insurer, though we may assume it could be a factor.

28 A hypothetical unintended consequence of our intervention would have involved encouraging consumers who are satisfied with their current insurer to switch to an insurer with whom they are, after switching, less satisfied. There is no evidence to suggest that this has happened in practice.

29 Consumer Intelligence. Pre: October 2015-March 2017 sample c. 4,620 and post: April 2017-September 2018 sample c. 4,130

30 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,935 and post: April 2017-September 2018, sample c. 2,800.

31 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 2,700 and post: April 2017-September 2018, sample c. 2,650.

32 Consumer Intelligence, Pre: October 2015-March 2017, sample c. 7,400 and post: April 2017-September 2018, sample c. 8,680.

## Shopping channel has a large impact on shopping around behaviour

The data show increases in shopping around behaviour across all channels after our intervention, except cashback and telephone which remain consistent to the pre-intervention levels.

After our intervention, consumers appear to be using aggregators<sup>33</sup> increasingly at insurance renewal to receive premium quotes.<sup>34</sup> There was a smaller percentage point increase in the motor insurance market (up from 52% to 54%).<sup>35</sup>

Using aggregators allows consumers to make a decision based on a shortlist of providers, usually ranked by the policy's premium.<sup>36</sup> This might help to explain some of the findings above on changes in the importance of price when consumers are deciding whether to shop around and switch.

Consumers who used cashback offers and aggregators to buy their insurance policy showed the highest proportions of shopping around behaviour.<sup>37</sup>

Consumers who arranged their insurance policy through brokers or face-to-face interactions with a provider had the lowest proportions of shopping around behaviour (eg after our intervention, 45% of home insurance consumers who arranged their insurance policy through face-to-face interactions said that they shopped around). However, these channels have shown notable increases (eg 10 percentage points) in the proportion of consumers shopping around when compared to pre-intervention levels.<sup>38</sup>

The data show a significant change in the shopping around behaviour of motor insurance consumers who used a mobile phone application to buy their policy. Of customers that use a mobile phone to buy their insurance, 87% shopped around after our intervention, compared to 69% who shopped around before our intervention.<sup>39</sup>

33 Also known as price comparison websites or digital comparison tools. The CMA defines these as 'digital intermediary services used by consumers to compare and potentially to switch or purchase products or services from a range of businesses'.

34 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 18,020 and post: April 2017-September 2018, sample c. 18,350. This includes both shoppers who stayed and switched providers.

35 We have found some evidence to suggest that there has been a small increase in aggregators winning new business market share during the period of interest, though there has also been a high marketing spend throughout this period. It is therefore difficult for us to isolate the effect of our intervention on the use of aggregators when considering wider market context.

36 See, for example Mintel.

37 For example, 94% of home insurance cashback consumers reported shopping around before and after our intervention. Consumer Intelligence. Pre: October 2015-March 2017, sample c. 18,020 and post: April 2017-September 2018, sample c. 18,350.

38 For example, for motor insurance consumers, there was a 10 percentage point increase in shopping around for consumers using brokers or face-to-face interactions to arrange their insurance policy. Consumer Intelligence. Pre: October 2015-March 2017, sample size c. 18,020 and post: April 2017-September 2018, sample size c. 18,350.

39 Consumer Intelligence. Pre: October 2015-March 2017, sample c. 18,060 and post: April 2017-September 2018, sample c. 18,260. This could in part be explained by the increasing use of apps in general which now, for example, comprises 1% of shopping activities in home insurance.

## Section 2: Changes in negotiating behaviour

This section considers consumer survey evidence on consumer negotiating. The data show an increase, after our intervention and across all markets, in the percentage of consumers who stated that they shop around solely to get price quotes to help them negotiate with their current provider.

### More consumers are shopping around before renewing and/or negotiating after our intervention

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Our various data sources showed that there was evidence of a notable proportion of consumers negotiating at renewal before our intervention. For example:

- The FLS found that 23% of those motor insurance consumers who had considered switching decided not to switch because they received a discount with their current provider.<sup>40</sup>
- The FLS also showed that 25% of motor insurance consumers (who had taken out, renewed or switched within the last 3 years) managed to negotiate a lower premium.<sup>41</sup>
- For pet insurance, other survey data showed that 20% of consumers (who had taken out, renewed or switched within the last 3 years) managed to negotiate a lower premium.<sup>42</sup>

Figure 10 shows that, after our intervention, the data indicate an increasing influence of negotiating when consumers are deciding to shop around across all three markets.

When comparing results before and after our intervention, we did not find significant differences in the reasons provided for staying with a current insurer after shopping around. For example, in motor insurance, the offer of a lower premium was more than twice as common a reason to stay than any other option both before and after our intervention.<sup>43</sup>

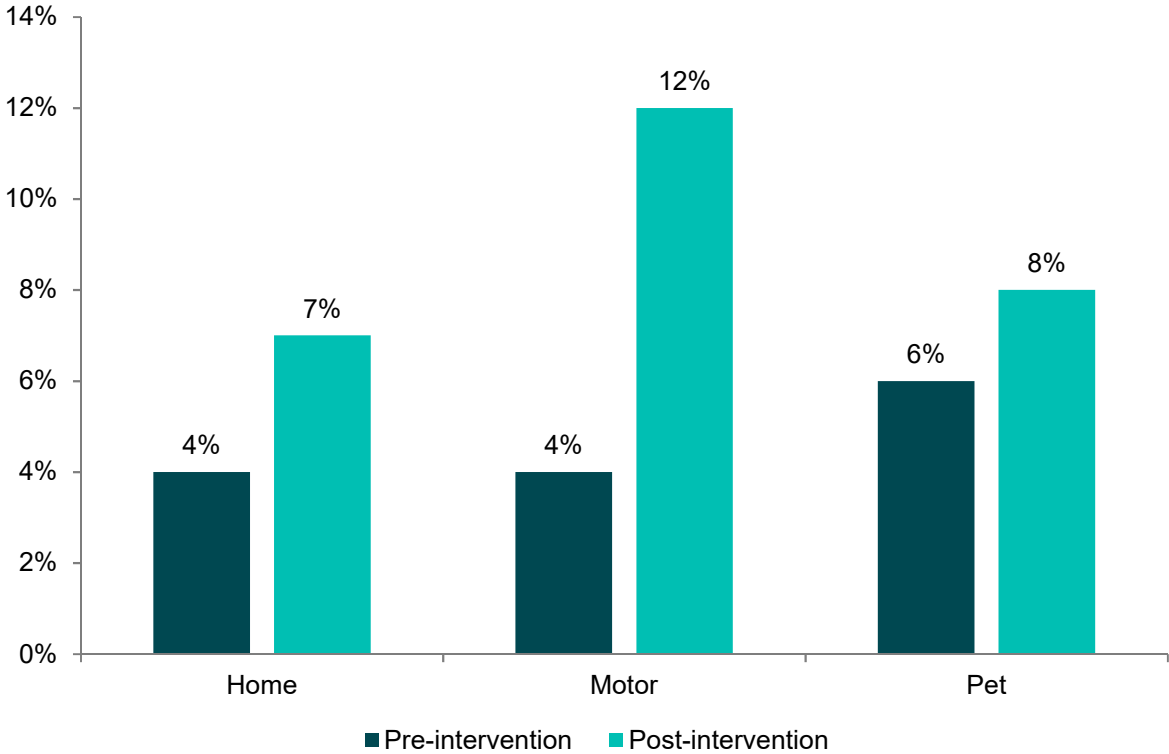
40 Financial Lives Survey, 2017, FCA

41 Financial Lives Survey, 2017, FCA

42 Financial Lives Survey, 2017, FCA

43 IPSOS MORI Financial Research Survey

**Figure 10: Percentage of consumers that shop around who do so to negotiate their renewal price with their current insurer<sup>44</sup>**



Source: Consumer Intelligence

<sup>44</sup> Consumer Intelligence. pre: October 2015-March 2017, post: April 2017-September 2018. Home sample: c. 13,400 (pre) and c. 14,220 (post); Motor sample: c. 15,060 (pre) and c. 15,450 (post); Pet sample: c. 3,350 (pre) and c. 3,430 (post).

