

# General Insurance Pricing Practices

Prepared for the Financial Conduct Authority by  
London Economics, YouGov and Kudos Research



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## Executive Summary

### Introduction

The Financial Conduct Authority (FCA) commissioned London Economics (in association with YouGov and Kudos Research) to conduct a study of consumer behaviour, understanding and attitudes in the home and motor insurance markets. The study is part of the evidence base for the FCA's General Insurance Pricing Practices market study.

### Summary of approach

The study combined a quantitative survey and in-depth interviews. The quantitative survey was carried out both online and through Computer Assisted Telephone Interviewing (CATI)<sup>1</sup>:

- The online survey interviewed 3,586 home insurance customers and 6,866 motor insurance customers; and
- The CATI approach interviewed 628 home insurance customers and 627 motor insurance customers.

The quantitative survey was pre-tested before launching using 12 cognitive in-depth interviews conducted over the telephone.

The qualitative component of the research comprised 10 in-depth interviews conducted over telephone and face-to-face, to explore in further depth consumers' experiences, behaviours and perceptions.

### Key findings

- **Customer journey**
  - Most consumers do engage in some form of search, but the majority choose to remain with their existing provider:
    - 81% of motor insurance respondents and 72% of home insurance respondents engaged in 'active' forms of search<sup>2</sup>, and more than half of the respondents (52% in home insurance and 59% in motor insurance) reported they used two or more forms of search activity.
    - Approximately a third (35%) of respondents in both markets reported they had switched providers.
    - Older respondents, and respondents less comfortable buying financial products online, were more likely than average to renew their policies with the same provider<sup>3</sup>. For example, compared to an average of 54% renewing their policies in both markets, 62% of home insurance respondents (63% of motor insurance respondents) aged 75 years and over had renewed their existing policy. 61% of

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<sup>1</sup> The study's CATI component was designed to reach consumers in positions of vulnerability, specifically individuals who may not be comfortable online, or have online access.

<sup>2</sup> 'Active' search was defined as using PCWs, looking at online reviews, trying to negotiate with their insurance providers, visiting insurance providers' or cash-back websites, or using brokers/intermediaries

<sup>3</sup> For more details on the characteristics of individuals who switch, please see supplementary results in Annex 1.

home insurance respondents (64% of motor insurance respondents) who either don't have online access, or are not comfortable buying financial products online, had renewed their policy.

- Approximately 31% of respondents in motor and 25% of respondents in home said that they contacted their insurance providers and sought to negotiate a lower price. Respondents who reported being less knowledgeable about insurance products were less likely than average to report they tried to negotiate a lower price: 18% of such home insurance respondents (22% of motor insurance) said they tried to negotiate. In the majority of cases, negotiating seemed to be effective: over 60% of respondents in both markets (63% in home insurance, 65% in motor) who said they tried to negotiate with their providers said they achieved lower prices for the same level of cover and excess.
- Approximately 12% of respondents in home insurance and 8% of respondents in motor insurance reported they auto-renewed without doing any research. 23% of the least financially resilient home insurance respondents (13% of such motor insurance respondents) auto-renewed without searching.

■ **Consumers' understanding of how the market currently works:**

- While consumers broadly appeared to understand how the market currently works, a substantial minority of respondents did not.
  - About 90% of respondents in both markets believed that first-time customers were charged lower prices than comparable existing customers for the same product
  - Approximately 80% of respondents in both markets believed that prices were not certain to remain the cheapest without shopping around
  - However, a substantial minority (35% in home insurance and 31% in motor insurance) of the respondents assume that when prices rise, this is because there has been an increase in insurance costs.
- Respondents with some experience of holding policies tended to be more likely than first-time policyholders to believe that insurance providers charged new customers lower prices than comparable existing customers.
- Respondents who had switched providers were also more likely than those who had renewed policies to understand that insurance prices may not be driven by rises in insurance costs.

■ **Consumers' attitudes to how the market works:**

- Consumers' perceptions of the fairness of pricing practices changed depending on the context. For example:
  - Most (87%) survey respondents with home insurance thought it was unfair for a 5-year customer to pay higher prices than a comparable new customer
  - However, most survey respondents (approximately 80% in both markets) thought it was also fair that people who shop around save money.
  - On the other hand, when respondents were to consider consumers who couldn't shop around because they were busy with a life change (such as having a new baby), 51% of motor insurance respondents (53% of home insurance respondents) thought it was unfair that such a consumer should pay more.
- On average, in both markets, respondents' valuation of search and switching effort was £40 per year (equivalent to 14% of annual insurance price in home insurance market and 12% in motor insurance market)

- However, valuation of search/switching time or effort was impacted by how this effort was framed. Valuation of search/switching effort was lower when respondents were asked their willingness to pay to avoid effort ('negative' frame) as compared to a 'positive' frame where respondents were asked their willingness to accept savings to conduct search effort.
  - For example, search effort was 5% of the annual insurance price in the home insurance market, and 4% of the annual insurance price in motor insurance markets in the 'negative' frame. In contrast, in the 'positive' frame, search effort was 8% in the home insurance market, and 7% of annual insurance price in the motor insurance market.
  - Similarly, in the 'negative' frame switching effort was 4% of the annual motor insurance price, and 5% of the annual home insurance price in the 'negative' frame, compared to 10% of home insurance price and 9% of motor insurance price in the 'positive' frame.
- **Valuing maximum willingness to pay for insurance:**
  - The results indicate that most people see home and motor insurance as a necessity.
    - Respondents were willing to pay on average a maximum additional amount of 25% of average annual home insurance price and 19% of annual motor insurance price for insurance at their current level of cover (assuming that no better deals were available by shopping around).
    - 94% in motor insurance and 93% in home insurance said that if prices rose above their maximum willingness to pay, they would continue to buy insurance and make savings elsewhere (54% in home and 49% in motor) or change the insurance type they hold or reduce the level of cover (40% in home and 46% in motor).
  - Only a minority (6% of home insurance respondents and 5% of motor insurance respondents) said they would give up insurance if prices rose beyond their maximum willingness to pay (or in the case of motor insurance, give up operating their vehicle).

### Potentially vulnerable<sup>4</sup> consumers

- Potentially vulnerable respondents were less likely to shop around and switch:
  - Respondents who were 75 years and over, without online access, who were not comfortable buying financial products online, or who were not knowledgeable about insurance products, were less likely than average to engage in 'active' searching<sup>5</sup>. For example, compared to an average of 72% of home insurance respondents conducting 'active' search (81% in the motor insurance market):

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<sup>4</sup> Respondents were defined as 'potentially vulnerable' if they displayed at least one of the following:

- Lowest level of financial resilience i.e. able to cover living costs without the main source of income for less than a week
- Low confidence managing money
- Having experienced a life event e.g. divorce, illness etc.
- Ill health or disability

This definition was guided by the dimensions of vulnerability used in the FCA's Financial Lives Survey (2017).

<sup>5</sup> 'Active' searching was defined as using PCWs, online reviews, insurance providers' websites, cash-back websites, brokers or intermediaries and trying to negotiate with insurance providers.



- 61% of home insurance respondents over the age of 75 (73% in motor insurance markets) engaged in ‘active’ search
- 34% of home insurance respondents without online access (46% of such motor insurance respondents) engaged in ‘active’ search
- 57% of home insurance respondents who reported they were not knowledgeable about insurance products engaged in ‘active’ search (69% in motor insurance)
- Respondents who were potentially vulnerable along at least two dimensions were less likely than average to conduct at least two forms of search activity:
  - 39% of home insurance respondents who were potentially vulnerable along at least two dimensions conducted at least two forms of search activity, compared to an average of 52%
  - 51% of motor insurance respondents who were potentially vulnerable along at least two dimensions conducted at least two forms of search activity, compared to an average of 59%.
- The least financially resilient respondents and respondents who were unconfident managing their money were up to twice as likely as average to report that they auto-renewed without doing research.
  - For home insurance customers, 23% of the least financially resilient respondents and 25% of those who were not confident managing their money auto-renewed, compared to an average of 12%.
  - In the motor insurance market, 13% of the least financially resilient respondents and 16% of those who said they were not confident managing their money auto-renewed, compared to an average of 8%
- Potentially vulnerable respondents also displayed lower understanding than average of how insurance markets may operate:
  - Respondents with no online access tended to have less understanding on average that:
    - First-time customers typically receive a lower price: 66% in home and motor with no online access understood compared with an average of 89% in home and 85% in motor; and
    - If prices rise that this may have been due to factors other than cost: 78% in home and 63% in motor with no online access believed price rises were driven by costs, compared with an average of 35% in home and 31% in motor.
  - The least financially resilient respondents may miss out on potential gains from negotiating with their providers: these consumers were more likely than average to believe that negotiating directly with providers did not reduce prices (34% in home and 28% in motor believed this, compared with an average of 21% in home and motor).



# 1 Introduction

This study for the Financial Conduct Authority (FCA), conducted by London Economics in association with YouGov and Kudos Research, forms part of the evidence base for the FCA's General Insurance Pricing Practices Market Study. The study focussed on motor and home insurance.

The overarching aims were to:

- Understand the consumer journey when searching, switching and selecting insurance providers;
- Determine the characteristics of those consumer more/less likely to search and switch and understand the extent to which they may be vulnerable;
- Explore consumer attitudes to searching and switching;
- Explore understanding and attitudes towards fairness of pricing practices;
- Provide quantitative estimates of consumers' search and switching costs; and
- Assess consumer behaviour if the premium they pay rises.

## 1.1 Summary of approach

The study used a mixed mode approach, combining a quantitative survey and in-depth interviews. The quantitative survey was carried out both online and through Computer Assisted Telephone Interviewing (CATI) and tested using 12 cognitive depth interviews over the telephone.

The motivation for using both online and CATI approaches was to ensure that the research captured the behaviours and perceptions of consumers who may be in more vulnerable circumstances, and do not have online access or are not confident online. The full sampling approach and the sample composition can be found in the accompanying Technical Report.

The qualitative research comprised 10 in-depth interviews conducted over the telephone and face-to-face, to explore in further depth consumers' experiences, behaviours and perceptions. The full methodological approach is presented in the Technical Report.

## 1.2 Overview of quantitative survey responses

In total, the quantitative survey interviewed:

- Online: 3,586 home insurance customers and 6,866 motor insurance customers; and
- CATI: 628 home insurance customers and 627 motor insurance customers.

Data was collected across 18 insurance companies in the UK. Responses for both home insurance and motor insurance have been weighted to ensure that the distribution of insurance companies is representative of the sample of customer contacts that were delivered to the study team.

### 1.2.1 Summary of responses

In general, the distribution of responses covered a range of consumers across income bands, employment status and regions (Table 1). A majority of survey respondents were male, and approximately three-quarters of respondents were 55 years and over. Motor insurance holders in the sample were, on average, younger. This age distribution is as expected since motor insurance

holders in the population are typically younger than home insurance holders (Table 2). Similarly, CATI respondents were on average somewhat older than online respondents, with double the proportion of respondents 75 years and over in CATI compared to online. CATI respondents were also less likely to be comfortable buying financial products online compared to online respondents: 37% of CATI respondents reported they were not comfortable buying financial products online (or had no online access), compared to 9% of online respondents.

**Table 1 Summary of responses for home and motor insurance**

	Home insurance	Motor insurance	Online	CATI
<b>Age</b>				
18-44	11%	16%	15%	12%
45-54	18%	21%	20%	15%
55-64	27%	27%	28%	21%
65-74	30%	26%	28%	29%
75+	14%	10%	10%	23%
<b>Gender</b>				
Male	61%	66%	66%	55%
Female	38%	33%	34%	44%
Other/prefer not to say	1%	1%	1%	0%
<b>Region</b>				
North East	10%	9%	9%	9%
North West	12%	14%	13%	12%
East Midlands	8%	9%	8%	9%
West Midlands	8%	8%	8%	10%
East of England	7%	8%	8%	4%
London	8%	8%	8%	8%
South East	21%	19%	19%	21%
South West	12%	12%	11%	13%
Wales	4%	5%	5%	4%
Scotland	9%	8%	8%	8%
Northern Ireland	1%	1%	1%	4%
Non-UK	< 0.5%	< 0.5%	< 0.5%	1%
<b>Employment status</b>				
Self-employed	7%	8%	8%	7%
Have paid job – full time (30+ hours per week)	31%	37%	36%	26%
Have paid job – part-time (up to 29 hours per week)	6%	6%	6%	7%
Full time student	< 0.5%	< 0.5%	< 0.5%	< 0.5%
Unemployed and seeking work	1%	1%	1%	1%
Semi-retired	5%	5%	5%	5%
Retired	47%	39%	41%	51%
Not in paid work due to other reasons	3%	3%	3%	4%
<b>Gross annual household income</b>				
Under £10,000	5%	3%	3%	12%
£10,000 - £14,999	7%	6%	6%	15%
£15,000 - £19,999	8%	8%	8%	11%
£20,000 - £29,999	16%	17%	17%	17%
£30,000 - £39,999	13%	15%	15%	11%
£40,000 - £49,999	10%	10%	11%	6%

£50,000 - £74,999	13%	13%	14%	7%
£75,000 - £99,999	7%	6%	7%	4%
£100,000 - £149,999	4%	4%	4%	2%
£150,000 or more	2%	2%	3%	1%
Would rather not state	15%	14%	14%	16%
<b>How comfortable are you buying financial products on-line?</b>				
Very comfortable	66%	62%	70%	25%
Comfortable but prefer other channels	22%	24%	21%	37%
Not comfortable	10%	11%	9%	20%
No online access	1%	3%	0%	17%
<b>Total</b>	<b>4,214</b>	<b>7,493</b>	<b>10,386</b>	<b>1,320</b>

The study's CATI component was explicitly designed to reach potentially vulnerable individuals, including those who may not be confident online. Therefore, while the achieved sample was broadly representative of the population of UK insurance holders in terms of income and region<sup>6</sup>, the study's sample over-represents individuals over the age of 55 and who are retired or semi-retired (Table 2). This over-representation was expected, since CATI participants, on average, tended to be older than respondents online, and more likely to be retired (Table 1).

**Table 2 Summary of responses for home and motor insurance – benchmarked against the FCA Financial Lives Survey sample**

	Home insurance (This report)	Motor insurance (This report)	Home insurance (Financial Lives Survey) <sup>[1]</sup>	Motor insurance (Financial Lives Survey)
<b>Age</b>				
18-44	11%	16%	36%	41%
45-54	18%	21%	23%	19%
55-64	27%	27%	16%	17%
65-74	30%	26%	13%	11%
75+	14%	10%	12%	11%
<b>Gender</b>				
Male	61%	66%	42%	51%
Female	38%	33%	58%	49%
Other/prefer not to say	1%	1%	0%	< 0.5%
<b>Region</b>				
North East <sup>[2]</sup>	10%	9%	11%	11%
North West	12%	14%	8%	13%
East Midlands	8%	9%	10%	10%
West Midlands	8%	8%	8%	7%
East of England	7%	8%	8%	10%
London	8%	8%	13%	5%
South East	21%	19%	16%	14%
South West	12%	12%	75	13%
Wales	4%	5%	6%	4%
Scotland	9%	8%	13%	7%
Northern Ireland	1%	1%	1%	5%

<sup>6</sup> The achieved sample was compared to the sample of the FCA's Financial Lives Survey. Data can be accessed via this link: <https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults>. The Financial Lives Survey provides a benchmark for the representativeness of the sample used in this report against the population.

	Non-UK	< 0.5%	< 0.5%	N/A	N/A
<b>Employment status</b>					
	Self-employed	7%	8%	7%	10%
	Employed <sup>[3]</sup>	37%	43%	57%	58%
	Unemployed	1%	1%	2%	3%
	Retired <sup>[4]</sup>	52%	44%	30%	22%
	Other <sup>[5]</sup>	3%	3%	4%	8%
<b>Gross annual household income</b>					
	Under £15,000	12%	10%	9%	10%
	£15,000 - £29,999	25%	24%	20%	24%
	£30,000 - £49,999	24%	26%	23%	20%
	£50,000 - £69,999/£74,999 <sup>[6]</sup>	13%	13%	13%	16%
	£70,000/£75,000 - £99,999 <sup>[6]</sup>	7%	6%	4%	7%
	£100,000 or more	6%	7%	9%	2%
	Would rather not state	15%	14%	23%	22%
	<b>Total</b>	<b>4,214</b>	<b>7,493</b>	<b>5,934</b>	<b>5,277</b>

[1] The Financial Lives Survey reports data on home insurance separately for home & content, and content only insurance separately. This data has been aggregated into a single category for the purpose of this table.

[2] Includes Yorkshire and Humber for the purpose of this report.

[3] Includes both fulltime (30 hours or more) and part-time (29 hours or fewer) employment

[4] Includes semi-retired

[5] Includes full-time students

[6] £69,999/£70,000 for summary statistics of the sample used in the Financial Lives Survey; £74,999/£75,000 for summary statistics of the sample used in this report.

Another check carried out by the study team was to compare average margins<sup>7</sup> paid by a subsample of survey respondents with average margins paid by the complete sample of consumers in data supplied by insurance firms to the FCA. This check was carried out to ensure that the team obtained a representative sample of those paying the highest and lowest margins. The study team found that sample margins in both markets were similar to those appearing in firm data, which provides reassurance that the sample’s proportion of engaged consumers is broadly representative of the population of interest.

### 1.2.2 Consumers in positions of vulnerability

The questionnaire also explored indicators of vulnerability, guided by the Financial Conduct Authority’s Financial Lives Survey<sup>8</sup>. In summary, the questionnaire examined four key indicators of vulnerability<sup>9</sup>:

- Financial resilience, defined as the length of time that respondents could cover living costs without their main source of income. Respondents were defined as the least financially resilient if they could only cover living costs without the main source of income for less than a week.

<sup>7</sup> Defined as follows: (Price excluding insurance premium tax – expected claims cost)/ Price excluding insurance premium tax.

<sup>8</sup> Financial Conduct Authority (2017), Understanding the financial lives of UK adults: Findings from the FCA’s Financial Lives Survey 2017

<sup>9</sup> The study team did not collect information on all components of vulnerability tracked by the FCA in the Financial Lives Survey. Annex 3 provides an overview of how the components of potential vulnerability used in this report relate to the components in the Financial Lives Survey. This is because the study team needed to prioritise specific indicators of vulnerability in order to make room for information on switching behaviour, attitudes to fairness and valuation of search or switching time and effort.

- Confidence managing money: respondents were asked to rate their confidence managing their finances on a scale of 0 to 10, with 0 being not at all confident and 10 being extremely confident. Respondents were defined as potentially vulnerable on this measure if they rated themselves at a 3 or lower.
- Life events that may generate a situation of vulnerability such as divorce, becoming a carer etc. Respondents were defined as potentially vulnerable on this dimension if they reported they had experienced any life events that might place them in a situation of vulnerability.
- Ill health or disability: respondents were defined as potentially vulnerable on this dimension if they reported they had any condition that affected their day-to-day activities.

The study team also defined a composite indicator of vulnerability, where respondents were defined as having a 'higher risk of vulnerability' if they were vulnerable along any two of the above dimensions of vulnerability. Approximately 6% of respondents in both markets were vulnerable along at least two dimensions (Table 3)<sup>10</sup>.

About 3% of respondents in the home insurance market, and 4% of motor insurance respondents, reported they were not financially resilient i.e. they would not be able to cover living costs without their main source of income for more than a week. 25% of respondents in home insurance markets, and 24% of motor insurance respondents, had undergone a life event placing them in a situation of potential vulnerability, and 10% of motor insurance respondents (13% of home insurance respondents) reported they had a health or disability condition affecting their day-to-day lives.

As described earlier, the study's design included a CATI component designed to reach individuals who may be in positions of vulnerability. And as expected, CATI respondents were more likely to report potential vulnerability along at least two dimensions, especially the dimension of ill health or disability affecting day-to-day activities.

**Table 3 Proportion of respondents classified as potentially vulnerable**

	Home insurance	Motor insurance	Online	CATI
<b>Vulnerability along at least two dimensions (higher risk of vulnerability)</b>				
Potentially vulnerable	6.3%	5.6%	5.4%	9.8%
Number of observations	4,137	7,342	10,184	1,295
<b>Financial resilience</b>				
Potentially vulnerable	3%	3.7%	3.3%	3.8%
Number of observations	3,248	5,325	7,413	1,161
<b>Life events</b>				
Potentially vulnerable	25.1%	24%	24.2%	25.8%
Number of observations	4,056	7,137	9,912	1,281
<b>Confidence managing money</b>				
Potentially vulnerable	1.6%	2.1%	2.1%	0.9%
Number of observations	4,164	7,372	10,236	1,300
<b>Health</b>				
Potentially vulnerable	13.4%	10.5%	10.4%	20.3%
Number of observations	4,033	7,085	9,836	1,283

Note: The classification of potential vulnerability follows the FCA classification as used for the Financial Lives Survey but does not collect information on all components of vulnerability collected by the FCA. Overall potential vulnerability is defined as any respondent classified potentially vulnerable in at least two vulnerability dimensions. The sample is not identical for all dimensions of vulnerability

<sup>10</sup> It was not possible to benchmark the study's measures of vulnerability against comparable studies such as the FCA's Financial Lives Survey. This is because the Financial Lives Survey used a larger number of indicators of vulnerability and it was not possible to determine the proportion of FLS respondents who were classified as vulnerable along each individual component.

because respondents were allowed to indicate “Prefer not to say”. These respondents have been dropped from the number of observations for each dimension of vulnerability.



## 2 Customer journey

### Box 1 Key findings – customer journey

When respondents were asked what they had done when taking out their current insurance policy:

Approximately a third (35%) of respondents in each market reported that they had switched providers.

Approximately half (54%) of the respondents in both motor and home insurance markets said they had renewed their policy with their existing providers, and 6% changed their policy but remained with their existing provider.

The most frequently-used type of search activity was comparing prices quoted with prices paid last year, chosen by 59% of home insurance respondents and 55% of motor insurance respondents.

More than 70% of respondents in both markets (72% of home insurance respondents and 81% of motor insurance respondents) engaged in ‘active’ search i.e. using PCWs to compare prices or service, looking at online reviews, insurance providers’ websites, cash-back websites, brokers or intermediaries and trying to negotiate with insurance providers.

More than half (52% of home insurance and 59% of motor insurance respondents) reported they used two or more forms of search activity.

25% of home insurance respondents, and 31% of motor insurance respondents, reported they sought to negotiate prices with their insurance providers.

In most cases, negotiation appeared to be effective: approximately 60% of respondents in both markets who contacted their insurance providers to negotiate reported that they were offered lower prices for the same level of cover and excess after negotiation.

Approximately one in ten respondents in both markets (8% in home insurance and 12% in motor insurance) reported they allowed their insurance policies to auto-renew without doing any research. Respondents who reported they were not knowledgeable about insurance products were up to twice as likely as average to say they auto-renewed without doing any research.

### Box 2 Vulnerable consumers – customer journey

Potentially vulnerable respondents (specifically respondents 75 years and over, and those without online access or who were not comfortable buying financial products online) were more likely than average to remain with their existing provider.

Potentially vulnerable respondents (respondents not knowledgeable about insurance products, those without online access, less financially resilient or not comfortable managing their money) were less likely than average to compare prices quoted with prices paid last year.

Respondents 75 years and over and some potentially vulnerable groups were less likely than average to use PCWs to compare prices.

Respondents 75 years and over and some potentially vulnerable groups (e.g. un-knowledgeable about insurance products, without online access, people who were potentially vulnerable on at least two dimensions) were less likely to conduct two or more forms of search activity.

The least financially resilient respondents were more likely than average to say they auto-renewed without doing research.

**Box 3 Key differences between home and motor insurance – customer journey**

Motor insurance respondents were more likely than home insurance respondents to engage in ‘active’ forms of search (using PCWs, trying to negotiate with their insurance providers, visiting insurance providers’ or cash-back websites, checking online reviews, and using brokers or intermediaries)<sup>11</sup>. 72% of home insurance respondents engaged in ‘active’ forms of search, compared to 81% of motor insurance respondents.

Specifically, motor insurance respondents were more likely than home insurance respondents to use PCWs to compare prices or service quality: 68% of motor insurance respondents used PCWs, compared to 56% of home insurance respondents.

Motor insurance respondents were slightly more likely than home insurance respondents to conduct at least two forms of search activity: 59% of motor insurance respondents carried out at least two forms of search activity, compared to 52% of home insurance respondents.

Home insurance respondents were more likely than motor insurance respondents to auto-renew without shopping around: 12% of home insurance respondents reported they auto-renewed without doing any research, compared to 8% of motor insurance respondents.

**2.1 Who switches and who renews providers?**

The survey found that when taking out their current insurance policy, 35% of respondents in both markets reported they had switched providers. Most respondents remained with their providers: 54% of respondents in both home and motor insurance markets had renewed their existing policy, and 6% had changed their policy but remained with their existing provider (Table 4). The remaining respondents were holding a new policy or hadn’t needed their specific home or motor insurance type before.

**Table 4 Switch and stay behaviour by policy type**

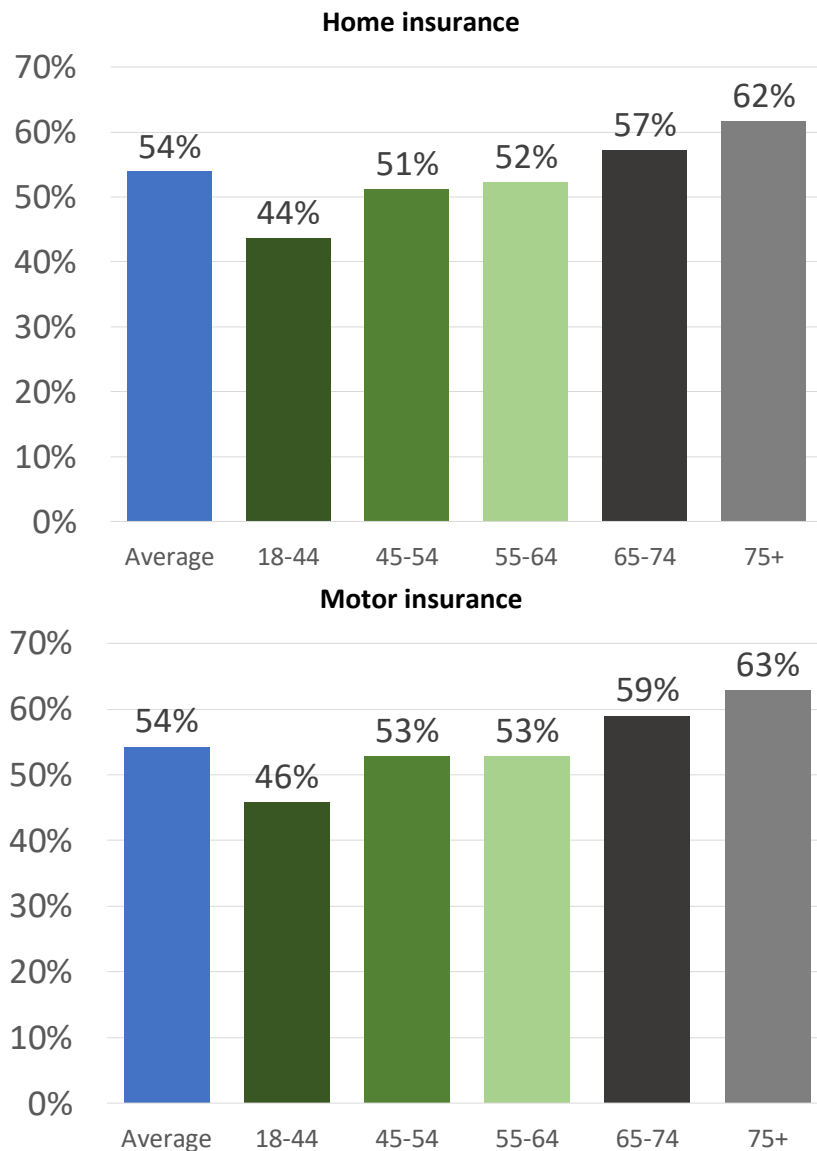
	Home insurance	Motor insurance
Switched policy to new provider	34.6%	35.0%
New policy	5.1%	3.4%
Renewed policy	53.8%	54.3%
Changed policy/feature but remained with same provider	5.5%	6.4%
Don’t know	1.0%	0.9%
Number of observations	4,214	7,493

<sup>11</sup> Note that motor insurance respondents may engage in active search online in part because they are on average slightly younger than home insurance respondents e.g. 11% of home insurance respondents were below the age of 44, compared to 16% of motor insurance respondents

In both markets, some potentially vulnerable customers were more likely<sup>12</sup> than average to renew their policy with their existing provider. Compared to an average of 54% of respondents renewing their policy:

- 62% of home insurance respondents (63% of motor insurance respondents) 75 years and over had renewed their existing policy (Figure 1);
- 61% of home insurance respondents (64% of motor insurance respondents) who either didn't have online access, or are not comfortable buying financial products online, had renewed their policy. (Figure 2).

**Figure 1** Proportion of respondents renewing with same provider, by age

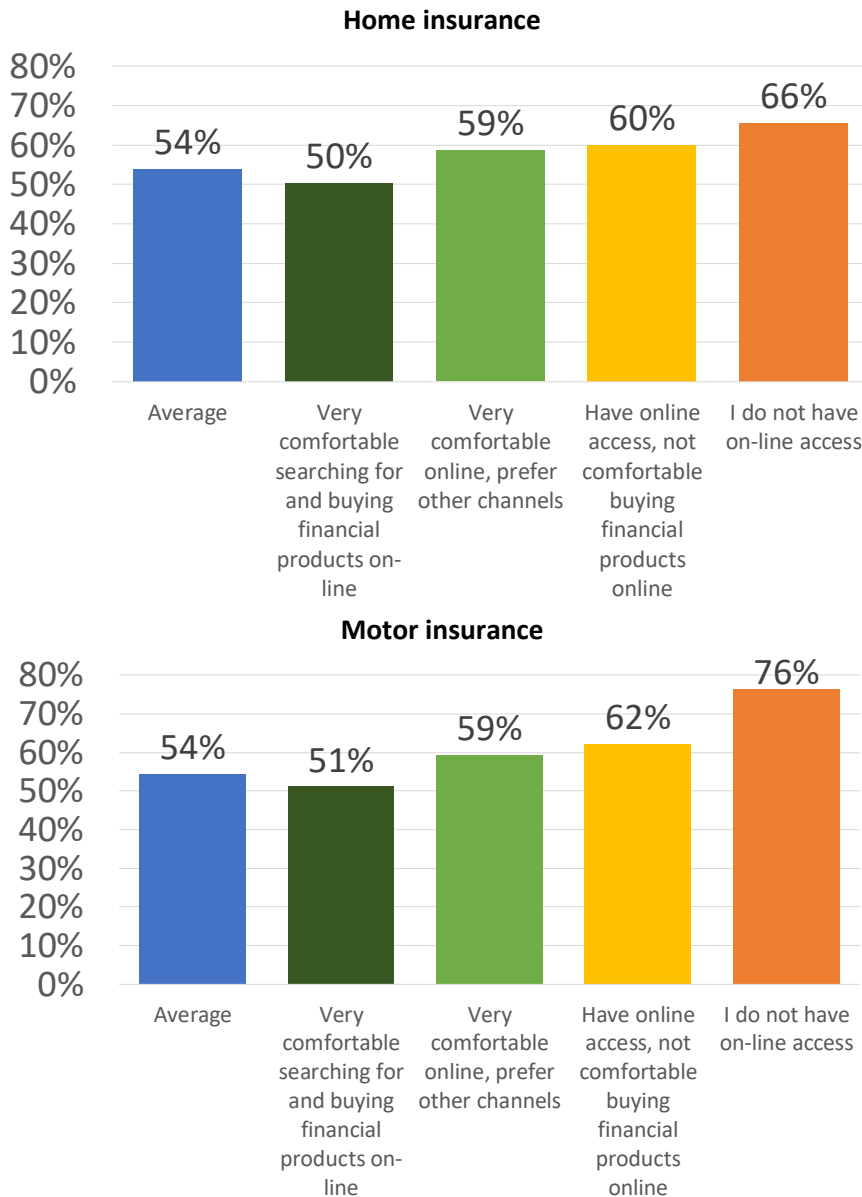


Note: Q4. When you took out your current insurance policy, which of the following best applies? Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents over 75 years (home insurance): 577; (motor insurance): 740.

Source: London Economics analysis of survey data

<sup>12</sup> This study reports differences if they are statistically significantly different from zero. This report follows academic and policy conventions and does not report a result as statistically significantly different from zero unless it is statistically significant at 95% and over.

**Figure 2** Proportion of respondents renewing providers, by comfort buying financial products online



Note: Q4. When you took out your current insurance policy, which of the following best applies? Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents who have on-line access but not comfortable shopping online (home insurance): 463; (motor insurance): 769. Respondents without online access (home insurance): 131; (motor insurance): 94.

Source: London Economics analysis of survey data

Similarly, older respondents, people who reported they were not knowledgeable about insurance products, and those uncomfortable buying financial products online (or who didn't have online access) tended to be less likely than average to switch<sup>13</sup>.

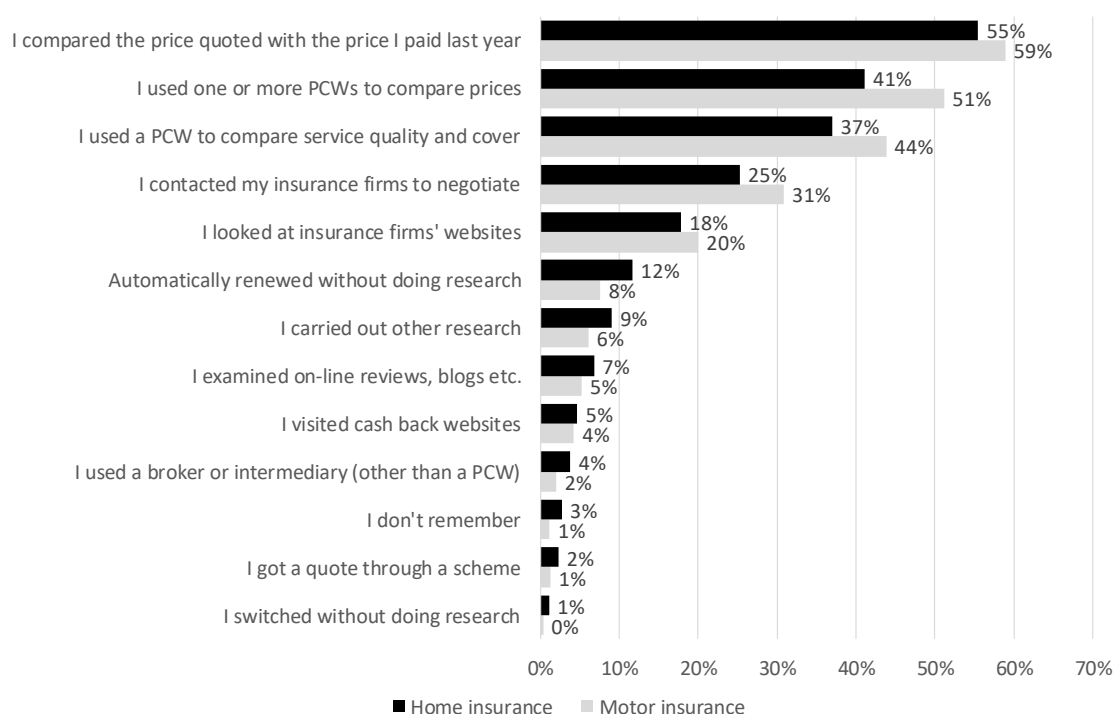
<sup>13</sup> For more details, see supplementary research in Annex 1.

## 2.2 How consumers search

Consumers were asked how, if at all, they searched for information about home or motor insurance policies. The most commonly reported types of search activity in both motor and home insurance markets were:

- Comparing the price quoted with the price paid last year (59% of motor insurance and 55% of home insurance respondents);
- Using price comparison websites (PCWs) to compare prices (51% of motor insurance and 41% of home insurance respondents); and
- Comparing insurance cover and service quality on PCWs (44% of motor insurance and 37% of home insurance respondents)

**Figure 3 Consumers' chosen methods of searching**



Note: Q5. Which of the following did you do before [choosing/renewing/switching] insurance policy? Please select all that apply. Base: 4,214 home insurance respondents. 7,493 motor insurance respondents.

Source: London Economics analysis of survey data

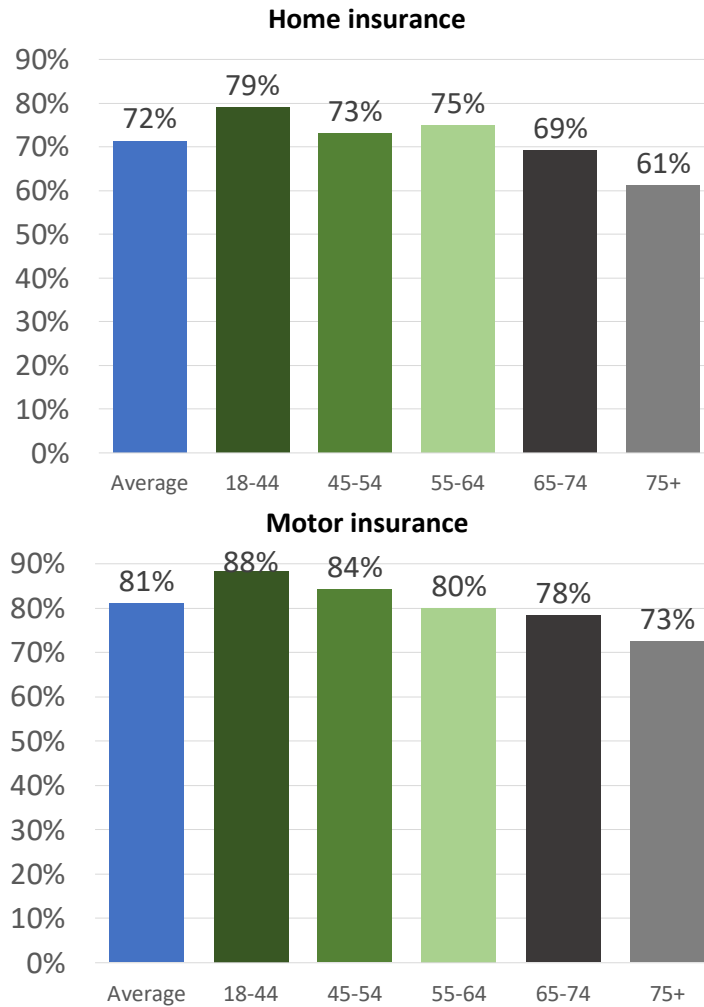
Some forms of search activity require more active engagement from consumers than others. We defined more 'active' types of search activity as using PCWs, online reviews, insurance providers' websites, cash-back websites, brokers or intermediaries and trying to negotiate with insurance providers. Other options were classed as 'not active search' i.e. comparing the price quoted with price paid last year; responding to an advert, using word-of-mouth recommendations; switching without doing research; auto-renewing without doing research; or getting a quote through a scheme.

In general, 72% of respondents in the home insurance market, and 81% of respondents in the motor insurance market, used more 'active' types of search activity.

Potentially vulnerable respondents were less likely than average in both markets to engage in 'active' search:

- Respondents 75 years and over (Figure 4);
- Those who did not have online access, or were not comfortable buying financial products online (Figure 5); and
- Respondents who reported they were not knowledgeable about insurance products (Figure 6).

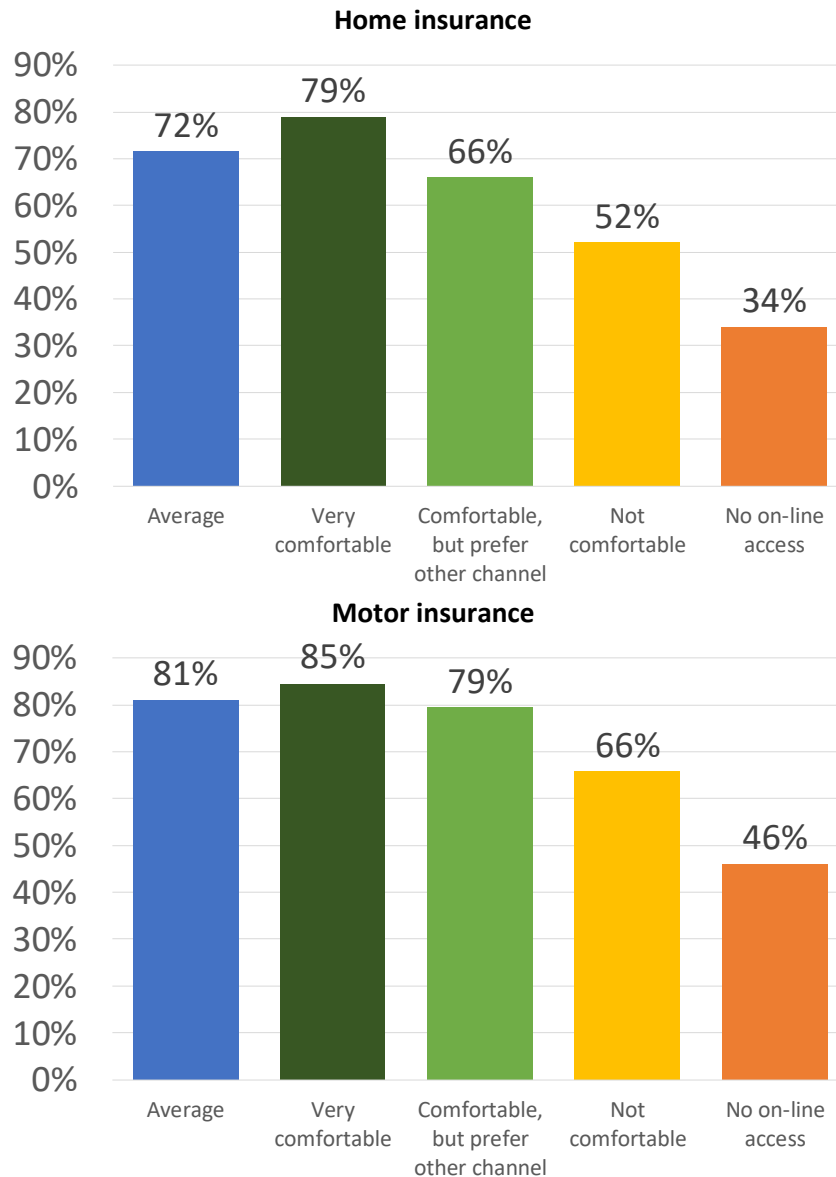
**Figure 4** Proportion of respondents who engage in 'active' search, by age



Note: Respondents were defined as searching 'actively' if they used PCWs to compare prices or service levels, visited insurance providers' websites or cash-back websites, used online reviews, used a broker or intermediary, or contacted their insurance providers to negotiate. Number of respondents (home insurance): 4,214; (motor insurance): 7,492. Respondents over the age of 75 (home insurance): 577; (motor insurance): 740.

Source: London Economics analysis of survey data

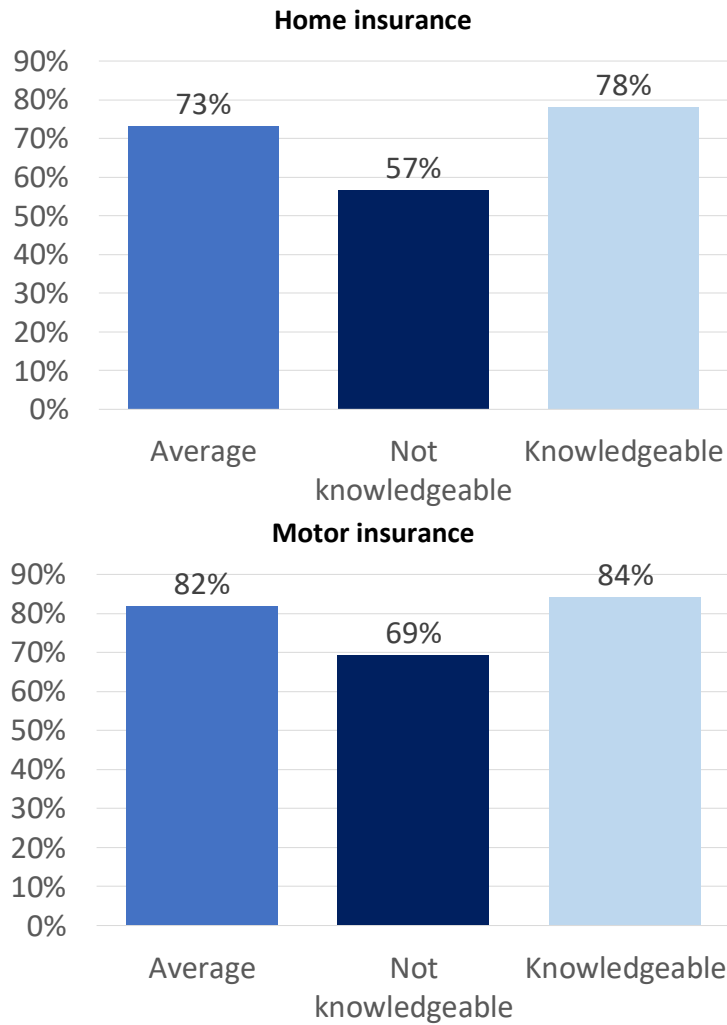
**Figure 5** Proportion of respondents who engage in 'active' search, by comfort buying financial products online



Note: Respondents were defined as searching 'actively' if they used PCWs to compare prices or service levels, visited insurance providers' websites or cash-back websites, used online reviews, used a broker or intermediary, or contacted their insurance providers to negotiate. Number of respondents (home insurance): 4,214; (motor insurance): 7,492. Respondents who are not comfortable buying financial products online, or who don't have online access (home insurance): 594; (motor insurance): 863.

Source: London Economics analysis of survey data

**Figure 6** Proportion of respondents who engage in ‘active’ search, by self-reported knowledge of insurance products



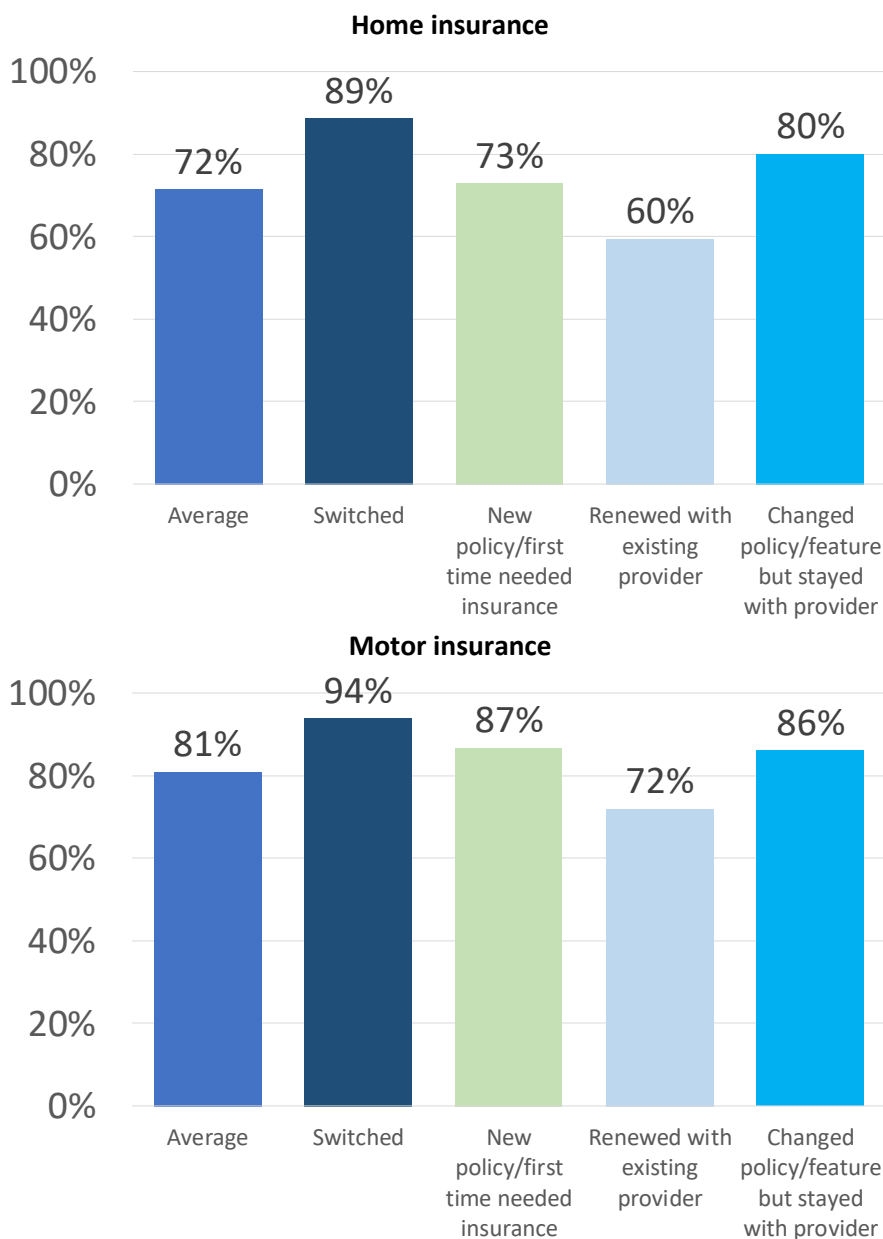
Note: Respondents were defined as searching ‘actively’ if they used PCWs to compare prices or service levels, visited insurance providers’ websites or cash-back websites, used online reviews, used a broker or intermediary, or contacted their insurance providers to negotiate. Number of respondents (home insurance): 3,387; (motor insurance): 6,123. Respondents who are not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figure above drops respondents who responded they were neither knowledgeable nor un-knowledgeable about insurance products.

Source: London Economics analysis of survey data

Respondents who switched providers were more likely than individuals who had renewed their policies to engage in active search forms (Figure 7). In addition, a substantial proportion of first-time policyholders chose policies without engaging in ‘active’ search: 27% of first-time home insurance policyholders, and 13% of first-time motor insurance policyholders, did not report engaging in ‘active’ search activities.



**Figure 7** Proportion of respondents who engage in 'active' search, by switching/renewing activity



Note: Respondents were defined as searching 'actively' if they used PCWs to compare prices or service levels, visited insurance providers' websites or cash-back websites, used online reviews, used a broker or intermediary, or contacted their insurance providers to negotiate. Number of respondents (home insurance): 4,214; (motor insurance): 7,492. Respondents who are not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006.

Source: London Economics analysis of survey data

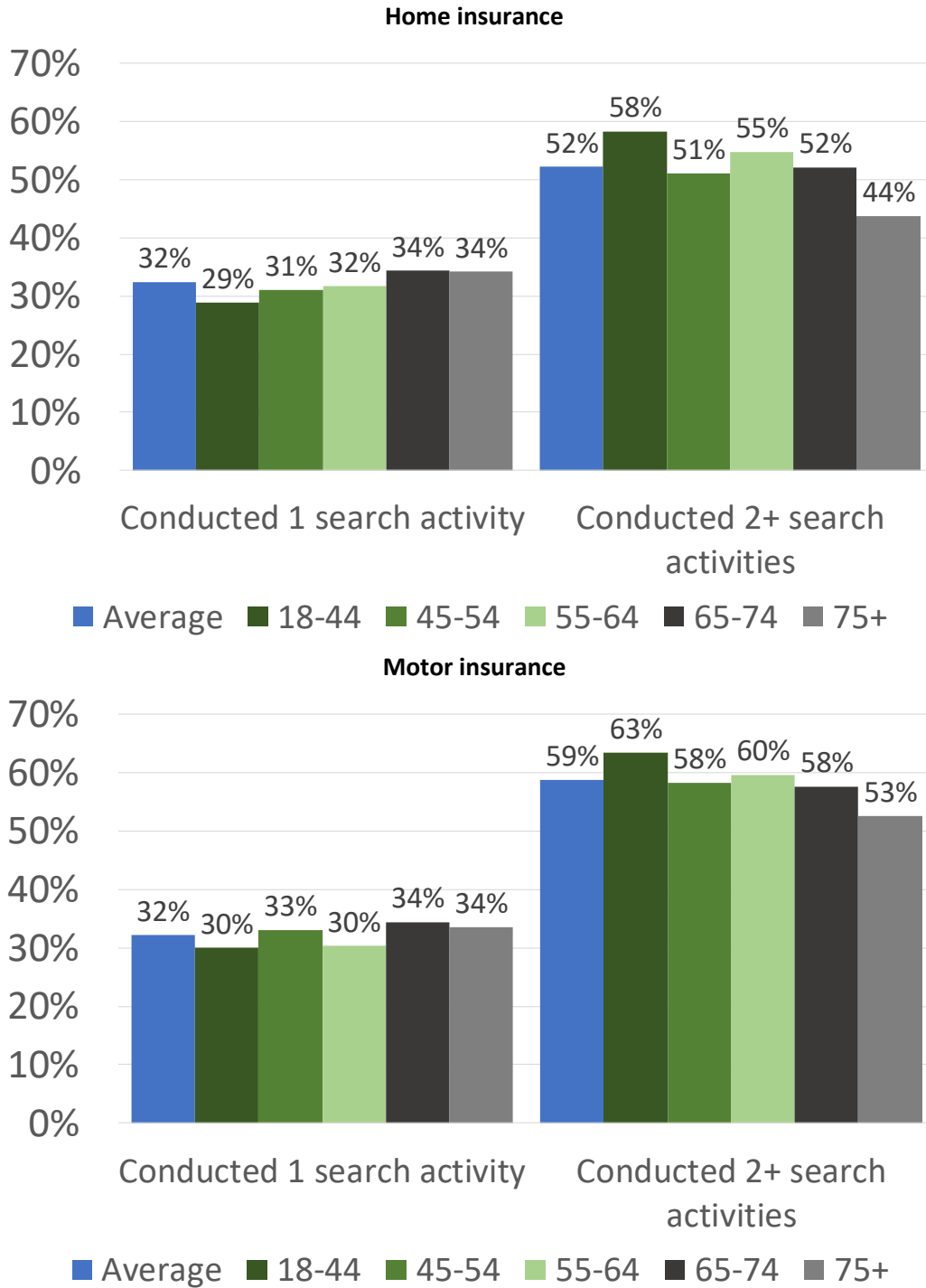
Consumers who used more than one form of search activity (whether 'active' or otherwise) were also considered to be more active. More than half of the surveyed respondents used more than one form of search activity before choosing, switching or renewing their insurance. 52% of home insurance respondents (59% of motor insurance respondents) used two or more search activities.

However, potentially vulnerable respondents were less likely than average to engage in multiple forms of search, specifically:

- Respondents over the age of 75 (Figure 8);

- People who reported they were not knowledgeable about insurance products (Figure 9);
- Respondents who did not have online access, or were not comfortable buying financial products online (Figure 10);
- People who were vulnerable along at least two dimensions (Figure 11).

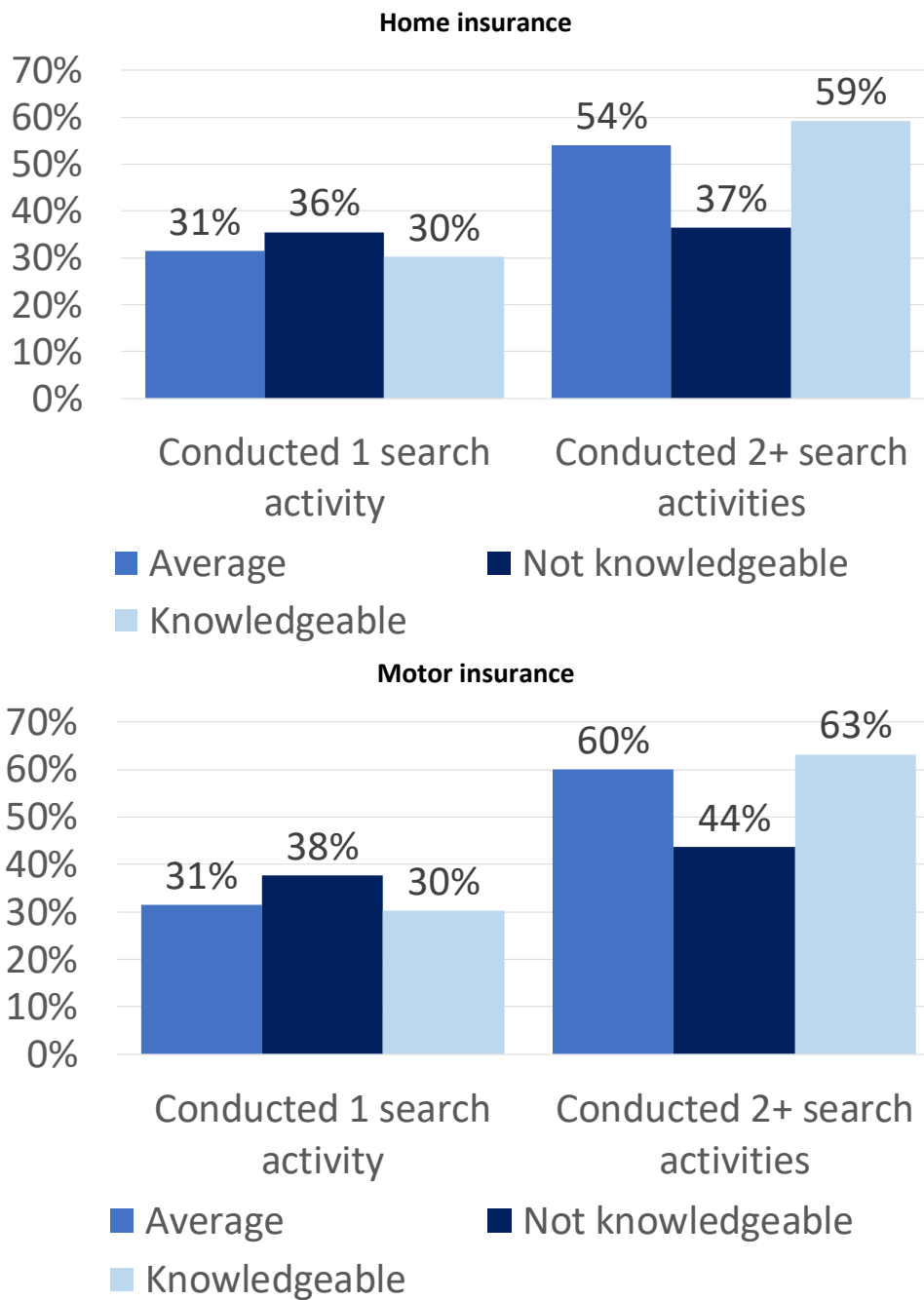
**Figure 8** Proportion of respondents who engage in one search activity compared with two or more search activities, by age



Note: Number of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents over the age of 75 (home insurance): 577; (motor insurance): 740.

Source: London Economics analysis of survey data

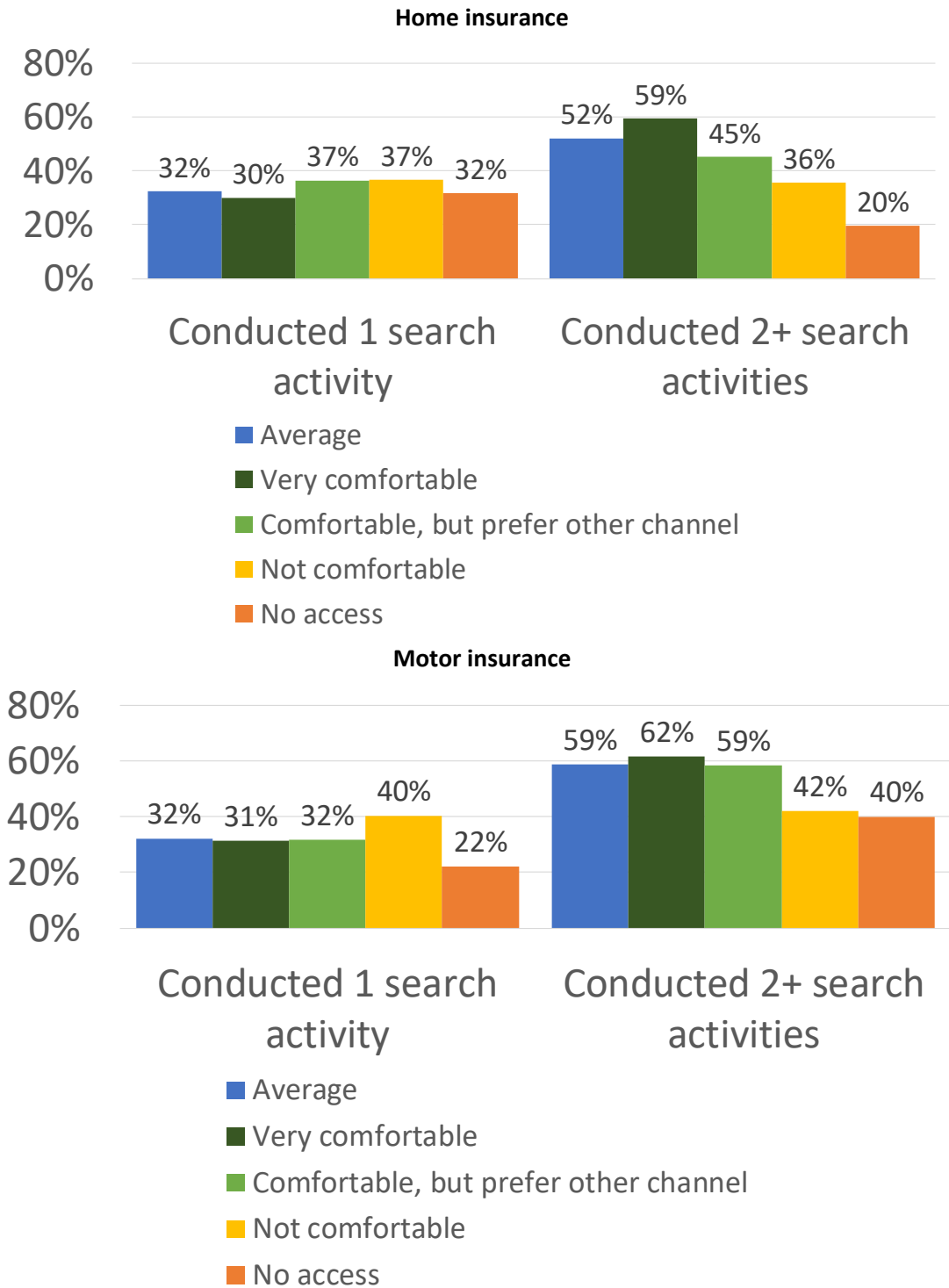
**Figure 9** Proportion of respondents who engage in one search activity compared with two or more search activities, by self-reported knowledge of insurance products



Note: Number of respondents (home insurance): 3,387; (motor insurance): 6,123. Respondents who are not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figures above drop respondents who reported they were neither knowledgeable nor not knowledgeable about insurance products.

Source: London Economics analysis of survey data

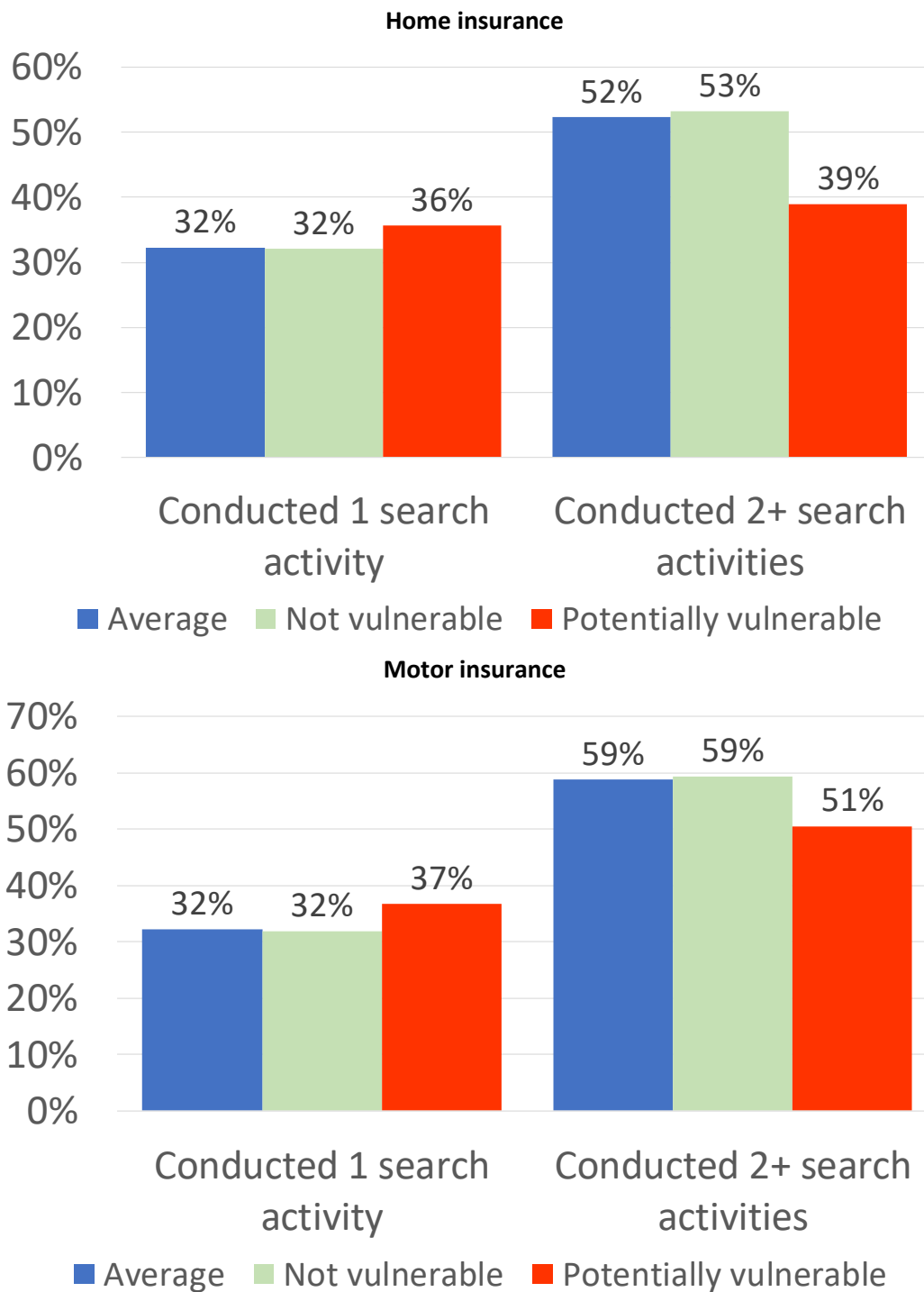
**Figure 10** Proportion of respondents who engage in one search activity compared with two or more search activities, by comfort buying financial products online



Note: Please select all that apply. Base: 4,214 home insurance respondents. 7,493 motor insurance respondents. Respondents who are not comfortable buying financial products online (home insurance): 463; (motor insurance): 769. Respondents who do not have online access (home insurance):131; (motor insurance): 94.

Source: London Economics analysis of survey data

**Figure 11** Proportion of respondents who engage in one search activity compared with two or more search activities, by vulnerability along at least two dimensions



Note: Respondents who reported being vulnerable on at least two dimensions (home insurance): 260; (motor insurance): 411. Respondents who reported not being vulnerable on two dimensions (home insurance): 3,877; (motor insurance): 6,931. The chart above drops respondents who reported they preferred not to say, or didn't know, when asked if they identified as vulnerable along any of the 4 dimensions.

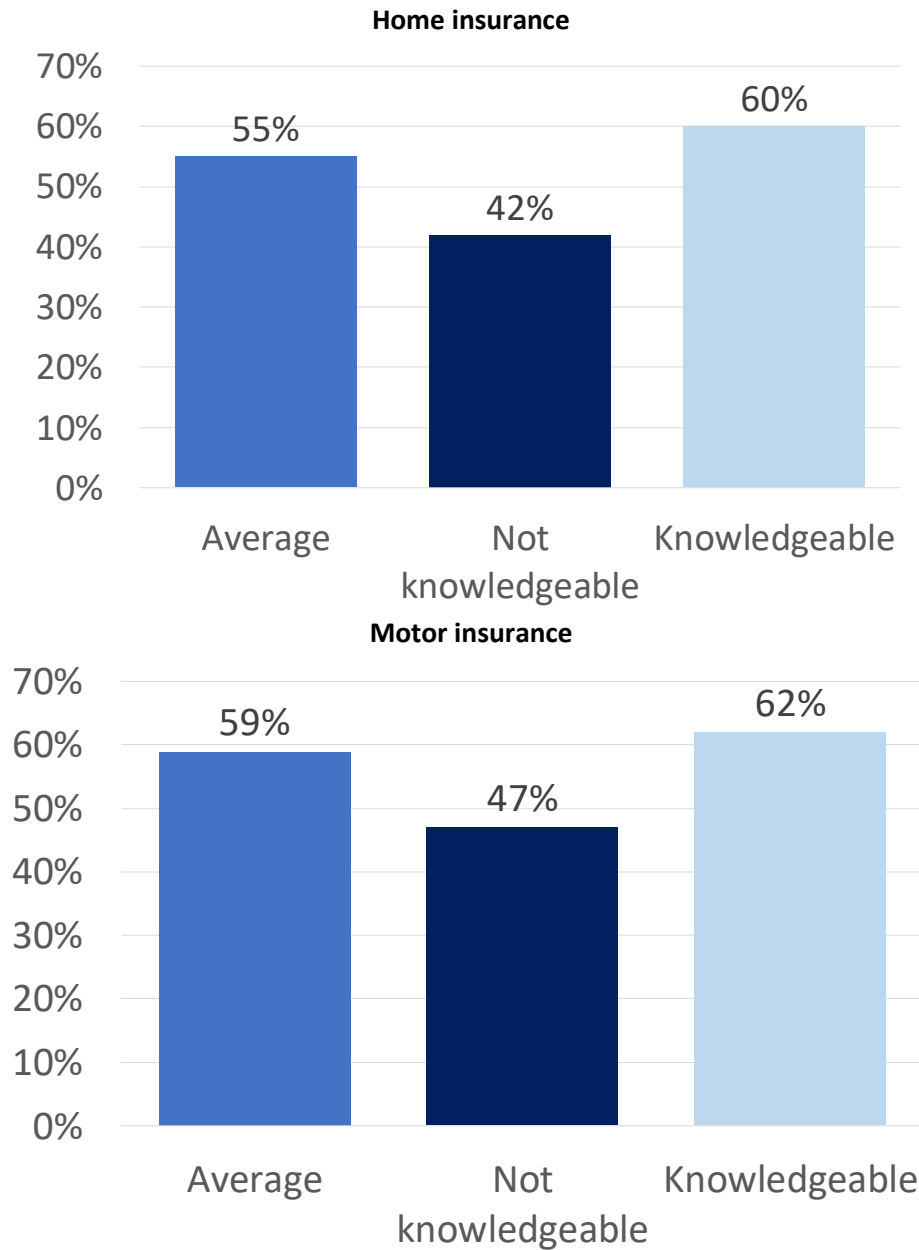
Source: London Economics analysis of survey data

### 2.2.1 Comparing price quoted with the price paid last year

More than half of respondents in both markets (59% in the motor insurance market and 55% in the home insurance market) said they compared the price quoted with the price they paid last year (Figure 3). However, potentially vulnerable respondents are less likely to compare prices with last year's prices, including:

- Those who are not knowledgeable about insurance products (Figure 12);
- Respondents who are not comfortable buying financial products online or who do not have online access (Figure 13);
- Those who cannot cover living expenses without their main source of income for more than a week (Figure 14); and
- Respondents who are not comfortable managing their money (Figure 15).

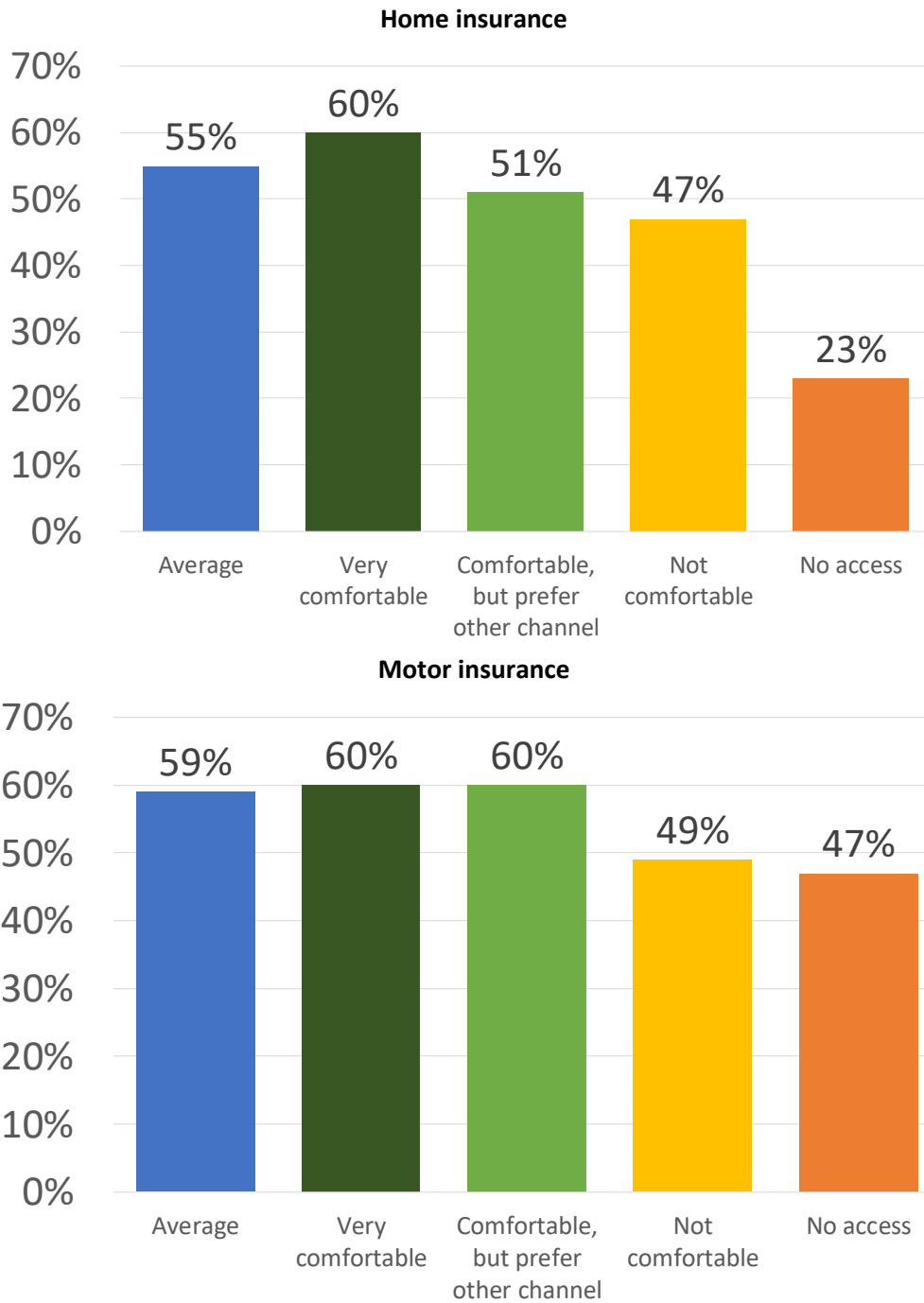
**Figure 12** Proportion of respondents who compared quoted prices with price paid last year, by knowledge of insurance products



Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 3,387 home insurance respondents. 6,124 motor insurance respondents. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figures above drop respondents who responded they were either knowledgeable or un-knowledgeable about insurance products.

Source: London Economics analysis of survey data

**Figure 13** Proportion of respondents who compared quoted prices with prices paid last year, by comfort buying financial products online

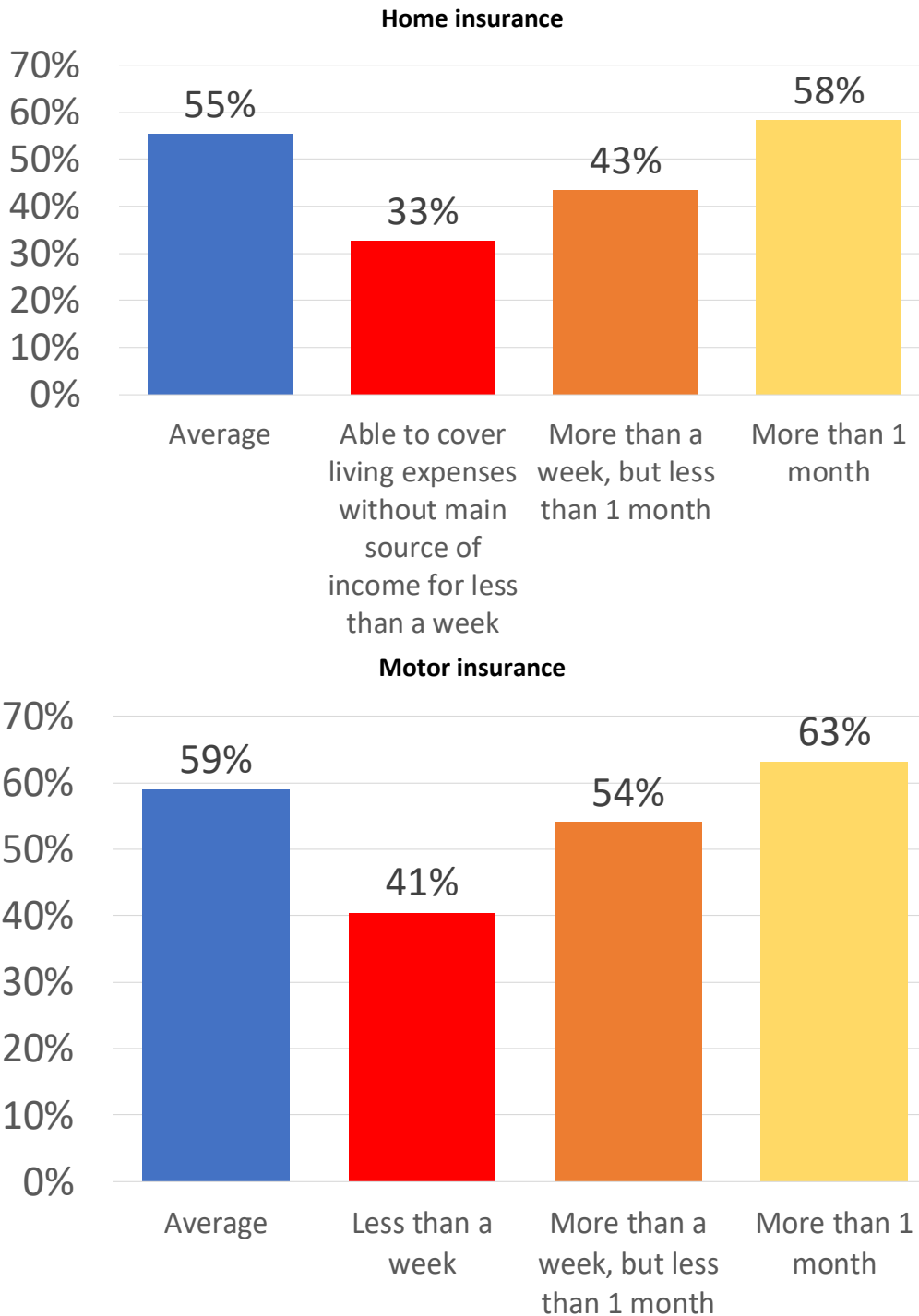


Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 4,214 home insurance respondents. 7,492 motor insurance respondents. Respondents who are not comfortable buying financial products online (home insurance): 463; (motor insurance): 769. Respondents who do not have online access (home insurance):131; (motor insurance): 94.

Source: London Economics analysis of survey data



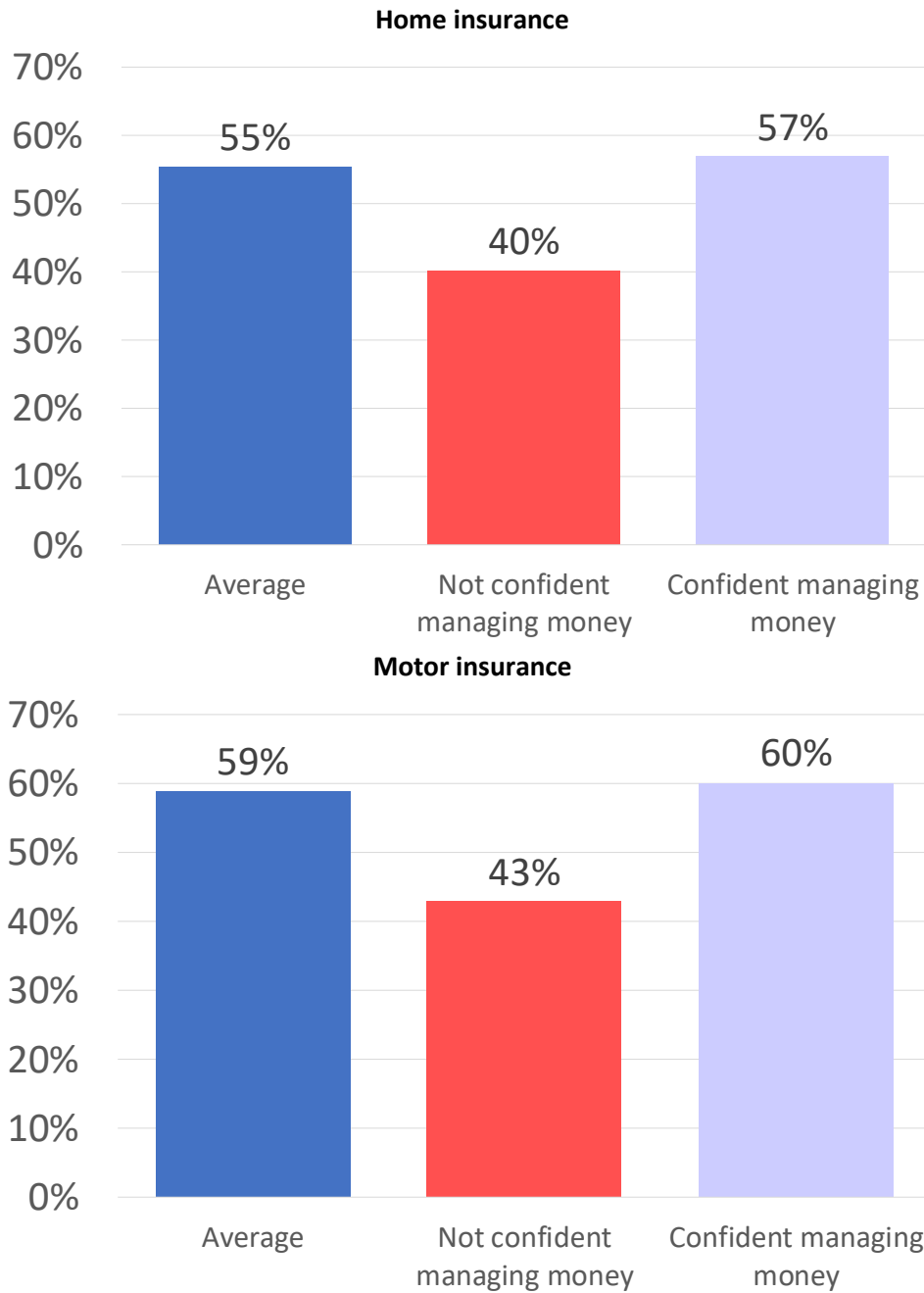
**Figure 14** Proportion of respondents who compared prices quoted with prices paid last year – by financial resilience



Note: Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply. Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. Respondents who would cover living costs without main source of income for a week (home insurance): 98; (motor insurance): 194.

Source: London Economics analysis of survey data

**Figure 15** Proportion of respondents who compared prices quoted with prices paid last year – by confidence managing money



Note: Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply. Total numbers of respondents (home insurance): 3,965; (motor insurance): 6,697. Respondents who were not confident managing their money (home insurance): 134; (motor insurance): 271. The figures above drop individuals who were neither confident nor unconfident about managing money.

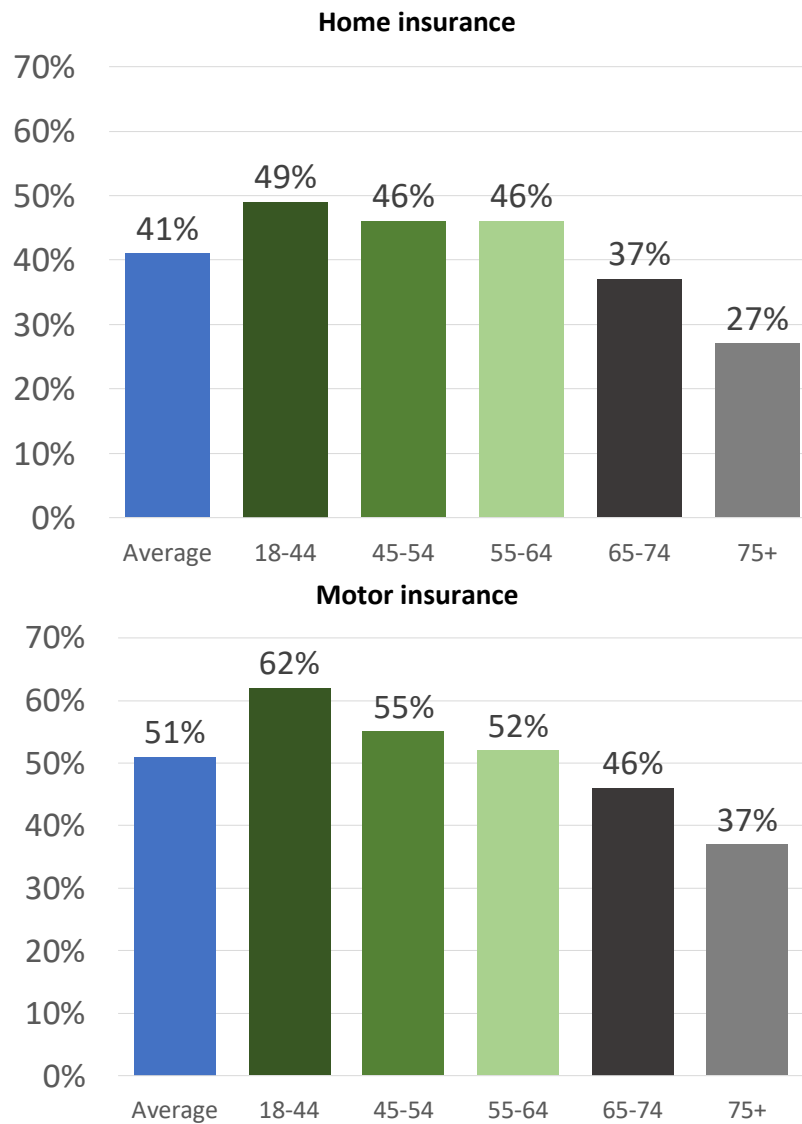
Source: London Economics analysis of survey data

### 2.2.2 Using Price Comparison Websites

The second and third-most popular forms of search activity were using PCWs to compare prices or service levels, respectively. Motor insurance respondents were more likely to use PCWs than home insurance respondents: 68% of respondents in the motor insurance market, and 56% of respondents in the home insurance market, used PCWs to compare prices or service. PCWs tended to be used to

compare prices less frequently than average by older respondents (Figure 16), those who were not comfortable buying financial products online (Figure 17), or reported they were not knowledgeable about insurance products (Figure 18).

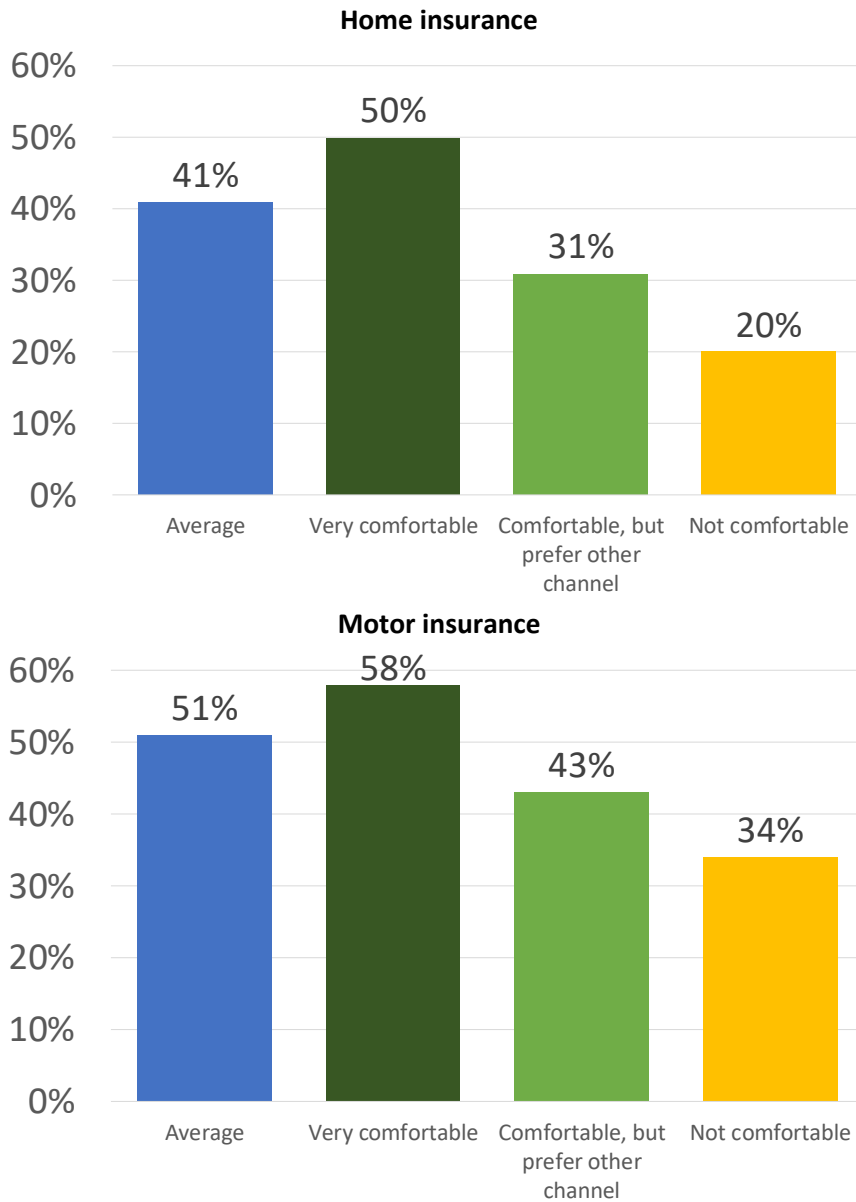
**Figure 16** Proportion of respondents who used PCWs to compare prices, by age



Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 4,214 home insurance respondents. 7,493 motor insurance respondents. Respondents over 75 years (home insurance): 577; (motor insurance): 740.

Source: London Economics analysis of survey data

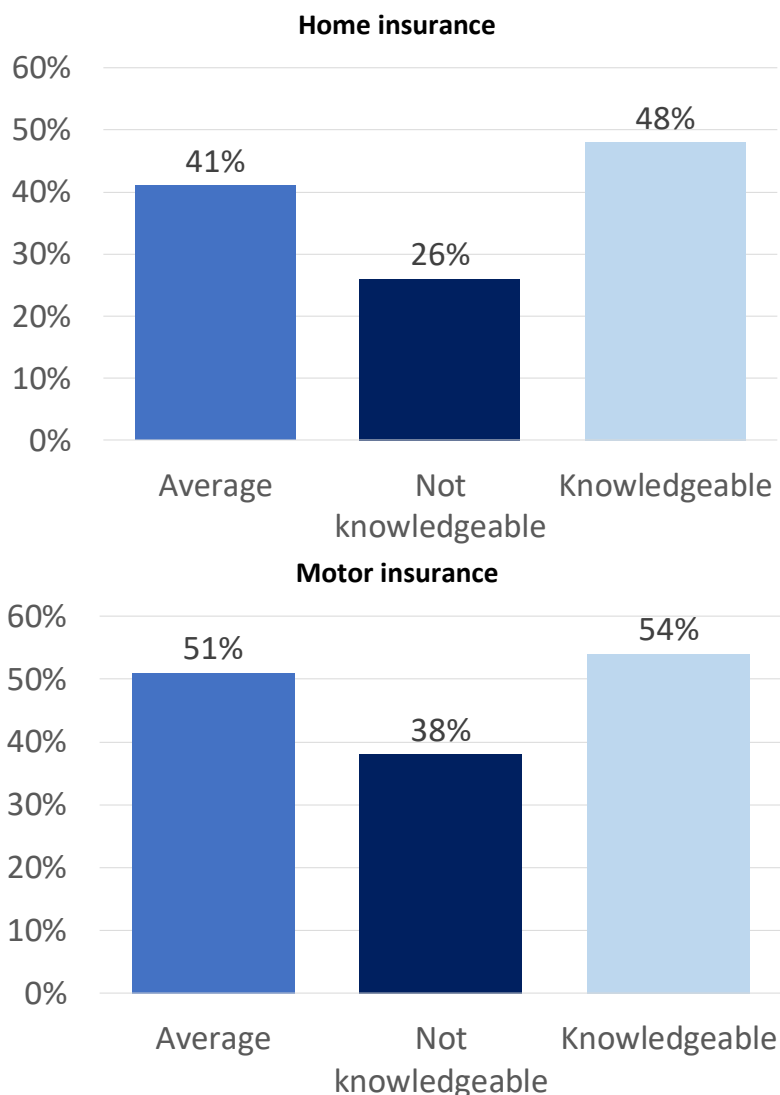
**Figure 17** Proportion of respondents who used PCWs to compare prices, by comfort buying financial products online



Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 4,214 home insurance respondents. 7,493 motor insurance respondents. Respondents who are not comfortable buying financial products online (home insurance): 463; (motor insurance): 769. The chart above does not present percentages for people with online access since they cannot compare prices on price comparison websites.

Source: London Economics analysis of survey data

**Figure 18** Proportion of respondents who used PCWs to compare prices, by self-reported knowledge about insurance products



Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 3,387 home insurance respondents. 6,124 motor insurance respondents. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figure above drops respondents who reported they were neither knowledgeable nor un-knowledgeable about insurance.

Source: London Economics analysis of survey data

Similarly, these groups of respondents were also less likely than average to use PCWs to compare service quality or coverage<sup>14</sup>. However, some consumers may not use PCWs because they believe that PCWs are not comprehensive, or they have specific needs and the insurance providers who meet them may not be represented on PCWs. For example, a case study depth interviewee said she didn't use PCWs because "the providers we would be looking for are not on the website, quite a few are not."

<sup>14</sup> For more details, see supplementary tables in the Annex.

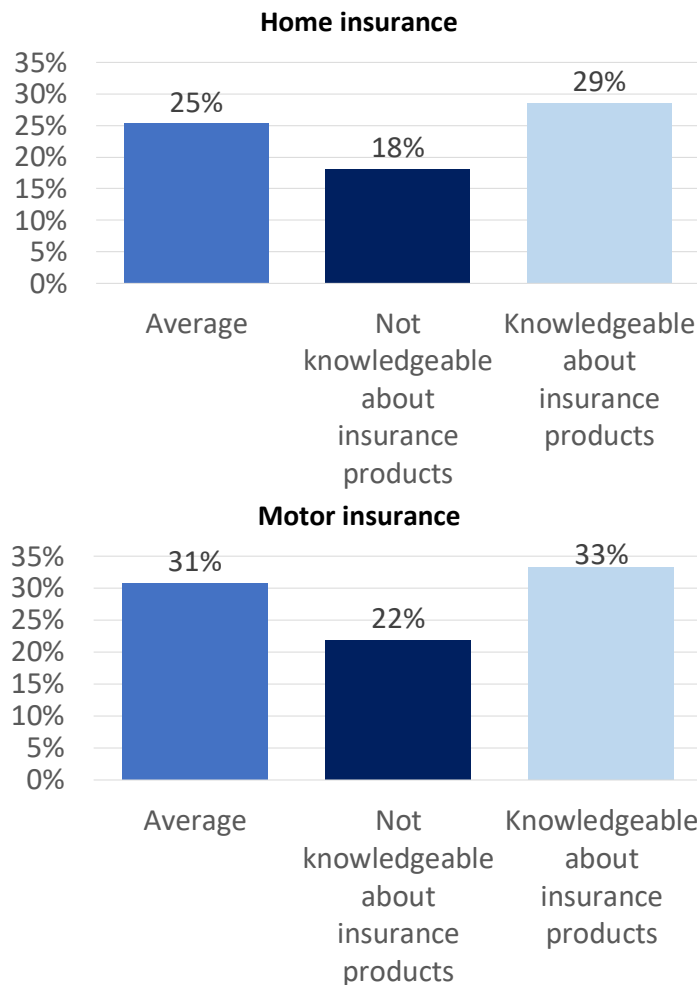
### 2.2.3 Consumers' experiences with negotiation

25% of home insurance respondents and 31% of motor insurance respondents reported that they contacted their insurance provider and sought to negotiate a lower price (Figure 3), with respondents who were not knowledgeable about insurance products less likely to say they tried to negotiate a lower price with their insurance provider (Figure 19). This is consistent with the experiences of case study depth interviewees, who felt that when shopping around and negotiating prices, they needed to have a good knowledge of the market situation in order to get a good deal.

*“If I ring a company and they ask me what another company can offer me, I need to be ready with the answers ... I have to put hours into it. It feels that I have to work hard to get the price lowered with [my insurance provider].”*

*(Motor insurance holder, case study depth interviews)*

**Figure 19 Proportion of respondents who sought to negotiate a lower price with their insurance provider – Average and those who are not knowledgeable about insurance**



Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 3,387 home insurance respondents. 6,124 motor insurance respondents. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figure above drops respondents who said they were neither knowledgeable nor not knowledgeable

Source: London Economics analysis of survey data

However, the experience of surveyed respondents suggests that negotiation is often effective in lowering the price: over three-fifths of respondents in both markets (63% in home insurance, 65% in motor) reported they were offered a lower price for the same level of cover and excess upon negotiating<sup>15</sup>. If insurance companies were willing to negotiate and offer a lower price, consumers were also more likely to remain with their provider: In general, about 70% of respondents in both markets (67% in home, 70% in motor) renewed their policy if they received a reduced price for the same level of cover and excess; and conversely over three-fifths (64% in home insurance, 70% in motor) switched if they didn't achieve a reduction (Table 5, Table 6).

**Table 5 Whether consumers switch or renew after negotiating with their insurance providers - home insurance**

	Switched	New policy/ first time needed insurance	Renewed with existing provider	Changed policy/feature but stayed with provider	Don't know	Total
Lower price for the same level of cover and excess	18%	1%	67%	13%	1%	100%
Lower price but higher excess or lower cover	27%	3%	44%	25%	1%	100%
Lower price but for a different payment method	45%	0%	55%	0%	0%	100%
No price reduction	64%	3%	27%	5%	1%	100%
All <sup>[1]</sup>	32%	2%	54%	12%	1%	100%
Number of observations	337	21	573	124	10	1,064

Note: Q7. You mentioned earlier that you contacted your insurance firm and sought to negotiate a lower price. Was the insurance provider able to offer you a lower quote upon negotiating? Base: Number of respondents who negotiated with their insurance provider (home insurance): 1,064

[1] All respondents who were asked Q7.

Source: London Economics analysis of survey data

**Table 6 Whether consumers switch or renew after negotiating with their insurance providers - motor insurance**

	Switched	New policy/ first time needed insurance	Renewed with existing provider	Changed policy/feature but stayed with provider	Don't know	Total
Lower price for the same level of cover and excess	17%	1%	70%	11%	1%	100%

<sup>15</sup> For more details, see supplementary results in Annex 1.

Lower price but higher excess or lower cover	39%	2%	37%	21%	1%	100%
Lower price but for a different payment method	27%	0%	55%	18%	0%	100%
No price reduction	70%	3%	22%	5%	1%	100%
All <sup>[1]</sup>	33%	2%	54%	10%	1%	100%
Number of observations	765	40	1,256	228	19	2,310

Note: Q7. You mentioned earlier that you contacted your insurance firm and sought to negotiate a lower price. Was the insurance provider able to offer you a lower quote upon negotiating? Base: Number of respondents who negotiated with their insurance provider (motor insurance): 2,310

[1] All respondents who were asked Q7.

Source: London Economics analysis of survey data

### 2.2.4 Who auto-renews without doing any research?

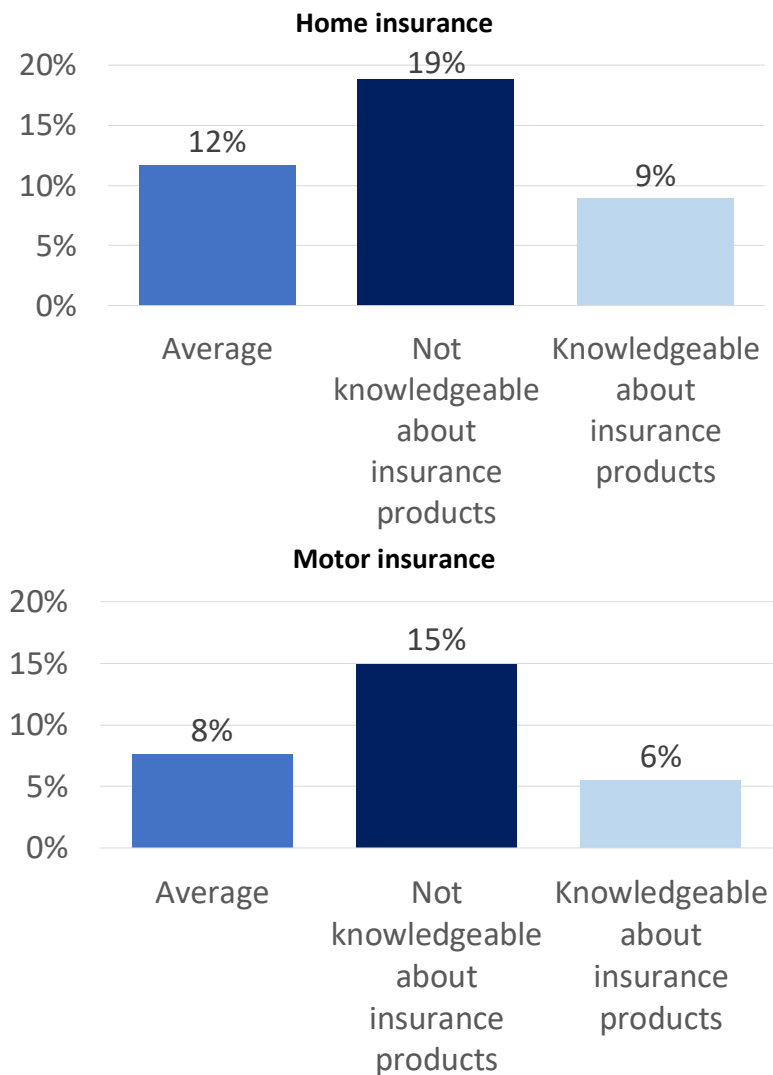
A minority of respondents (12% of home insurance respondents and 8% of motor insurance respondents) reported they allowed their policies to auto-renew without doing any search. However, the survey suggests that potentially vulnerable respondents in both markets may be more likely to auto-renew without shopping around<sup>16</sup>:

- Respondents who reported they were not knowledgeable about insurance products were up to twice as likely as average to report they allowed their policies to auto-renew without researching (Figure 20);
- Respondents who were not comfortable buying financial products online, or didn't have online access, were more likely than average to report they auto-renewed without doing any research (Figure 21);
- The least financially resilient respondents were more likely than average to say they auto-renewed without doing any research (Figure 22).

<sup>16</sup> Note that the study cannot observe the proportion of consumers who auto-renew. Therefore, the result we observe may be driven by two effects: a higher propensity to auto-renew, and/or a lower propensity to shop around given that the consumer auto-renews.



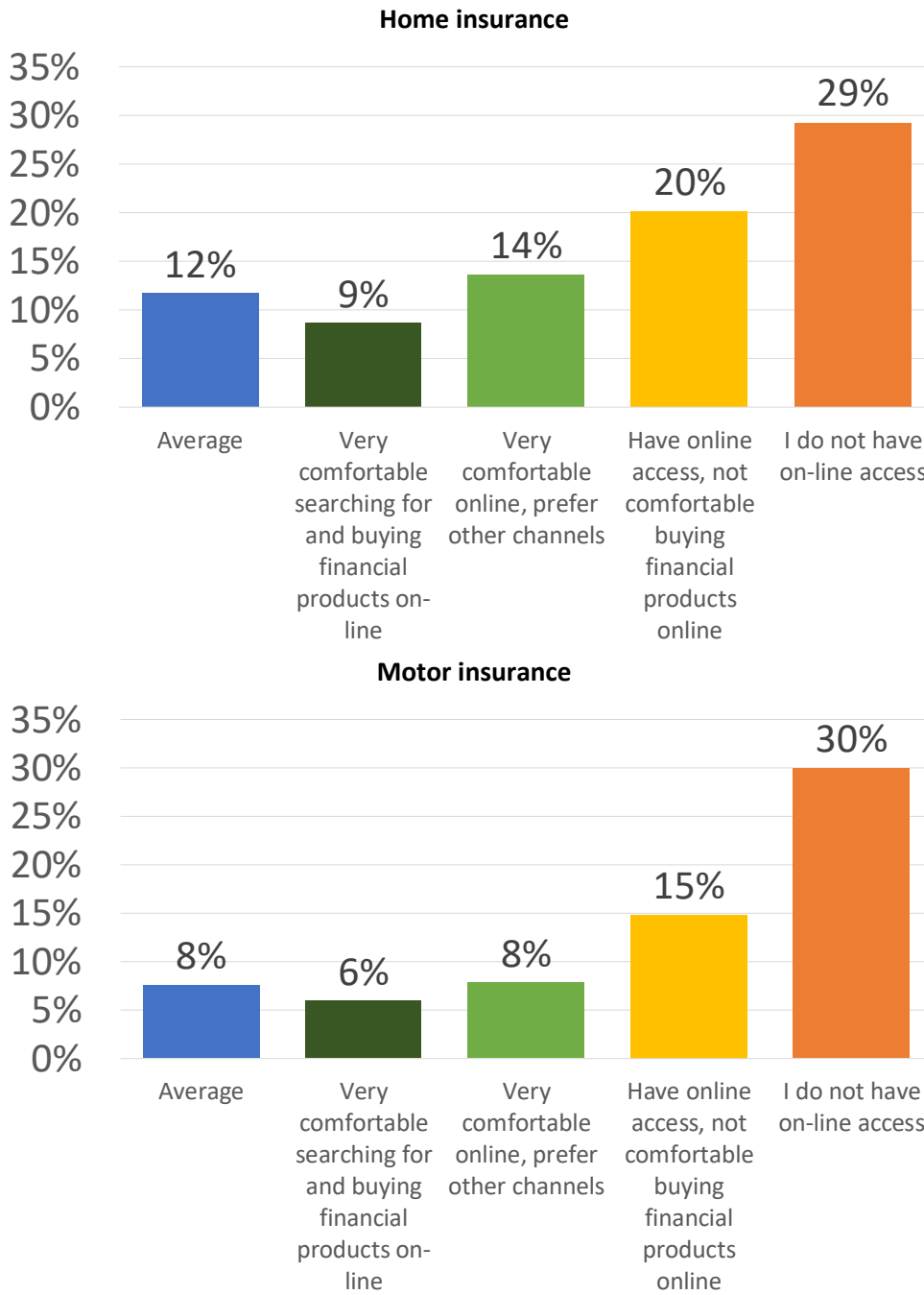
**Figure 20** Proportion of respondents who auto-renewed without doing research – by knowledge of insurance products



Note: Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply. Total numbers of respondents (home insurance): 3,387; (motor insurance): 6,214. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. The figures above drop respondents who said they were neither knowledgeable nor not knowledgeable about insurance products.

Source: London Economics analysis of survey data

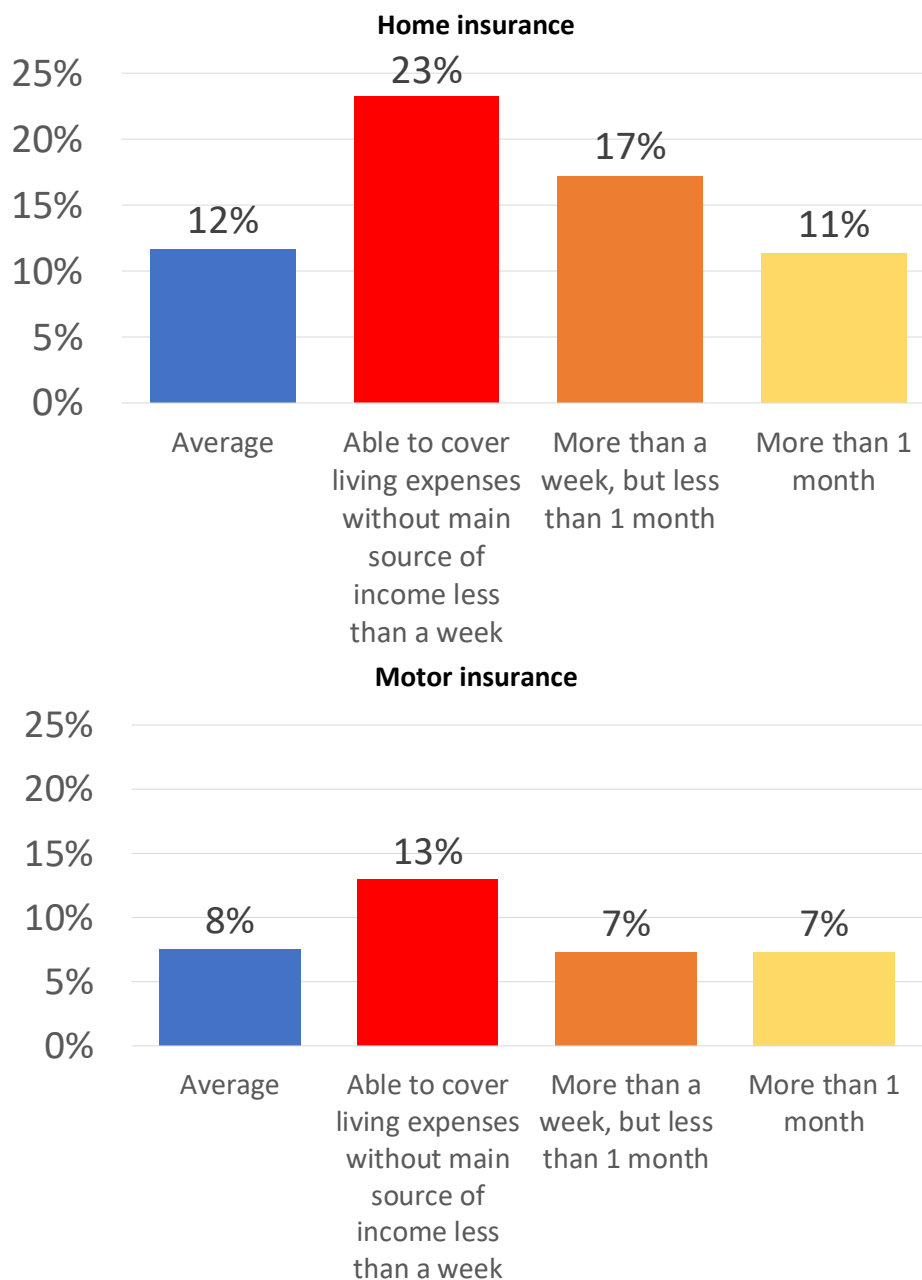
**Figure 21 Proportion of respondents who auto-renewed without doing research – by self-reported comfort buying financial products online**



Note: Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply. Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents who are not comfortable buying financial products online, or who do not have online access (home insurance): 594; (motor insurance): 863.

Source: London Economics analysis of survey data

**Figure 22** Proportion of respondents who auto-renewed without doing research – by financial resilience



Note: Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply. Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents not knowledgeable about insurance products (home insurance): 761; (motor insurance): 1,006. Respondents who would cover living costs without main source of income for a week (home insurance): 98; (motor insurance): 194.

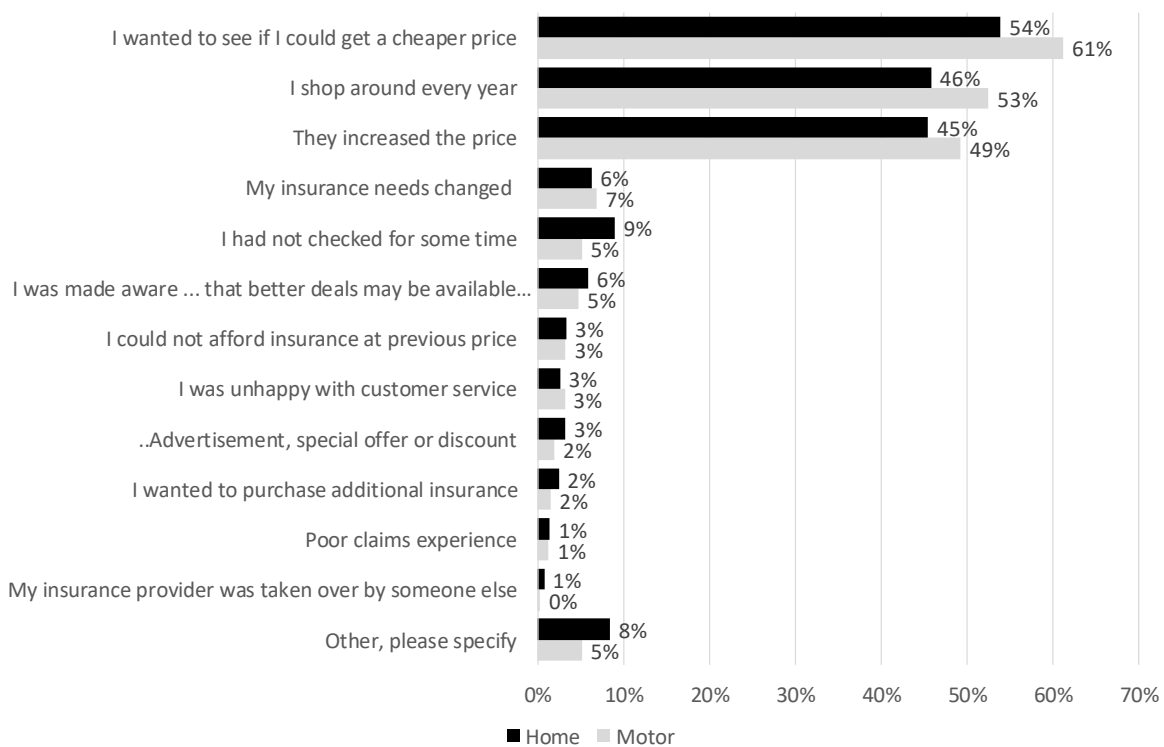
Source: London Economics analysis of survey data

### 2.3 Why consumers shop around

Consumers’ reasons for conducting search varied, but the top-reported reasons in both markets were (Figure 23):

- To see if they could get a cheaper price (54% of home insurance respondents and 61% of motor insurance respondents);
- They shop around every year (46% of home insurance respondents and 53% of motor insurance respondents); and
- In response to an increase in their insurance price (45% of home insurance respondents and 49% of motor insurance respondents).

**Figure 23 Consumers’ reasons for conducting search**



Note: Q15. And still thinking about your insurance policy, what prompted you to shop around, research or contact your insurance provider. Please select all that apply. Base: Number of respondents who conducted search (home insurance): 3,676; (motor insurance): 6,902.

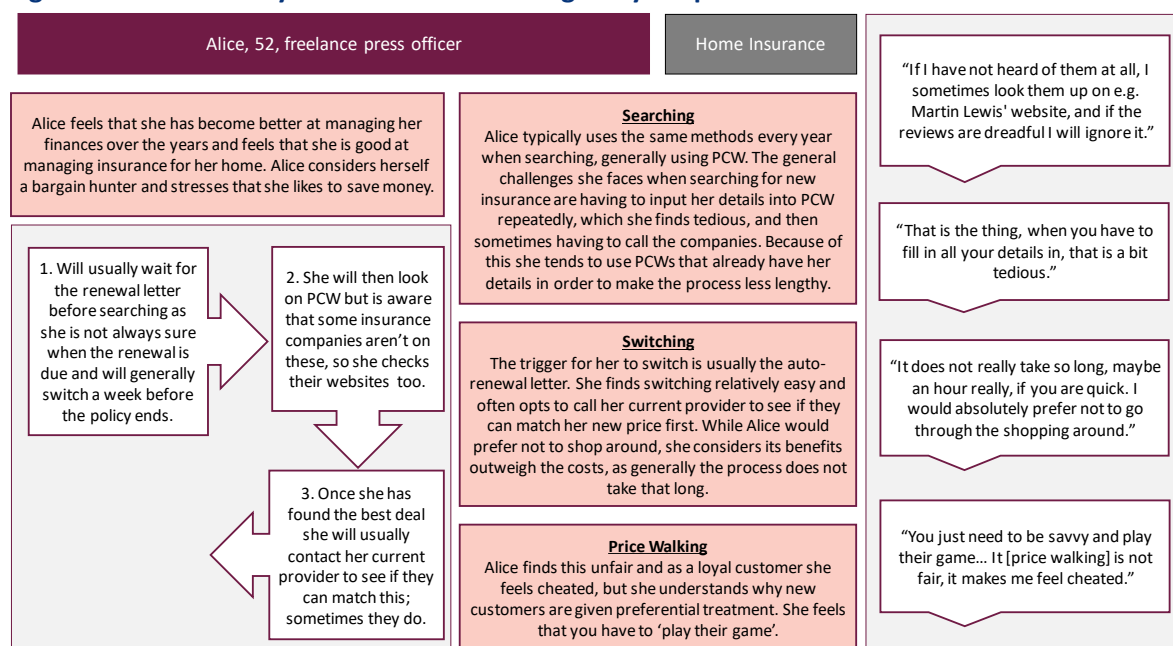
Source: London Economics analysis of survey data

In-depth interviewees often framed shopping around as a “game” where insurance providers may raise costs but then it is up to consumers to shop around, find cheaper deals and “win”.

*“You don’t have to be very clever to see what insurance companies do, the clever bit is if you can play the game and win.”*

*(Home insurance holder, case study depth interviewees)*

The case study below presents the experience of a “bargain-hunting” interviewee who believes consumers need to be “savvy” and play insurance providers’ “game”, since loyalty is not rewarded, and price walking makes her feel “cheated”.

**Figure 24 Case study of a consumer who regularly shops around**

Note: In-depth interviews were carried out with 10 participants, 5 each from home and motor insurance.

Source: YouGov analysis of in-depth interviews

In general, relatively few respondents shopped around because they had had a poor experience or were unhappy with the service quality: only 1% of respondents in both markets said they searched because of a poor claims experience, and only 3% because they were dissatisfied with the service they had received (Figure 23).

## 2.4 Why consumers do not shop around or switch

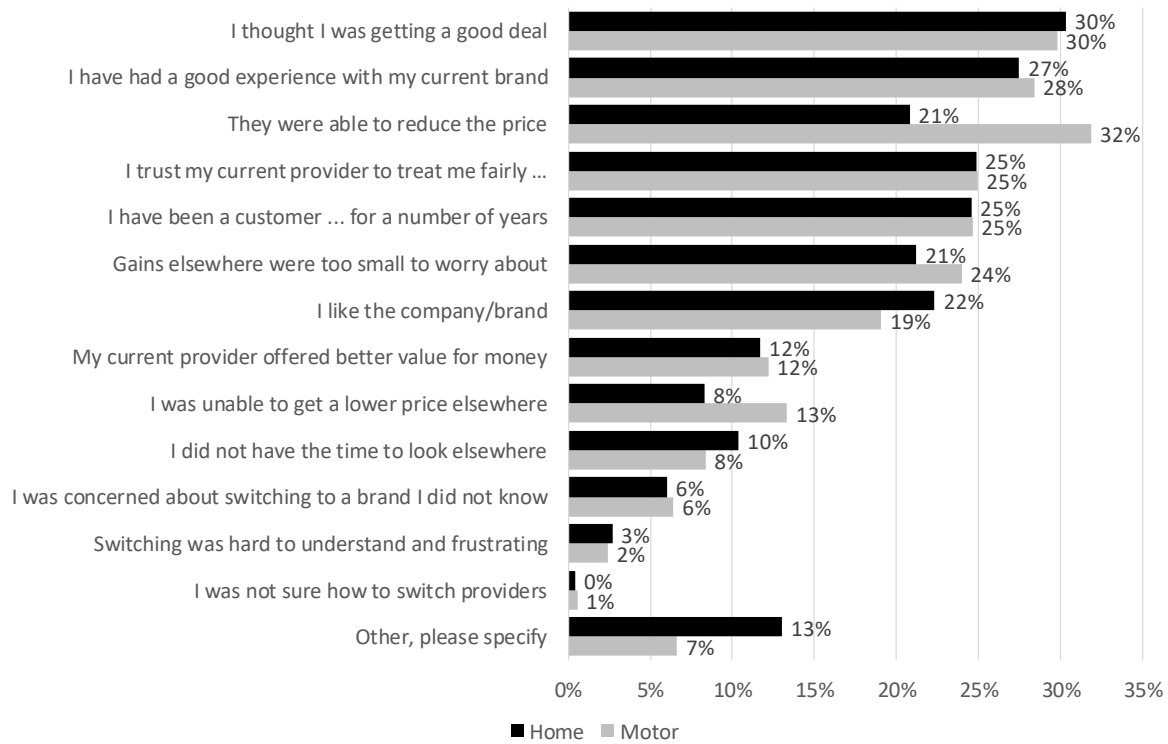
Conversely, respondents tended to stay with their existing providers, or to not shop around, because they were satisfied with their provider, they felt loyal to their provider, or trusted their provider to treat them fairly (Figure 25, Figure 26). For example, when respondents were asked why they chose to remain with their provider (Figure 25):

- 30% of respondents in both home and motor insurance markets reported they thought they were getting a good deal;
- 27% of home insurance respondents, and 28% of motor insurance respondents, reported that they had had a good experience with their current brand;
- 25% said they trusted their provider to treat them fairly if they needed to make a claim; and
- 25% said they had been a customer for a number of years.
- In addition, 21% of home insurance respondents, and 32% of motor insurance respondents, reported that they stayed with their provider because they were able to reduce the price. This is consistent with the finding that in most cases, respondents' insurance providers lowered the price after negotiating (Section 2.2.3).

*"I think the word here is LOYALTY"*

- *Consumer survey respondent, when asked why they chose to stay with their provider*

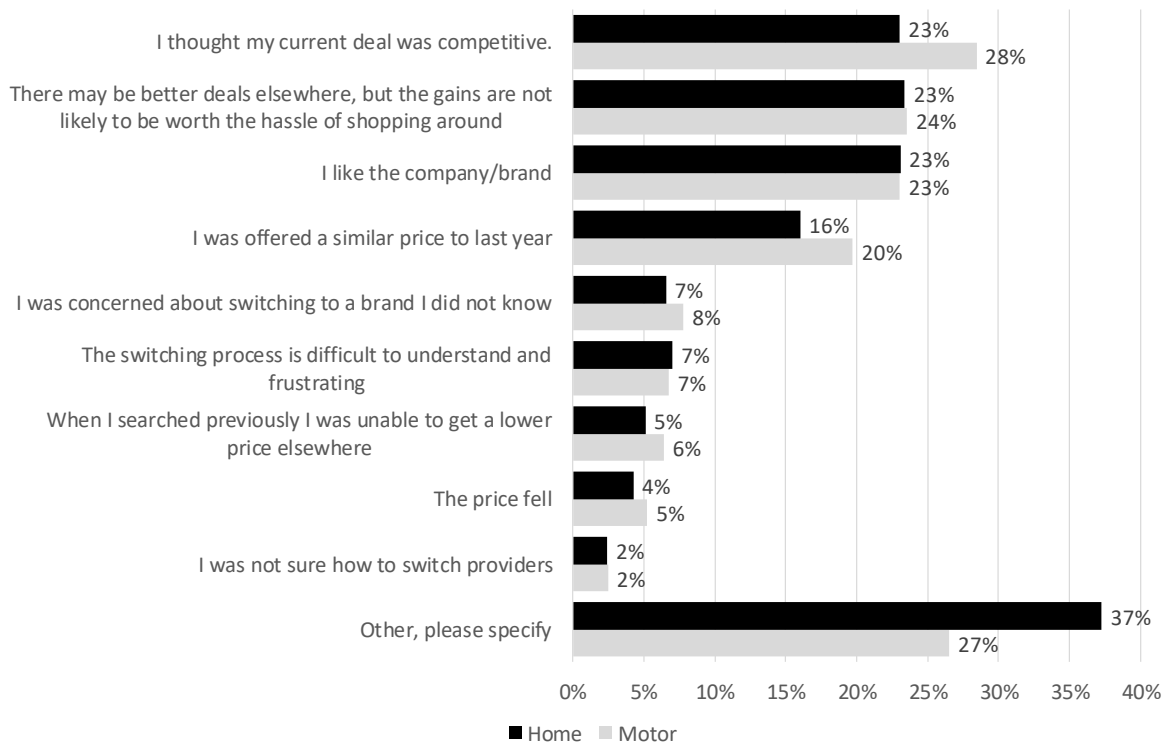
**Figure 25 Consumers' reasons for not switching**



Note: Q16. Why did you choose to remain with your existing provider? Please select all that apply. Base: Number of respondents who chose to stay with their existing provider (home insurance): 2,500; (motor insurance): 4,550.

Source: London Economics analysis of survey data

Similarly, the top-reported reasons for not shopping around in the first place (Figure 26) were related to thinking the current deal was competitive (23% of home insurance respondents and 28% of motor insurance respondents) and liking the company or brand (23% of home insurance respondents, 24% of motor insurance respondents). In addition, approximately a quarter of respondents in both markets (23% in home insurance and 24% in motor insurance) suggested that the gains were likely not worth the effort of shopping around.

**Figure 26 Consumers' reasons for not shopping around**

Note: Q17. What were the main reasons that you did not search to see if you could get a better deal? Please select all that apply. Base: respondents who did not conduct any level of search (home insurance): 538; (motor insurance): 591.

Source: London Economics analysis of survey data

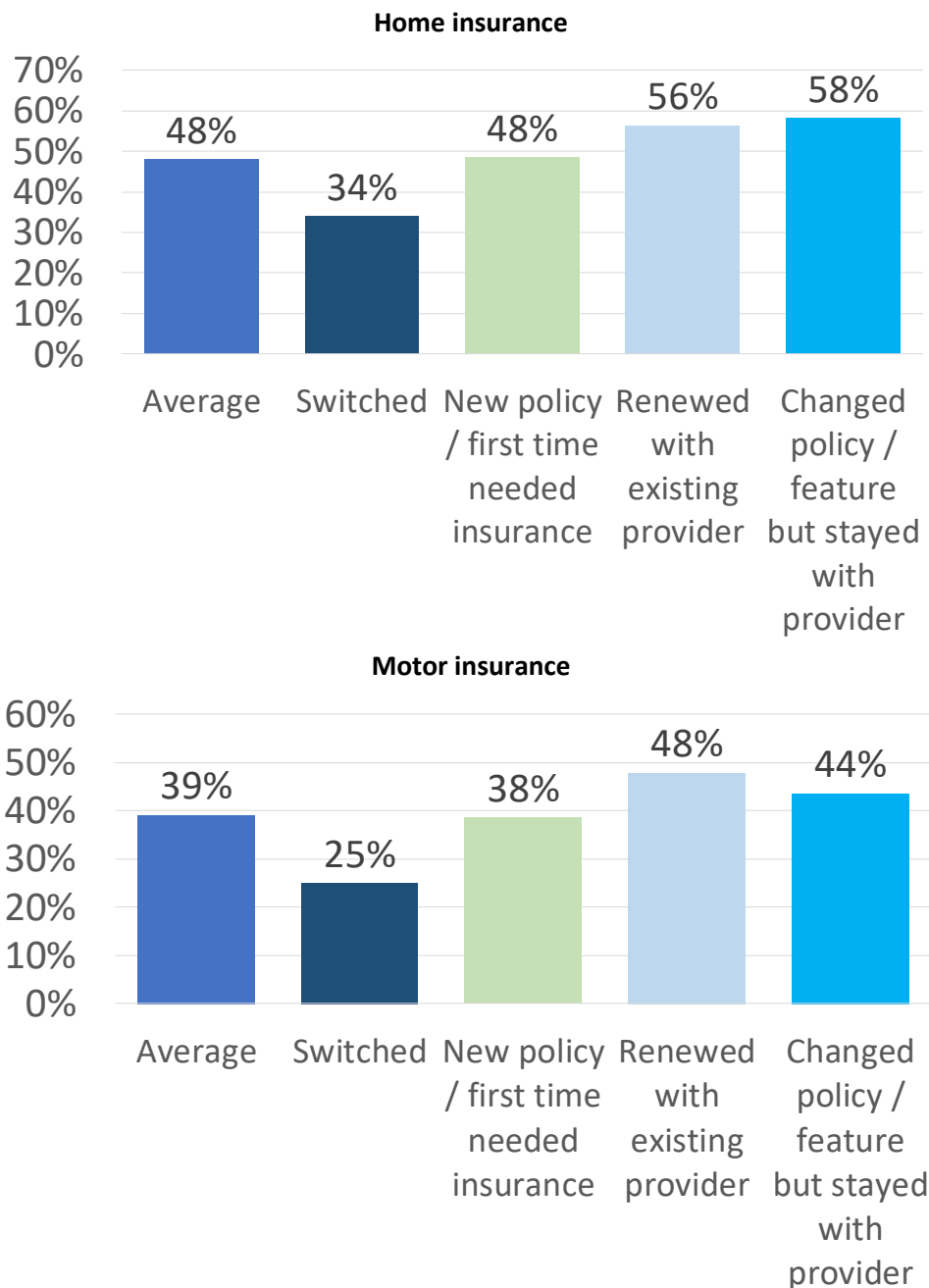
### 2.4.1 Consumer satisfaction or loyalty as a reason for not searching or switching

Respondents frequently indicated that they didn't shop around because they were happy with, or loyal to, their provider, thought their deal was competitive, or trusted their provider to treat them fairly (Figure 26). The evidence suggests that consumers who choose to renew their existing policy have a stronger preference than average for the comfort of being with a brand they know and trust (Figure 27).

*"[It is] a risk if go with smaller / less well-known companies, as could go bankrupt. Big brands - have adverts so must be doing alright."*

*(Motor insurance holder, case study depth interviews)*

**Figure 27 Respondents’ preference for sticking to a brand they know and trust – by switching or renewing activity**



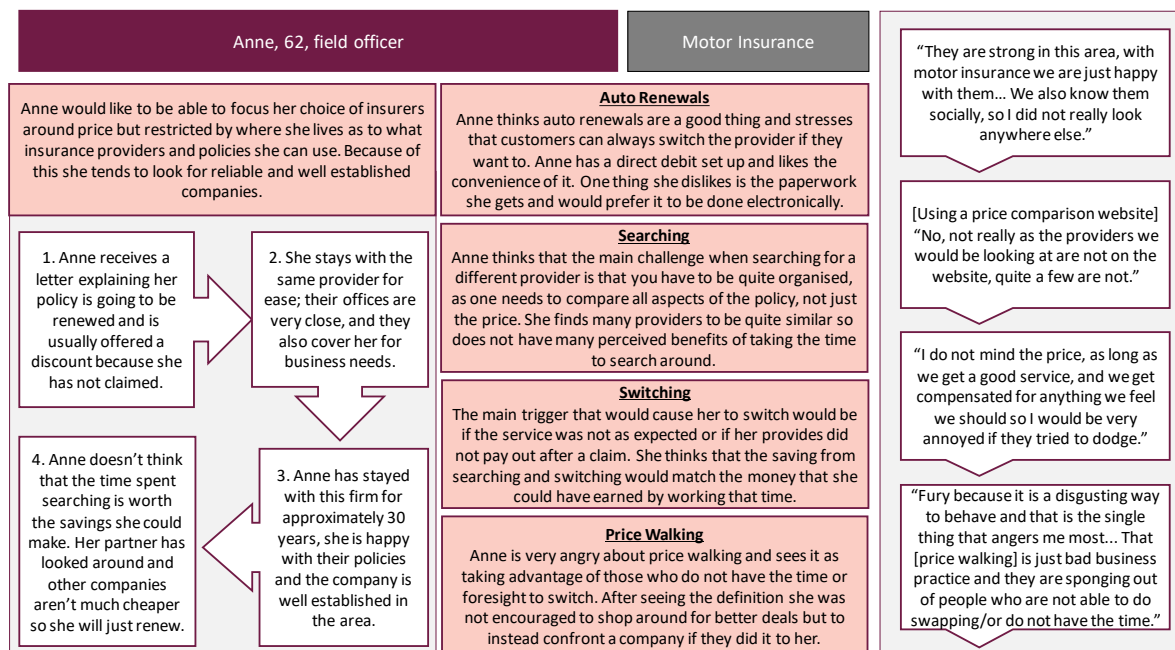
Note: Q9b. Which statement most closely reflects your preferences? Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Chart represents the percentage of respondents who indicated “I prefer the comfort of being with a brand I know and trust”. Respondents who switched providers (home insurance): 1,456; (motor insurance): 2,624. Respondents who renewed their existing policy (home insurance): 2,268; (motor insurance): 4,070.

Source: London Economics analysis of survey data

This is consistent with the experience of case study depth interviewees who stayed with their providers because they had an existing relationship with them (Figure 28). Indeed, some case study interviewees said that a disadvantage of frequent switching was that customers cannot build a relationship with the provider, which would have an impact on their level of trust towards the providers, for example how they would be treated when submitting a claim.



**Figure 28 Case study depth interviewee who stays with her provider and values service quality over price**



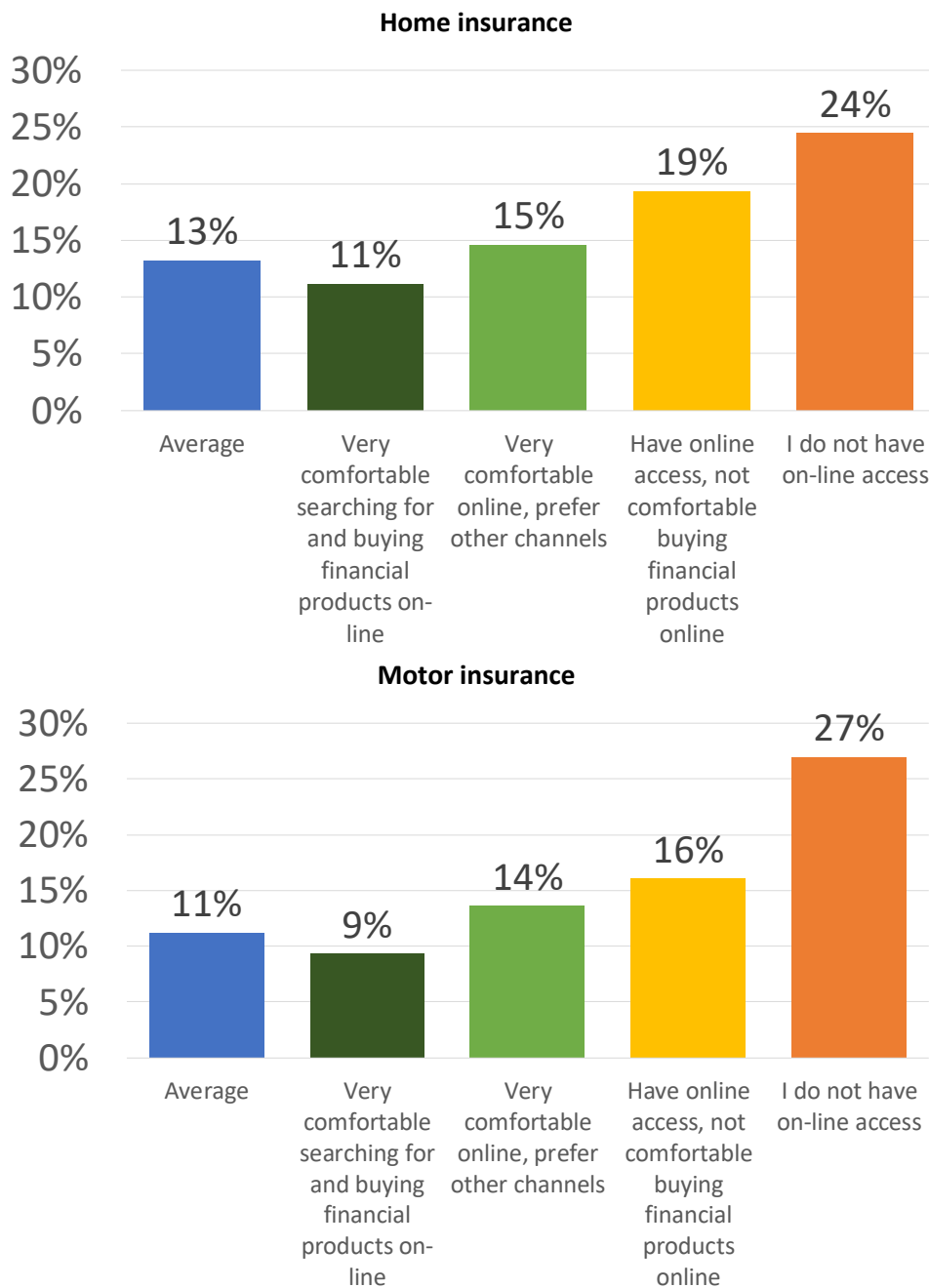
Note: 10 case study depth interviews were conducted.

Source: YouGov analysis of case study depth interviews

### 2.4.2 Hassle as a reason for not switching.

Approximately a quarter of respondents in both markets (23% in home insurance and 24% in motor insurance) suggested that the gains were likely not worth the effort of shopping around (Figure 26). Specifically, customers who said they were not comfortable buying financial products online, or did not have online access, may be particularly dissuaded from shopping around because of the hassle. 20% of these customers in the home insurance market said that savings weren't worth the hassle of shopping around, compared to a home insurance average of 13%. Similarly, 17% of these customers in the motor insurance market said that savings weren't worth the effort of searching, compared to a motor insurance average of 11% (Figure 29).

**Figure 29** Percentage of respondents who believed shopping around was not worth the effort, by comfort purchasing financial products online



Note: Q9c. Thinking of your insurance policy, how good would you say your current deal is? Please select the option that best describes your opinion. Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents who are not comfortable buying financial products online, or who do not have online access (home insurance): 594; (motor insurance): 863.

Source: London Economics analysis of survey data

In addition, respondents could also enter open-ended responses with their reasons for not shopping around (Figure 30). The open-ended responses suggest that there is some additional evidence to suggest that search is perceived to be time-consuming or difficult (especially without a computer or internet):

- ‘No time’ or ‘busy’ were the most frequently-entered responses, along with reasons that respondents may not have been able to search e.g. being away or having poor health



### 3 Consumers' understanding of how the market works

#### Box 4 Key findings – consumers' understanding of how the market works

In general, respondents in both markets understood that shopping around and negotiating can lower prices, and that new customers can be charged lower prices than comparable existing customers:

About 90% of respondents in both markets agreed that first-time customers were charged lower prices than comparable existing customers for the same product.

About 80% of respondents in both markets believed that even if they found the cheapest price, it was not likely to remain the cheapest without searching.

#### Box 5 Vulnerable consumers – consumers' understanding of how the market works

The least financially resilient respondents in both home and motor insurance markets were less likely than average to believe that negotiating directly with providers could reduce prices.

Respondents who reported less knowledge of insurance products, who were uncomfortable buying financial products online, or didn't have online access, tended to be less likely than average to understand that:

Comparable consumers could be charged different prices for the same product;

Prices could increase/ no longer be competitive without searching or negotiating.

#### Box 6 Key differences between home and motor insurance – consumers' understanding of how the market works

Home insurance respondents were more likely than motor insurance respondents to believe that first-time customers could be charged different prices for the same product. 89% of home insurance customers believed that first-time customers typically received lower prices, compared to 85% of home insurance respondents.

The quantitative survey explored respondents' understanding of the nature of competition in the insurance market on prices. Respondents answered a series of 'true' or 'false' questions on statements about:

- Insurance companies charging two comparable customers the same price for the same product;
- First-time customers receiving lower prices than comparable existing customers;
- Prices remaining the cheapest for 2 – 3 years without searching;
- Price increases being driven by increases in insurance costs;
- Prices remaining competitive without the need to shop around; and
- The impact of negotiating directly with the insurance provider on prices.

In general, respondents in both home and motor insurance markets seemed to understand that two comparable people may not necessarily be charged the same price for the same product, and that shopping and negotiating could lower prices:

- About nine out of ten respondents in both markets (89% in the home insurance market and 85% in the motor insurance market) believed that first-time customers typically received lower prices than comparable existing customers;
  - *“New customers get better deals, I really wished it [wasn’t true] but this is the current model.”*
  - *(Home insurance holder, case study depth interviews).”*
- Approximately 80% (82% in home and 79% in motor) of respondents in both markets believed that prices were not certain to remain competitive without searching; and
- Only a minority (21% in both markets) believed that direct negotiation with the insurance provider did not lower prices.

First-time policyholders were more likely than average to be trusting regarding insurance company pricing practices (Table 7, Table 8). For example, respondents with new policies, or who hadn’t needed insurance before, tended to be less likely than average to believe that new customers were offered lower prices than comparable existing customers. On the other hand, respondents in both markets who had switched providers tended to be more sceptical about price increases being driven by increases in costs.

However, in general people who switched providers tended to be less likely than those who renewed their policies to believe that they could reduce prices if they negotiated with their providers. This may be explained by some people who switched providers having had worse experiences of negotiating with their providers than those who chose to stay.

**Table 7 Understanding of the market, by switching or renewing behaviour – home insurance**

	Switch and stay behaviour					Average
	Switched	New policy/ first time needed insurance	Renewed with existing provider	Changed policy/feature but stayed with provider	Don't know	
An insurance company will generally offer me the same quote as another customer if we are equally likely to make a claim.	23%	29%	27%	25%	2%	26%
Typically, first time customers receive a lower price	92%	79%	89%	88%	79%	89%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	11%	11%	14%	12%	12%	12%
If prices rise, I assume that this is because there has been an increase in insurance costs.	26%	41%	40%	40%	25%	35%

If I don't search regularly, the price I pay for insurance will become less competitive over time.	85%	74%	81%	82%	83%	82%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	25%	23%	18%	22%	24%	21%
Number of observations	1,455	215	2,268	232	43	4,214

Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true. Percentages calculated including respondents reporting "Don't know"

**Table 8 Understanding of the market, by switching or renewing behaviour – motor insurance**

	Switch and stay behaviour					Average
	Switched	New policy/ first time needed insurance	Renewed with existing provider	Changed policy/feature but stayed with provider	Don't know	
An insurance company will generally offer me the same quote as another customer if we are equally likely to make a claim.	17%	26%	23%	25%	21%	21%
Typically, first time customers receive a lower price	88%	78%	84%	86%	69%	85%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	8%	11%	11%	8%	27%	10%
If prices rise, I assume that this is because there has been an increase in insurance costs.	25%	35%	35%	33%	31%	31%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	81%	80%	78%	8%	63%	79%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	29%	25%	17%	15%	26%	21%
Number of observations	2,623	251	4,070	480	67	7,493

Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true. Percentages calculated including respondents reporting "Don't know"

The survey also suggests that some potentially disadvantaged or vulnerable customers may have less understanding than average of how the market operates. For example, respondents who reported they were not comfortable buying financial products online, or didn't have online access, tended to have less understanding than average on all dimensions in both markets (Table 9, Table 10).

**Table 9 Understanding of the market, by comfort buying financial products online – home insurance**

	Comfort buying financial products online				
	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Average
An insurance company will generally offer me the same quote as another customer if we are equally likely to make a claim.	23%	28%	28%	50%	26%
Typically, first time customers receive a lower price	92%	89%	81%	66%	89%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	8%	14%	21%	50%	12%
If prices rise, I assume that this is because there has been an increase in insurance costs.	28%	43%	45%	78%	35%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	85%	80%	69%	76%	82%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	19%	21%	28%	36%	21%
Number of observations	2,627	993	463	131	4,214

Note: Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true. Percentages calculated including respondents reporting "Don't know"

Source: London Economics analysis of survey data

**Table 10 Understanding of the market, by comfort buying financial products online – motor insurance**

Comfort buying financial products online

	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Average
An insurance company will generally offer me the same quote as another customer if we are equally likely to make a claim.	2%	22%	22%	47%	21%
Typically, first time customers receive a lower price	86%	84%	80%	66%	85%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	8%	11%	14%	52%	10%
If prices rise, I assume that this is because there has been an increase in insurance costs.	27%	37%	40%	63%	31%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	82%	77%	69%	69%	79%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	21%	21%	25%	37%	21%
Number of observations	4,960	1,670	769	94	7,493

Note: Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true.

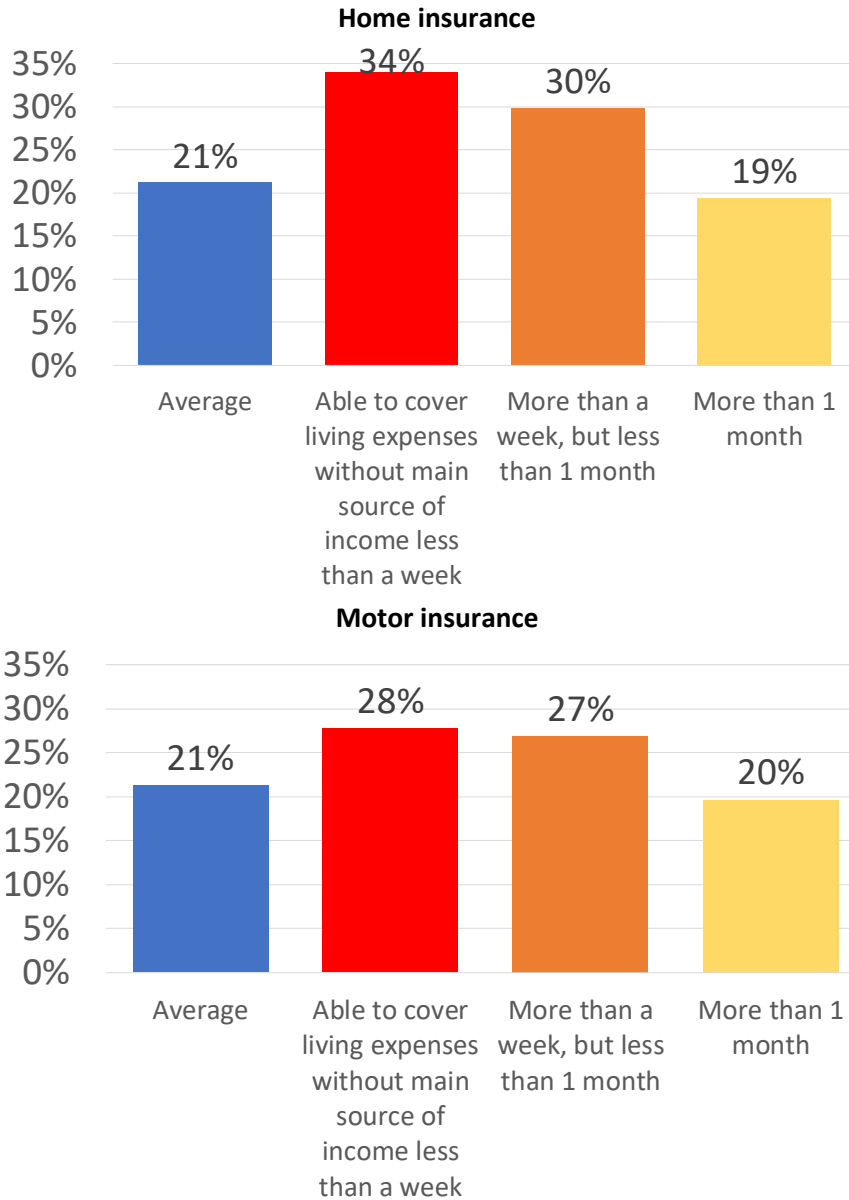
Percentages calculated including respondents reporting "Don't know"

Source: London Economics analysis of survey data

The least financially resilient respondents in both markets were more likely than average to believe that negotiating directly with providers could not reduce prices (Figure 31). In other words, these customers may be losing out on savings, since approximately 60% of respondents who negotiated with their providers reported that they had achieved savings for the same level of cover and excess (Section 2.2.3).



**Figure 31** Proportion of respondents believing negotiating could reduce prices, by financial resilience



Note: Q12: Do you believe the following statements are true or false? (It is not possible to receive a more competitive price through directly negotiating with your insurance provider.)

Source: London Economics analysis of survey data

## 4 Consumers' attitudes to how the market functions

### Box 7 Key findings – consumers' attitudes to how the market functions

The survey showed that respondents often objected to 'the loyalty penalty' i.e. existing customers being charged higher prices than new customers. For example, 87% of home insurance respondents thought it was unfair for a 5-year customer to pay higher prices than a new customer (whom the existing customer had referred to the provider).

In the depth interviews, most participants felt insurance providers were private companies who were interested in making a profit rather than building good customer relations. As a consequence, most participants felt that providers did not reward loyal customers, preferring instead to attract new customers with better deals.

Most consumer survey respondents (approximately 80% in both markets) thought it was fair that people who shop around save money. However, the context in which search was framed had a strong influence on respondents' perception of fairness. For example, most respondents thought it was unfair that people who were too busy to shop around should pay higher prices.

On average, in both markets, respondents' valuation of search plus switching effort was approximately £40 per year (14% of annual insurance price in the home insurance market and 12% in the motor insurance market).

Average valuation of search effort was £19 per year (7% of annual insurance price in home insurance market and 6% in motor insurance market)

Average valuation of switching effort was £21 per year (equivalent to 7% of annual insurance price in home insurance market, and 6% in motor insurance).

However, valuation of search/switching time or effort was impacted by how this effort was framed. Valuation of search/switching effort was lower when respondents were asked their willingness to pay to avoid effort ('negative' frame) as compared to a 'positive' frame where respondents were asked their willingness to accept savings to conduct search effort.

For example, in the 'negative' frame search effort was 5% of the annual insurance price in home insurance markets, and 4% of the annual insurance price in the motor insurance market. In contrast, in the 'positive' frame, search effort was 8% of annual insurance price in the home insurance market, and 7% in the motor insurance market.

Similarly, in the 'negative' frame switching effort was 4% of the annual home insurance price, and 5% of the annual motor insurance price, compared to 10% of annual home insurance price and 9% of annual motor insurance price in the 'positive' frame.

### Box 8 Key differences between home and motor insurance – consumers' attitudes to how the market works

In general, motor insurance respondents had a lower valuation of search and switching time and effort, and a lower willingness to pay to keep prices stable, relative to their insurance price. This is consistent with motor insurance respondents being more likely than home insurance respondents to report that they regularly shop around (Figure 23), which suggests that motor insurance respondents may be less likely to view search or switching effort as a 'hassle' to be avoided.

## 4.1 Consumers' attitudes to fairness

### 4.1.1 The 'loyalty penalty'

Customers understood that comparable customers can be charged different prices for the same product (section 3), but not all thought this practice is fair. For example, respondents and in-depth interview participants were strongly opposed to new customers being charged lower prices than comparable existing customers. Respondents frequently felt loyal to their insurance providers: a quarter of respondents in both markets said they stayed with their provider because they had been a customer for a number of years (Figure 25). However, in-depth interviewees often felt that this loyalty should be reciprocated by insurance companies and they should get tangible rewards for their loyalty, which they felt they often did not. Interviewees often said that loyalty schemes would improve their relationship with their providers, that it would make them feel they were valued customers and that it would encourage other customers to stay with the company.

*"You do not get anything for loyalty anymore. It used to be that if you stay with a company for 20-30 years you get a bonus, nowadays you do not get it. I actually think they should reward loyalty because that way they get a customer base that is not going anywhere. On the other hand, they put focus on attracting new customers so they get a better bottom line year on year."*

*(Home insurance holder, case study depth interviews)*

Findings from the quantitative survey echoed these sentiments. For example, 87% of home insurance customers thought it was unfair for a 5-year customer to pay higher prices than a new customer (whom the existing customer had referred to the provider).

Most interview participants saw providers as private companies interested in making profit and not interested in building good customer relations. Accordingly, they did not think that providers reward loyal customers but instead tend to focus on offering better deals to new customers. This is consistent with the findings of the quantitative survey, where approximately nine out of ten respondents in both markets understood that first-time customers could be charged lower prices than comparable existing customers (Table 7 and Table 8).

Only a couple of participants (one home and one motor) stated that their providers offer the same deals to new and current customers; these participants had a much higher satisfaction level with their providers.

*"It is more to do with the unfairness of it. If everyone who is new is getting a cheaper option, I should get a cheaper option as well, or at least the same as everyone else. If we all change every year, everyone gets cheaper option every year."*

*(Home insurance holder, case study depth interviews)*

*"I think it's a bit sneaky but I suppose there are so many people who don't switch so it's worth it... no I don't think it's fair because I think everybody should be offered the same rates whether they're new customers or not."*

*(Motor insurance holder, case study depth interviews)*

4.1.2 The relationship between search effort and lower prices

In general, people thought it was fair for consumers who put in the effort to search to pay lower prices: approximately 80% of respondents in both markets thought it was fair for a consumer who compared prices with a PCW to be able to save money (Table 11).

However, respondents' views on the fairness of a situation changed depending on the context. For example, respondents also frequently believed that customers in difficult circumstances should not be penalised for not having the time to shop: when respondents were told that shoppers couldn't search because they were busy with a life change (such as having a new baby), only about 40% of respondents in both markets thought it was fair that such a shopper should pay more.

This is consistent with previous research suggesting that people's perceptions of fairness can be heavily influenced by context. For example, Falk et al. (2003)<sup>17</sup>, Sutter (2007)<sup>18</sup> and Gurođlu et al. (2010)<sup>19</sup> show that intentions matter when judging people's behaviour as fair or unfair. Sherf & Venkataramani (2015)<sup>20</sup> show that fairness perceptions based on comparisons between people depend on their relational ties, i.e. whether one likes or dislikes the person with whom they are comparing themselves.

**Table 11 Attitudes to fairness – home and motor insurance**

Statement	Home insurance	Motor insurance
	% believing that statement is fair	
Statement A: Alex gets her insurance renewal letter. She shops around using a price comparison website and gets an offer from a different insurance provider and saves £75.	80%	83%
Statement B: Sam is too busy with an exciting new job to pay much attention to the renewal letter for his insurance, and he renews automatically. Had he had more time, he could've switched to a different provider and saved £75.	45%	45%
Statement C: Sarah gets her policy insurance renewal letter. She did not shop around because she had more important things on her mind after having a new baby. Had she had more time and energy she could've switched to a different provider and saved £75	40%	41%

Note: Q19. Do you think that the following are fair or unfair?

Percentages in the table are the percentage of respondents within each demographic group believe a statement is fair. Percentages calculated including respondents report "Don't know". The statements above include only statements which were asked to both home and motor insurance respondents.

Source: London Economics analysis of survey data

Respondents were also concerned about being charged potentially higher prices based on unrelated information that their providers held about them. For example, respondents thought it was unfair

<sup>17</sup> Falk, A., Fehr, E., Fischbacher, U. (2003). On the nature of fair behaviour. *Economic Inquiry*, 41, pp 20-26.

<sup>18</sup> Sutter, M. (2007). Outcomes versus intentions: On the nature of fair behaviour and its development with age. *Journal of Economic Psychology*, 28, pp. 69-78.

<sup>19</sup> Gurođlu, B., Van den Bos, W., Rombouts, S.A.R.B., Crone, E.A. (2010). Unfair? It depends: Neural correlates of fairness in social context. *Scan*, 5, pp 414-423.

<sup>20</sup> Sherf, E.N., Venkataramani, V. (2015). Friend or foe? The impact of relational ties with comparison others on outcome fairness and satisfaction judgments. *Organizational Behavior and Human Decision Processes*, 128, pp. 1-14

that insurance providers were able to gather information on consumers' likely willingness to pay for products and services (from information such as subscriptions to premium wine clubs) and therefore charge people higher prices. This is consistent with previous research on segmentation in e-commerce markets suggesting that consumers are concerned about paying higher prices based on their personal information being used to make profiles of them<sup>21</sup>.

## 4.2 Valuation of search and switching time and effort

A little under a quarter of respondents reported that they did not shop around or switch because they did not think the savings were worth the hassle (see Section 2.4.2). This section assesses respondents' valuation of search and switching time and effort. The approach is summarised briefly as follows<sup>22</sup>.

Respondents were asked a combination of 'yes' or 'no' questions and open questions where they traded off search (or switching) time/effort against savings. The questions were phrased so that respondents were directed to think of search and switching effort as distinct activities.

Respondents were asked about the trade-off between effort and savings using one of two possible 'frames':

- A 'negative' frame where respondents were asked their willingness to pay additional amounts to avoid search or switching time/effort; and
- A 'positive' frame where respondents were asked their willingness to accept savings to conduct search (or switching) time/effort.

The two frames were employed to capture two different ways of thinking about search or switching activity: as a pure 'hassle' to be avoided, compared to effort conducted to make savings. The two frames were also expected to yield different valuations: specifically, the 'negative' or 'willingness to pay' frame was expected to yield lower valuations than a 'positive' or 'willingness to accept' frame. This is because of a behavioural bias known as the 'endowment effect'<sup>23</sup>. People tend to resist giving up something framed as 'belonging' to them and would therefore need to be compensated more to give it up than they would pay to acquire it. Therefore, their 'willingness to accept' compensation (or savings) to conduct effort would be expected to be higher than their 'willingness to pay' to avoid carrying out the effort in the first place.

Respondents were also asked follow-up questions exploring the validity of responses e.g. whether they felt they could answer the valuation questions in a realistic way. Almost all respondents indicated that the scenarios and amount they were asked about were realistic: 94% of home insurance respondents and 96% of motor insurance respondents felt they could answer the questions in a somewhat, very or fully realistic way.

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<sup>21</sup> LE Europe, Deloitte and Ipsos MORI (2018), Consumer market study on online market segmentation through personalised pricing/offers in the European Union, prepared for the European Commission

<sup>22</sup> For more detail please see the accompanying Technical Report.

<sup>23</sup> Kahneman, Daniel; Knetsch, Jack L.; Thaler, Richard H. (1990). "Experimental Tests of the Endowment Effect and the Coase Theorem". *Journal of Political Economy*. 98 (6): 1325–1348

### 4.2.1 Valuing search and switching effort

On average, in both home and motor insurance markets, respondents' valuation of search effort was £19 per year<sup>24</sup>. However, the valuation differs depending on the 'frame' that was used:

- In the 'negative' frame, respondents on average were willing to pay at most £14 more per year to avoid spending time and effort searching. This translates to 5% of their insurance price in the home insurance market (Table 12), and 4% of their insurance price in the motor insurance market (Table 13).
- In the 'positive' frame, respondents on average were willing to accept savings of at least £22 (home insurance market) - £25 (motor insurance market) per year to conduct search effort. This translates to 8% of their annual insurance price in the home insurance market (Table 12), and 7% of their annual insurance price in the motor insurance market (Table 13).

**Table 12 Valuation of search and switching – home**

**a) Positive framing (Minimum savings respondents were willing to accept to search or switch)**

	Search	Switching
Average pound value	£22	£29
Average percentage of the level of insurance cover <sup>[1]</sup>	8.3%	9.7%
Percentage of respondents revealing that they would be willing to pay more than 10% of their annual insurance price <sup>[1]</sup>	30%	36%

**b) Negative framing (Maximum amount respondents were willing to pay to avoid searching or switching)**

	Search	Switching
Average pound value	£14	£12
Average percentage of the level of insurance cover <sup>[1]</sup>	5.3%	4.9%
Percentage of respondents revealing that they would be willing to pay more than 10% of their annual insurance price <sup>[1]</sup>	30%	27%

Averages do not include outliers, defined as observations which are smaller than  $Q1 - 1.5IR$  or larger than  $Q3 + 1.5IR$  where  $Q1$  and  $Q3$  are respectively the first and third quartile and  $IR$  is the interquartile range.

[1] The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

Similarly, in both markets, respondents' valuation of switching time and effort was £21 per year<sup>25</sup>:

- In the 'negative' frame, respondents on average were willing to pay at most £12 per year to avoid switching time and effort. This translates to 5% of their insurance price in the home insurance market, and 4% of their insurance price in the motor insurance market.
- In the 'positive' frame, respondents on average were willing to accept savings of at least £29 (home insurance market) - £32 (motor insurance market) per year to spend time and

<sup>24</sup> This is the simple average over the four pound values presented for "search" in Table 12 and Table 13 rounded to the nearest pound.

<sup>25</sup> This is the simple average over the four pound values presented for "switch" in Table 12 and Table 13 rounded to the nearest pound.

effort switching. This translates to 10% of their insurance price in the home insurance market, and 9% of their motor insurance price.

- A higher proportion of respondents valued switching effort at more than 10 per cent of their annual insurance price using the 'positive' frame compared to the 'negative' frame.

**Table 13 Valuation of search and switching – motor**

**a) Positive framing (Minimum savings respondents were willing to accept to search or switch)**

	Search	Switching
Average pound value	£25	£32
Average percentage of the level of insurance cover <sup>[1]</sup>	7.3%	8.5%
Percentage of respondents revealing that they would be willing to pay more than 10% of their annual insurance price <sup>[1]</sup>	20%	25%

**b) Negative framing (Maximum amount respondents were willing to pay to avoid searching or switching)**

	Search	Switching
Average pound value	£14	£12
Average percentage of the level of insurance cover <sup>[1]</sup>	4.4%	3.9%
Percentage of respondents revealing that they would be willing to pay more than 10% of their annual insurance price <sup>[1]</sup>	21%	18%

Averages do not include outliers, defined as observations which are smaller than  $Q1 - 1.5IR$  or larger than  $Q3 + 1.5IR$  where  $Q1$  and  $Q3$  are respectively the first and third quartile and  $IR$  is the interquartile range.

[1] The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

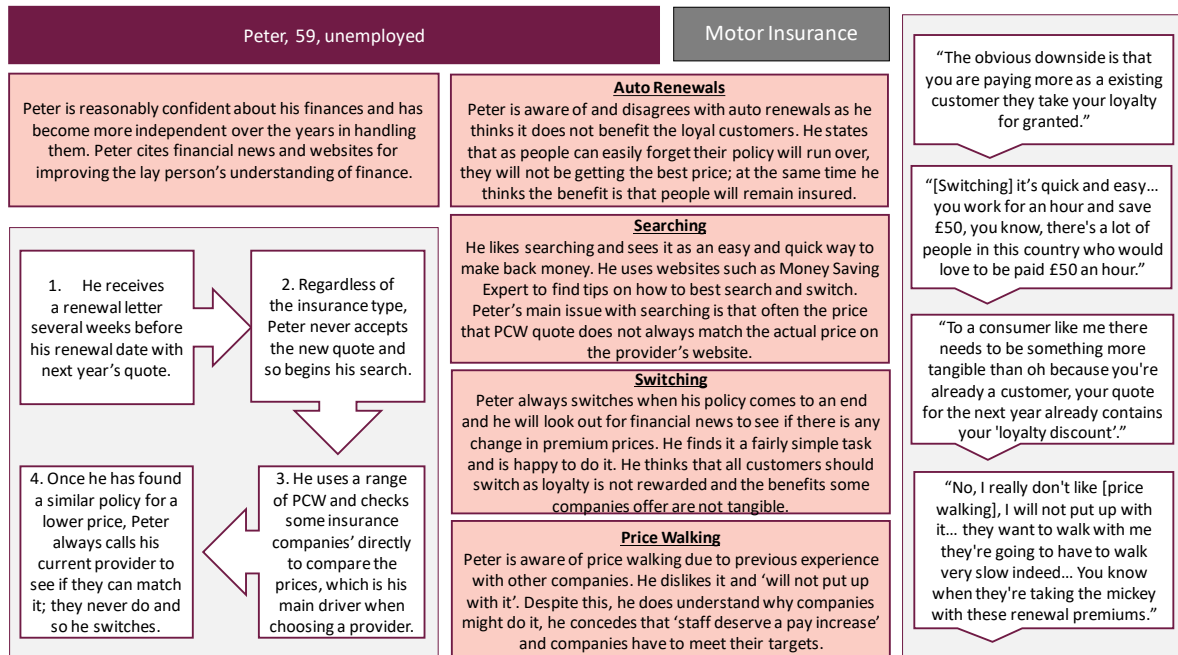
There are a number of reasons that the positive and negative frames yield different valuations. Firstly, as described above, the 'positive' frame assessed respondents' willingness to accept gains (i.e. savings) while the 'negative' frame assessed respondents' willingness to pay costs to avoid search or switching effort. As expected, the 'willingness to accept' frame yielded higher valuations than the 'willingness to pay' frame.

Secondly, the survey suggests that respondents understood that prices were not likely to remain competitive without searching (Section 3). Case study interviewees frequently framed searching/switching activity as a "game" that consumers played to make savings, rather than exclusively as hassle to be avoided. In other words, the 'positive' frame may be closer than the 'negative' frame to participants' perception of searching/switching activity, even if they think that the onus should not be on consumers to search/switch to save money.

*"[Switching is] quick and easy ... you work for an hour and save £50, you know, there's a lot of people in this country who would love to be paid £50 an hour"*

*(Motor insurance holder, case study depth interviews)*

**Figure 32 Case study interview of a respondent who sees search/switching as a way to make money**



Note: 10 case study interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

*"No, they [customers] should not need to [shop around], that is really, really, really... wrong. I think customers should [be] rewarded for loyalty. I think that is very, very poor that the onus is put on the customers to find the cheap prices rather than the provider."*

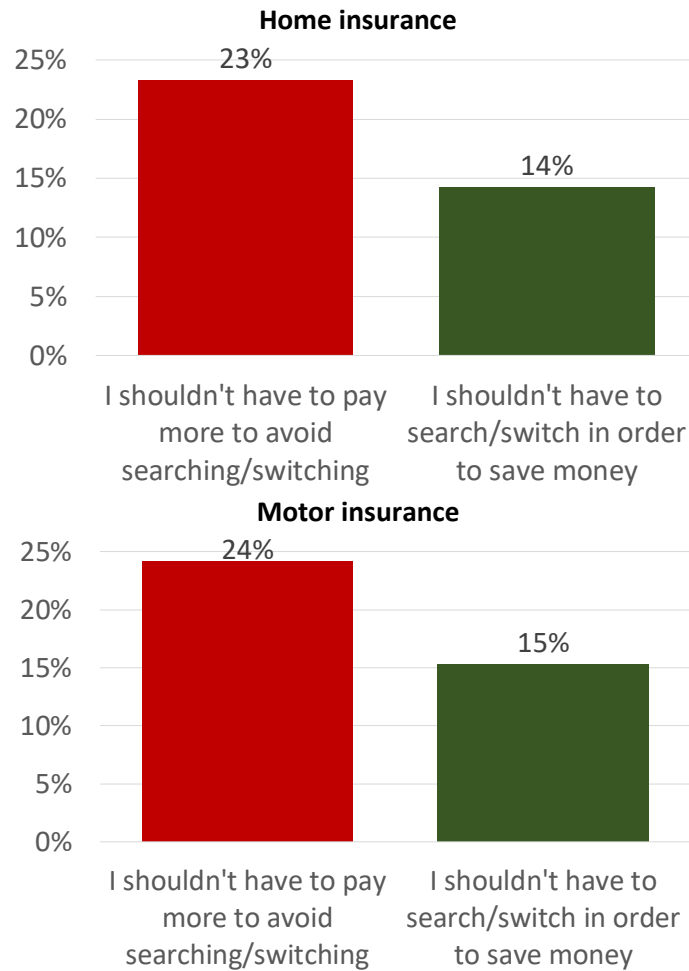
- (Motor insurance holder, case study depth interviews)

to over 20% of respondents who felt they shouldn't have to pay more to avoid searching/switching (Figure 33). This suggests that the 'positive' frame may yield more reliable estimates of consumers' valuation of searching/switching effort than the 'negative' frame.

Thirdly, evidence from the quantitative and qualitative research suggests that some respondents object to the principle of trading off searching or switching effort against savings. The survey suggests that people objected more strongly to the concept of paying to avoid searching/switching effort (the 'negative' frame) than the concept of searching/switching to save money. Under 15% of respondents in both home and motor insurance markets objected to the principle of searching/switching to save money, compared



**Figure 33** Proportion of respondents who object to the principle of trading off search/switching effort against savings

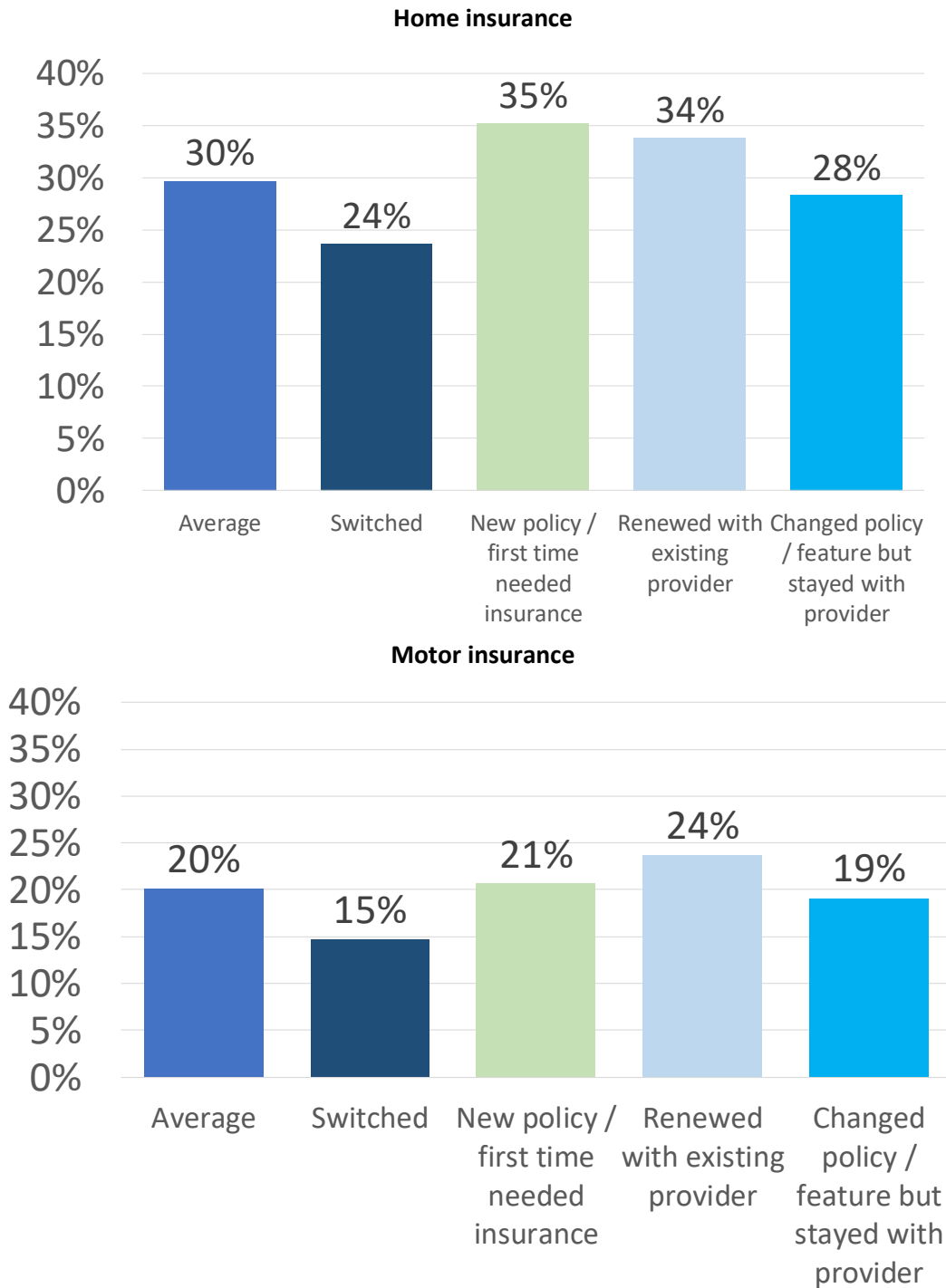


Note: cv\_val1. Thinking about the questions you just answered about how much you value time and effort spent searching for and switching insurance, why did you give the answers that you did? Please tick the reason that applies most. Base: Number of respondents allocated to 'negative' frame (home insurance): 2,093; (motor insurance): 3,755. Number of respondents allocated to 'positive' frame (home insurance): 2,121; (motor insurance): 3,738.

Source: London Economics analysis of survey data

The consumer survey showed that respondents who renewed providers had a higher valuation of search or switching effort. A higher proportion of respondents who renewed their policies (compared to respondents who switched) reported they wanted to save at least 10% of their insurance price to conduct searching or switching effort (Figure 34, Figure 35). This is consistent with respondents who had renewed policies tending to believe shopping around was not worth the effort. Those who renewed were up to four times more likely than respondents who switched providers to say that they were aware they could get a better deal by searching, but that the gains were likely not worth the hassle of shopping around (Figure 36).

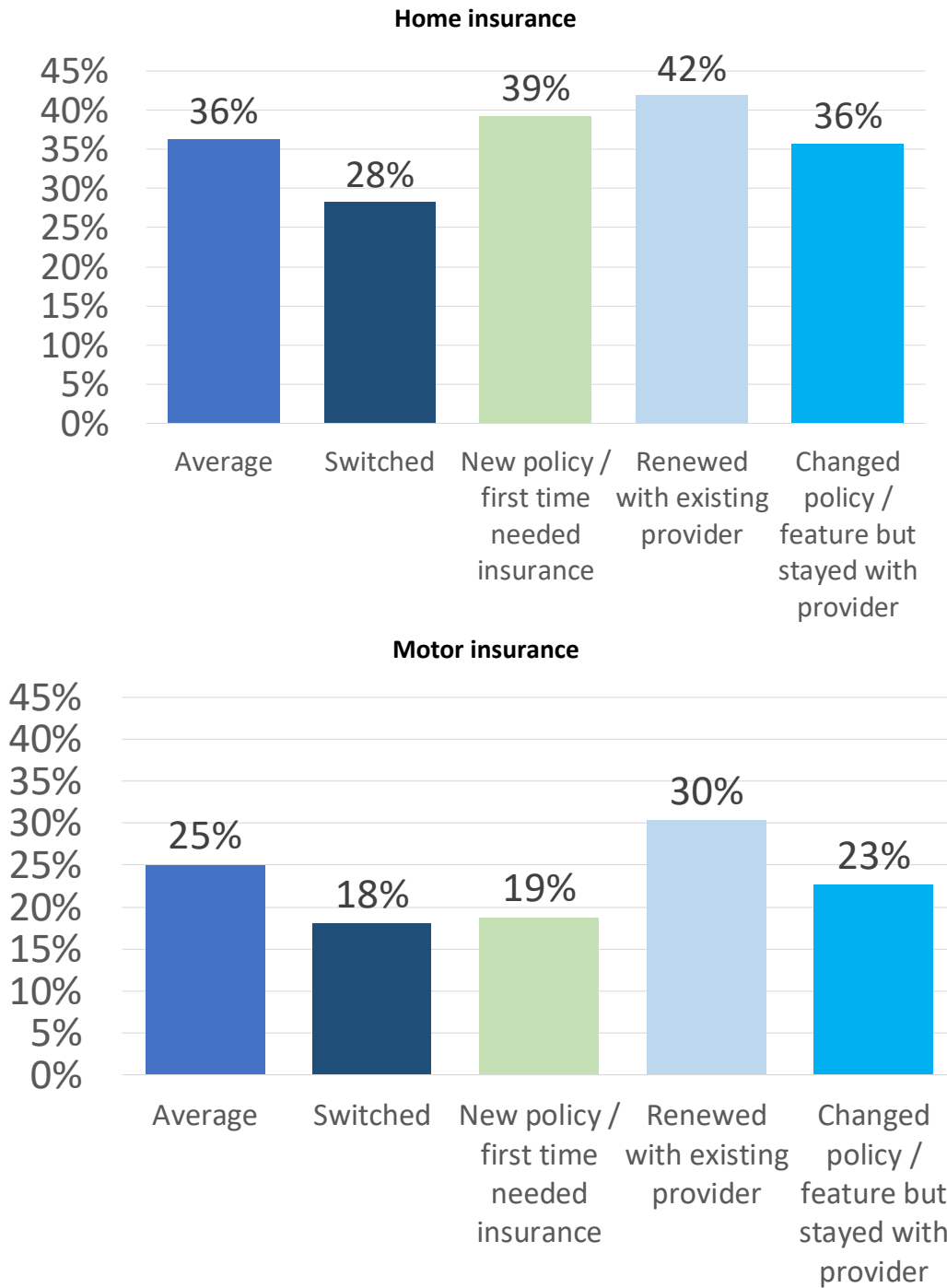
**Figure 34** Proportion of respondents who are willing to accept savings of at least 10 per cent of annual insurance price to carry out search costs— by switching or renewing activity



Note: Base: Number of respondents allocated to group valuing willingness to accept savings to conduct search effort (home insurance): 2,121; (motor insurance): 3,736. The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

Source: London Economics analysis of survey data

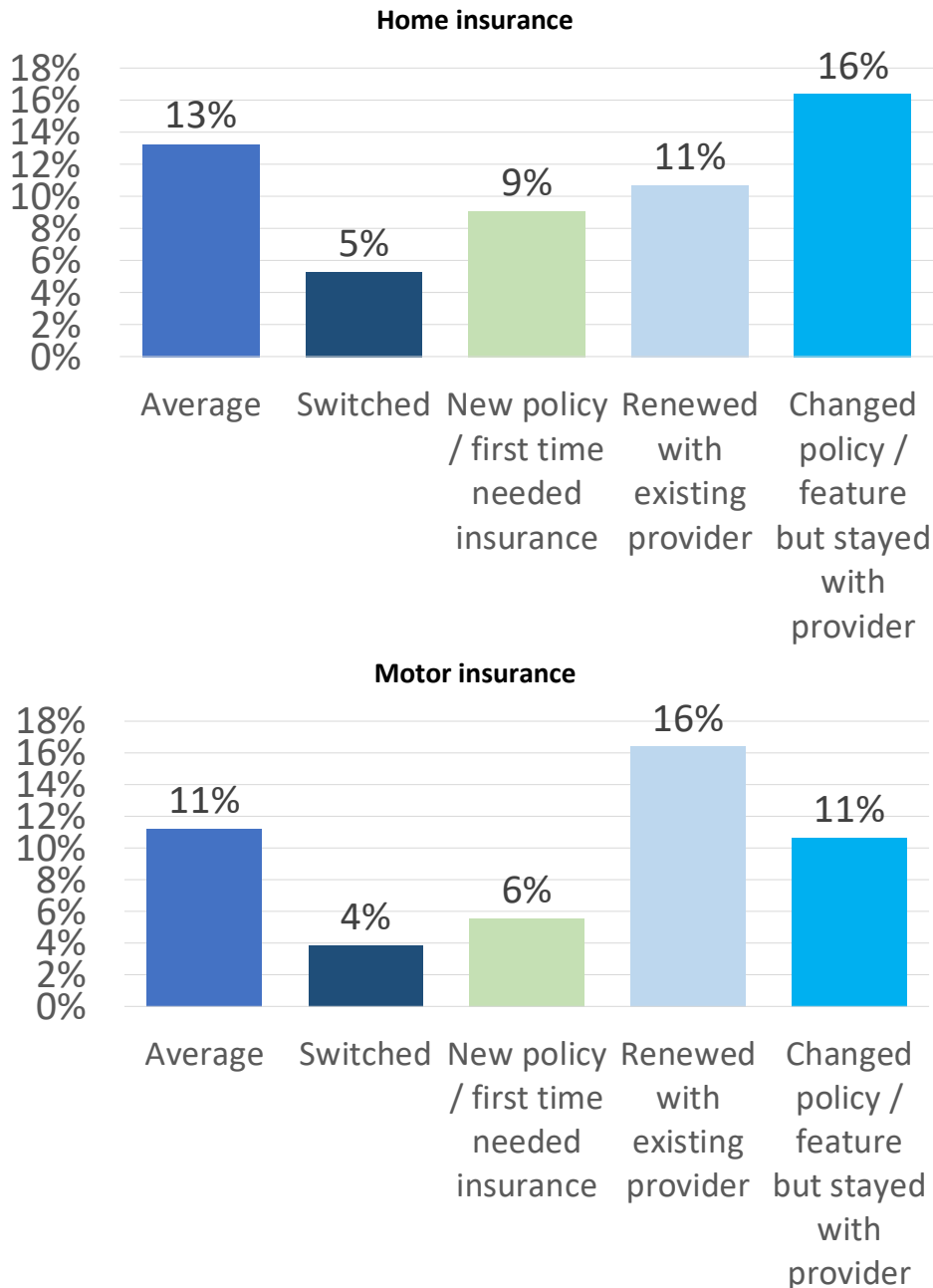
**Figure 35** Proportion of respondents who are willing to accept savings of at least 10 per cent of annual insurance price to carry out switching costs– by switching or renewing activity



Note: Base: Number of respondents allocated to group valuing willingness to accept savings to conduct switching effort (home insurance): 2,093; (motor insurance): 3,756. The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

Source: London Economics analysis of survey data

**Figure 36** Percentage of respondents who believed shopping around was not worth the effort, by switching or renewing activity



Note: Q9c. Thinking of your insurance policy, how good would you say your current deal is? Please select the option that best describes your opinion. Total numbers of respondents (home insurance): 4,214; (motor insurance): 7,493. Respondents who switched providers (home insurance): 1,456; (motor insurance): 2,624. Respondents who renewed their existing policy (home insurance): 2,268; (motor insurance): 4,070.

Source: London Economics analysis of survey data

Respondents were also asked how much they would be willing to pay for a service that would search for the best deal and carry out the switch on their behalf. On average, in both markets, respondents were willing to pay £10 per year for such a service. This is consistent with valuations of search/switching costs (specifically the 'negative' frame) and the finding that most respondents understand and expect that if they do not shop around, they are not guaranteed to be paying the most competitive price (Section 3).

**Table 14** Valuation of search and switch help– home and motor insurance markets

	Home	Motor
Average pound value	£10	£10
Average percentage of the level of insurance cover <sup>[1]</sup>	3.5%	2.8%

Averages do not include outliers, defined as observations which are smaller than  $Q1 - 1.5IR$  or larger than  $Q3 + 1.5IR$  where  $Q1$  and  $Q3$  are respectively the first and third quartile and  $IR$  is the interquartile range.

[1] The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

## 5 Consumers' maximum willingness to pay for insurance

### Box 9 Key findings – maximum willingness to pay for insurance

Respondents were willing to pay, on average, a maximum additional amount of 25% of their annual insurance price (home insurance) and 19% of annual insurance price for motor insurance respondents.

Approximately 50% of respondents in both markets (54% of home insurance respondents and 49% of motor insurance respondents) said that insurance at their present level of cover was essential: if prices rose more than their maximum willingness to pay, they would continue to buy insurance but try to make savings elsewhere.

40% of home insurance respondents, and 46% of motor insurance respondents, said they would try to make savings by changing the insurance type or reducing the level of cover.

Only a minority (6% of home insurance respondents and 5% of motor insurance respondents) said they would give up insurance, or in the case of motor insurance, give up operating their vehicle.

### Box 10 Vulnerable consumers – valuing maximum willingness to pay for insurance

The least financially resilient respondents had lower willingness to pay for insurance at their current level of coverage.

On average, home insurance respondents who could cover living costs without their main source of income for a week were willing to pay 17% extra over insurance price compared to 27% extra.

Similarly, the least financially resilient motor insurance respondents were willing to pay 3% extra over their insurance price compared to 21% extra for insurance at the same level of cover.

### Box 11 Key differences between home and motor insurance – valuing maximum willingness to pay for insurance

When respondents were asked what they would do if insurance prices rose above their maximum willingness to pay, motor insurance respondents were more likely than home insurance respondents to say they would try to make savings either by changing the insurance type, or give up insurance (which in the case of motor insurance respondents, meant they would need to stop operating their vehicle).

Respondents were asked their willingness to pay for continued access to insurance at the same level of coverage. The procedure to elicit respondents' valuation of continued access to cover was similar to the procedure to assess their valuation of search and switching costs:

- Respondents were asked two 'yes' or 'no' questions about whether they would be willing to pay a pre-determined amount for continued access to insurance cover. Respondents were asked to assume that no better deals were available by shopping around.
- Respondents also answered an open-answer question where they entered their maximum willingness to pay for continued access to insurance at the same level of cover.

On average, home insurance respondents were willing to pay at most 25% more for continued access to the same level of cover. Motor insurance respondents were willing to pay a maximum of approximately 19% of their annual insurance price more per year for the same level of cover.

**Table 15 Valuation of access to insurance – home and motor insurance markets**

	Home	Motor
Average pound value	£296	£380
Average percentage of the level of insurance cover <sup>[1]</sup>	125.1%	119.1%

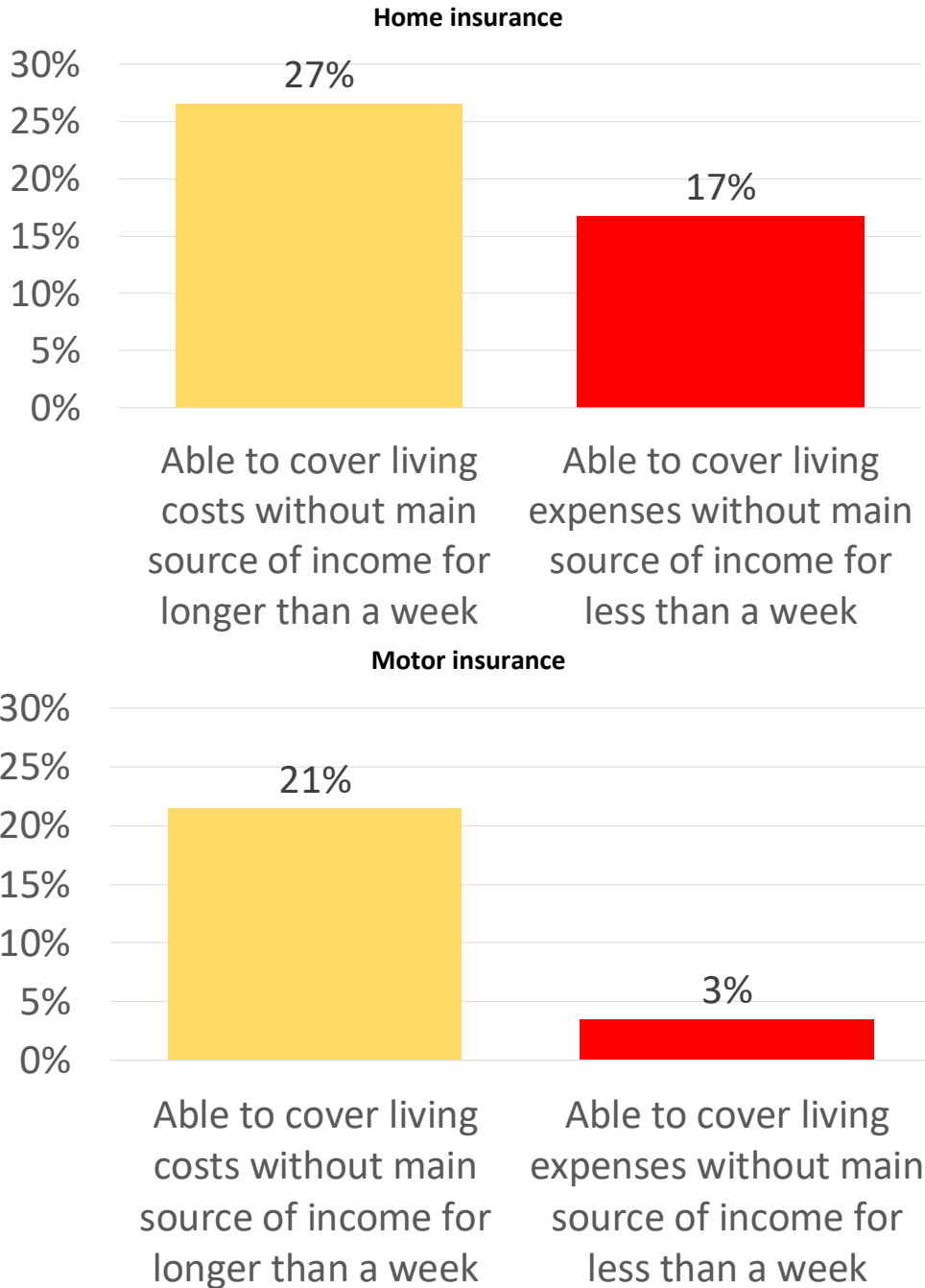
Averages do not include outliers, defined as observations which are smaller than  $Q1 - 1.5IR$  or larger than  $Q3 + 1.5IR$  where  $Q1$  and  $Q3$  are respectively the first and third quartile and  $IR$  is the interquartile range.

[1] The level of insurance cover for a respondent is taken as the middle point of the range of the premium covers reported in question S4. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average.

The least financially resilient respondents tended to have lower willingness to pay for continued access to insurance cover. For example, respondents in the home insurance market who could cover living expenses without the main source of income for less than a week were willing to pay a maximum of 17% extra for the same level of insurance cover, compared to 27% extra for those who could cover expenses for longer (Figure 37)<sup>26</sup>. Similarly, in the motor insurance market, the least financially resilient respondents were willing to pay 3% more for the same level of cover, compared to 21% that the remaining respondents were willing to pay.

<sup>26</sup> For more details on how the percentage is calculated, refer to the Technical Report.

**Figure 37 Respondents' maximum willingness to pay in addition to current premium (measured as a % of current premium)<sup>27</sup> for continued access to the same level of insurance – by financial resilience**



Note: Base: Number of respondents (home insurance): 2,974; (motor insurance): 4,994. Respondents who prefer not to disclose the level of insurance cover are not included in the calculation of the average percentage extra over insurance price that people are willing to pay.

Source: London Economics analysis of survey data

On average, approximately half of respondents in both markets (54% of respondents in the home insurance market and 49% of motor insurance respondents) reported insurance at their present

<sup>27</sup> For more details on how the percentage is calculated, see the Technical Report.



level of cover was essential: if prices rose above their maximum willingness to pay, they would continue to purchase insurance at the same level of cover, but make savings elsewhere (Table 16). 40% of home insurance respondents, and 46% of motor insurance respondents, said they would reduce cover or change the policy type.

**Table 16 Respondents' responses to increases in insurance price beyond their maximum willingness to pay**

	Home insurance	Motor insurance
Continue to buy the same level of cover since it's essential, but try and make savings elsewhere	54%	49%
Try to make savings by reducing the level of cover or change the policy type	40%	46%
Give up insurance/stop operating my vehicle	6%	5%
Number of observations	4,214	7,493

Note: Combining responses to the question: Thinking of your [policy], what would you be most likely to do if the price of your insurance rose to more than [maximum willingness to pay]? For home insurance, we combine responses indicating that they would either reduce the level of cover, buy only building insurance, buy only contents insurance. For motor insurance, we combine responses indicating respondents would either reduce cover or drop cover to third party, fire and theft.

*Source: London Economics analysis of survey data*

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## **ANNEXES**

# Annex 1    Supplementary results



Table 17 Whether consumers switch or stay with insurance providers – home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
Switched to a new provider	36%	37%	36%	33%	30%	39%	29%	27%	20%	29%	36%
New policy	14%	6%	5%	3%	3%	6%	5%	5%	8%	8%	4%
Renewed policy	44%	51%	52%	57%	62%	50%	59%	60%	66%	54%	53%
Changed policy but stayed with same provider	3%	4%	6%	6%	4%	5%	7%	6%	5%	7%	5%
Don't know	< 0.5%	2%	1%	1%	1%	1%	2%	2%	1%	2%	1%
N	485	759	1,131	1,262	577	2,627	993	463	131	761	2,626

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
Switched to a new provider	37%	34%	40%	33%	35%	34%	35%	35%	33%	34%	35%
New policy	5%	5%	4%	6%	7%	5%	6%	5%	5%	5%	5%
Renewed policy	49%	54%	50%	55%	51%	55%	50%	54%	56%	54%	54%
Changed policy but stayed with same provider	7%	5%	5%	6%	6%	5%	7%	6%	5%	56%	6%
Don't know	2%	1%	2%	1%	1%	1%	2%	1%	1%	1%	1%
N	260	3,877	98	3,151	1,018	3,038	68	4,095	541	3,492	4,214

Q4. When you took out your current insurance policy, which of the following best applies?

**Table 18** Whether consumers switch or stay with insurance providers – motor insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
Switched to a new provider	41%	37%	36%	31%	29%	39%	29%	27%	11%	32%	36%
New policy	4%	3%	4%	3%	2%	4%	4%	2%	5%	4%	4%
Renewed policy	46%	53%	53%	59%	63%	51%	59%	62%	76%	56%	53%
Changed policy but stayed with same provider	8%	7%	7%	7%	4%	6%	8%	7%	4%	6%	7%
Don't know	1%	1%	1%	1%	1%	1%	1%	2%	4%	2%	1%
N	1,187	1,547	2,048	1,968	740	4,960	1,670	769	94	1,006	5,118

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
Switched to a new provider	38%	35%	44%	35%	37%	35%	30%	35%	35%	35%	35%
New policy	5%	3%	7%	3%	4%	3%	8%	3%	3%	3%	3%
Renewed policy	48%	55%	42%	54%	52%	55%	50%	54%	54%	54%	54%
Changed policy but stayed with same provider	8%	6%	5%	7%	7%	6%	9%	6%	7%	6%	6%
Don't know	1%	1%	2%	1%	1%	1%	3%	1%	1%	1%	1%
N	411	6,931	194	5,130	1,714	5,422	155	7,217	747	6,338	7,493

Q4. When you took out your current insurance policy, which of the following best applies?

Table 19 How consumers search – home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
I compared with the price I paid last year	52%	50%	58%	60%	51%	60%	51%	47%	23%	42%	60%
I used price comparison websites to compare prices	49%	46%	46%	37%	27%	50%	31%	20%	0%	26%	48%
I used price comparison websites to compare cover and quality	48%	41%	40%	34%	25%	46%	27%	18%	5%	26%	41%
I looked at insurance firms' websites	20%	16%	18%	20%	14%	20%	17%	13%	0%	12%	21%
I examined on-line reviews, blogs, etc.	8%	8%	7%	7%	4%	8%	5%	7%	0%	4%	8%
I carried out other research	6%	7%	9%	12%	9%	7%	12%	13%	17%	7%	10%
I contacted my insurance firms and sought to negotiate a lower price	24%	20%	25%	27%	30%	24%	29%	23%	26%	18%	29%
I used a broker or intermediary	7%	3%	4%	3%	4%	2%	6%	7%	6%	5%	3%
I got a quote through a scheme	3%	3%	3%	2%	1%	2%	2%	3%	5%	2%	2%
I visited cash back websites	11%	8%	3%	3%	2%	6%	2%	1%	1%	2%	6%
I don't remember	4%	3%	2%	2%	5%	1%	3%	5%	14%	6%	1%

I switched without doing research	0%	< 0.5%	1%	1%	3%	1%	2%	2%	6%	3%	0%
I allowed it to automatically renew, without doing any research	9%	15%	10%	11%	14%	9%	14%	20%	29%	19%	9%
N	485	759	1,131	1,262	577	2,627	993	463	131	761	2,626

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
I compared with the price I paid last year	40%	57%	33%	56%	52%	57%	34%	56%	46%	57%	56%
I used price comparison websites to compare prices	34%	42%	29%	42%	42%	41%	29%	42%	34%	42%	41%
I used price comparison websites to compare cover and quality	27%	38%	27%	38%	37%	37%	30%	37%	31%	38%	37%
I looked at insurance firms' websites	13%	18%	12%	18%	18%	18%	15%	18%	13%	19%	18%
I examined on-line reviews, blogs, etc.	5%	7%	3%	7%	8%	6%	5%	7%	5%	7%	7%
I carried out other research	11%	9%	5%	9%	9%	9%	14%	9%	10%	9%	9%
I contacted my insurance firms and sought to negotiate a lower price	23%	25%	15%	26%	25%	25%	21%	25%	25%	25%	25%
I used a broker or intermediary	7%	4%	8%	4%	5%	4%	1%	4%	5%	4%	4%
I got a quote through a scheme	2%	2%	2%	2%	3%	2%	0%	2%	2%	2%	2%

I visited cash back websites	4%	5%	4%	5%	5%	5%	3%	5%	4%	5%	5%
I don't remember	2%	3%	2%	3%	2%	3%	2%	3%	4%	2%	3%
I switched without doing research	4%	1%	4%	1%	2%	1%	2%	1%	2%	1%	1%
I allowed it to automatically renew, without doing any research	20%	11%	23%	12%	14%	11%	25%	12%	17%	11%	12%
N	260	3,877	98	3,151	1,018	3,038	68	4,095	541	3,492	4,214

Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply.

Percentages in the table are the percentage of respondents within each demographic group that reported having done a particular activity.

**Table 20** How consumers search – motor insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
I compared with the price I paid last year	57%	55%	59%	63%	58%	60%	60%	49%	47%	47%	62%
I used price comparison websites to compare prices	62%	55%	52%	46%	37%	58%	43%	34%	7%	38%	54%
I used price comparison websites to compare cover and quality	53%	49%	43%	39%	32%	49%	39%	28%	3%	34%	47%
I looked at insurance firms' websites	20%	20%	21%	20%	18%	21%	20%	13%	5%	14%	22%
I examined on-line reviews, blogs, etc.	8%	6%	4%	5%	3%	5%	6%	3%	3%	4%	6%
I carried out other research	4%	5%	6%	7%	9%	5%	9%	7%	22%	5%	6%

I contacted my insurance firms and sought to negotiate a lower price	31%	29%	30%	32%	35%	28%	41%	26%	38%	22%	33%
I used a broker or intermediary	3%	2%	2%	2%	2%	1%	3%	3%	5%	2%	2%
I got a quote through a scheme	2%	2%	1%	1%	2%	1%	1%	2%	5%	1%	1%
I visited cash back websites	9%	5%	4%	2%	2%	6%	2%	1%	1%	2%	5%
I don't remember	1%	1%	1%	1%	2%	1%	1%	2%	6%	3%	1%
I switched without doing research	< 0.5%	< 0.5%	< 0.5%	1%	1%	< 0.5%	< 0.5%	< 0.5%	2%	1%	0%
I allowed it to automatically renew, without doing any research	6%	7%	9%	7%	11%	6%	8%	15%	30%	15%	6%
N	1,187	1,547	2,048	1,968	740	4,960	1,670	769	94	1,006	5,118

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
I compared with the price I paid last year	49%	60%	41%	62%	56%	60%	36%	60%	55%	60%	59%
I used price comparison websites to compare prices	49%	51%	44%	54%	52%	51%	45%	52%	47%	52%	51%
I used price comparison websites to compare cover and quality	39%	44%	44%	45%	44%	44%	38%	44%	41%	45%	44%
I looked at insurance firms' websites	23%	20%	14%	21%	22%	19%	11%	20%	23%	20%	20%
I examined on-line reviews, blogs, etc.	6%	5%	5%	5%	6%	5%	5%	5%	6%	5%	5%

I carried out other research	10%	6%	8%	6%	7%	6%	7%	6%	10%	6%	6%
I contacted my insurance firms and sought to negotiate a lower price	28%	31%	18%	31%	30%	31%	23%	31%	29%	31%	31%
I used a broker or intermediary	5%	2%	3%	2%	3%	2%	3%	2%	3%	2%	2%
I got a quote through a scheme	2%	1%	1%	1%	1%	1%	3%	1%	2%	1%	1%
I visited cash back websites	4%	4%	6%	5%	6%	4%	3%	4%	4%	4%	4%
I don't remember	2%	1%	2%	1%	1%	1%	5%	1%	1%	1%	1%
I switched without doing research	1%	< 0.5%	0%	< 0.5%	< 0.5%	< 0.5%	2%	< 0.5%	1%	< 0.5%	< 0.5%
I allowed it to automatically renew, without doing any research	10%	8%	13%	7%	8%	8%	17%	7%	8%	8%	8%
N	411	6,931	194	5,131	1,714	6,423	155	7,217	747	6,338	7,493

Q5. Which of the following did you do before choosing your insurance policy? Please select all that apply.

Percentages in the table are the percentage of respondents within each demographic group that reported having done a particular activity.

**Table 21** Whether respondents received a lower quote upon renegotiation – home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
Yes, same level of cover and excess	67%	60%	63%	61%	64%	60%	67%	65%	64%	61%	64%
Yes, higher excess or lower cover	5%	12%	8%	10%	7%	10%	8%	8%	10%	12%	10%

Yes, different payment method	1%	2%	1%	0%	1%	1%	1%	1%	0%	0%	1%
No	24%	27%	28%	28%	28%	29%	24%	26%	26%	27%	26%
N	119	149	285	339	172	638	284	108	34	138	751

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
Yes, same level of cover and excess	61%	63%	48%	62%	58%	65%	71%	62%	63%	63%	63%
Yes, higher excess or lower cover	7%	9%	12%	10%	9%	9%	7%	9%	11%	9%	9%
Yes, different payment method	2%	1%	10%	1%	1%	1%	0%	1%	1%	1%	1%
No	29%	27%	30%	27%	31%	26%	22%	28%	24%	28%	28%
N	59	982	15	805	249	767	15	1,038	135	880	1,063

Q7. You mentioned earlier that you contacted your insurance firm and sought to negotiate a lower price. Was the insurance provider able to offer you a lower quote upon negotiating?

**Table 22** Whether respondents received a lower quote upon renegotiation – motor insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
Yes, same level of cover and excess	61%	65%	64%	69%	64%	63%	69%	66%	74%	63%	66%
Yes, higher excess or lower cover	4%	4%	9%	8%	8%	6%	8%	8%	2%	7%	7%



Yes, different payment method	2%	< 0.5%	1%	1%	< 0.5%	1%	1%	1%	2%	< 0.5%	1%
No	34%	30%	26%	23%	28%	30%	24%	24%	22%	30%	27%
N	362	443	609	639	256	1,393	678	203	36	220	1,705

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
Yes, same level of cover and excess	54%	66%	43%	65%	60%	66%	55%	65%	60%	65%	65%
Yes, higher excess or lower cover	6%	7%	7%	7%	6%	7%	6%	7%	9%	7%	7%
Yes, different payment method	3%	1%	5%	1%	1%	1%	0%	1%	2%	1%	1%
No	38%	27%	46%	27%	32%	26%	39%	27%	29%	27%	27%
N	113	2,143	36	1,595	506	1,699	36	2,240	215	1,978	2,310

Q7. You mentioned earlier that you contacted your insurance firm and sought to negotiate a lower price. Was the insurance provider able to offer you a lower quote upon negotiating?

**Table 23** What prompts consumers to shop around – home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
They increased the price	45%	46%	46%	45%	45%	47%	44%	43%	33%	36%	49%
My insurance needs changed	12%	9%	6%	4%	4%	6%	7%	6%	9%	8%	6%
My insurance provider was taken over	1%	1%	1%	< 0.5%	1%	1%	1%	1%	0%	1%	1%
Poor claims experience	1%	1%	2%	1%	1%	1%	2%	4%	3%	2%	1%
I had not checked for some time	8%	10%	8%	9%	10%	8%	10%	16%	8%	12%	8%
I was made aware that better deals may be available	4%	4%	5%	6%	10%	4%	7%	15%	20%	7%	5%
I could not afford insurance at previous price	3%	4%	3%	3%	4%	2%	4%	7%	11%	5%	3%
I wanted to purchase additional insurance	3%	3%	2%	3%	1%	2%	4%	2%	2%	3%	2%
I was unhappy with customer service	3%	2%	3%	2%	3%	2%	2%	5%	5%	3%	2%
I was prompted by advertisement, etc.	3%	3%	3%	4%	4%	2%	4%	7%	8%	4%	3%
I shop around every year	47%	49%	48%	46%	37%	53%	25%	25%	24%	29%	52%
I wanted to see if I could get a cheaper price	56%	58%	55%	52%	49%	57%	45%	45%	42%	47%	57%

Other	6%	6%	7%	8%	16%	6%	14%	14%	29%	14%	7%
N	440	644	1,001	1,110	479	2,389	842	360	85	595	2,384

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
They increased the price	46%	45%	45%	47%	46%	45%	46%	45%	46%	45%	45%
My insurance needs changed	7%	6%	4%	7%	8%	6%	7%	6%	6%	6%	6%
My insurance provider was taken over	< 0.5%	1%	0%	1%	1%	1%	0%	1%	1%	1%	1%
Poor claims experience	3%	1%	1%	2%	2%	1%	1%	1%	2%	1%	1%
I had not checked for some time	7%	9%	4%	10%	9%	9%	14%	9%	9%	9%	9%
I was made aware that better deals may be available	7%	6%	10%	6%	6%	6%	7%	6%	8%	6%	5%
I could not afford insurance at previous price	7%	3%	10%	3%	4%	3%	9%	3%	5%	3%	3%
I wanted to purchase additional insurance	5%	2%	1%	3%	3%	2%	2%	2%	5%	2%	2%
I was unhappy with customer service	4%	2%	5%	2%	3%	2%	6%	2%	4%	2%	3%
I was prompted by advertisement, etc.	3%	3%	4%	4%	4%	3%	4%	3%	2%	3%	3%
I shop around every year	38%	46%	37%	46%	45%	46%	27%	46%	41%	46%	46%
I wanted to see if I could get a cheaper price	42%	55%	45%	55%	53%	54%	42%	54%	44%	56%	54%
Other	12%	8%	9%	9%	8%	9%	5%	8%	12%	8%	8%

N	199	3,406	71	2,735	859	2,672	50	3,580	434	3,074	3,676
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Q15. And still thinking about your policy what prompted you to shop around, research or contact your insurance provider. Please select all that apply.

Percentages in the table are the percentage of respondents within each demographic group that a prompt was experienced.

**Table 24** What prompts consumers to shop around – motor insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
They increased the price	49%	48%	48%	49%	54%	49%	50%	51%	49%	44%	50%
My insurance needs changed	10%	8%	7%	5%	4%	7%	8%	5%	10%	9%	7%
My insurance provider was taken over	< 0.5%	< 0.5%	< 0.5%	< 0.5%	< 0.5%	< 0.5%	< 0.5%	1%	1%	< 0.5%	< 0.5%
Poor claims experience	2%	2%	1%	1%	1%	1%	1%	2%	3%	2%	1%
I had not checked for some time	4%	4%	5%	6%	6%	4%	6%	8%	16%	8%	4%
I was made aware that better deals may be available	4%	4%	4%	6%	5%	3%	7%	8%	25%	8%	4%
I could not afford insurance at previous price	5%	3%	2%	3%	4%	3%	4%	6%	7%	5%	3%
I wanted to purchase additional insurance	2%	1%	2%	1%	1%	1%	2%	2%	5%	2%	2%
I was unhappy with customer service	3%	4%	2%	2%	4%	3%	4%	5%	8%	5%	3%
I was prompted by advertisement, etc.	2%	1%	2%	2%	2%	1%	3%	3%	15%	2%	2%
I shop around every year	56%	54%	54%	50%	46%	57%	48%	36%	27%	40%	56%

I wanted to see if I could get a cheaper price	67%	62%	62%	59%	56%	63%	60%	54%	52%	54%	62%
Other	3%	4%	5%	6%	8%	4%	7%	7%	14%	6%	5%
N	1,119	1,429	1,871	1,830	652	4,652	1,533	653	65	850	4,822

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
They increased the price	49%	49%	50%	50%	48%	50%	48%	49%	48%	49%	49%
My insurance needs changed	12%	7%	10%	8%	9%	6%	9%	7%	8%	7%	7%
My insurance provider was taken over	2%	< 0.5%	1%	< 0.5%	1%	< 0.5%	0%	< 0.5%	1%	< 0.5%	< 0.5%
Poor claims experience	4%	1%	2%	1%	2%	1%	4%	1%	2%	1%	1%
I had not checked for some time	6%	5%	2%	6%	5%	5%	7%	5%	7%	5%	5%
I was made aware that better deals may be available	7%	5%	4%	5%	6%	4%	5%	5%	7%	5%	5%
I could not afford insurance at previous price	8%	3%	13%	3%	5%	3%	7%	3%	6%	3%	3%
I wanted to purchase additional insurance	3%	1%	2%	2%	2%	1%	2%	1%	2%	1%	2%
I was unhappy with customer service	8%	3%	6%	3%	4%	3%	6%	3%	4%	3%	3%
I was prompted by advertisement, etc.	5%	2%	4%	2%	3%	2%	4%	2%	3%	2%	2%
I shop around every year	48%	53%	44%	54%	52%	53%	50%	53%	49%	53%	53%

I wanted to see if I could get a cheaper price	585	62%	60%	62%	61%	61%	51%	62%	58%	625	61%
Other	8%	5%	3%	5%	5%	5%	7%	5%	7%	5%	5%
N	367	6,395	169	4,739	1,573	5,003	127	6,669	680	5,851	6,901

Q15. And still thinking about your policy what prompted you to shop around, research or contact your insurance provider. Please select all that apply.

Percentages in the table are the percentage of respondents within each demographic group that a prompt was experienced.

**Table 25** Reasons to stay– home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
They were able to reduce the price	26%	18%	21%	21%	20%	21%	25%	14%	9%	13%	25%
I thought I was getting a good deal	27%	28%	32%	34%	26%	33%	27%	25%	24%	25%	32%
I like the company/brand	18%	21%	20%	24%	27%	21%	25%	19%	31%	19%	24%
I was unable to get a lower price elsewhere	12%	9%	7%	9%	6%	10%	7%	6%	3%	5%	9%
I was able to get a lower price elsewhere, but my current provider offered better value	9%	10%	12%	13%	12%	14%	11%	6%	3%	6%	14%
I was not sure how to switch providers	1%	< 0.5%	< 0.5%	< 0.5%	< 0.5%	< 0.5%	1%	1%	0%	1%	< 0.5%
I was concerned about switching to a brand I did not know	7%	5%	6%	7%	5%	6%	7%	7%	3%	5%	6%

The switching process was difficult and frustrating	4%	2%	3%	3%	3%	1%	2%	7%	11%	5%	2%
There were better deals elsewhere, but the gains were too small to worry about	18%	20%	23%	21%	21%	27%	15%	11%	4%	12%	26%
I did not have the time to look elsewhere	13%	20%	11%	8%	3%	10%	11%	13%	7%	16%	8%
I trust my current provider to treat me fairly if I need to make a claim	17%	21%	25%	27%	29%	25%	26%	26%	18%	18%	28%
I have had a good experience with my current brand	20%	26%	25%	29%	34%	27%	28%	28%	40%	21%	29%
I have been a customer with my provider for a number of years	17%	22%	23%	26%	31%	23%	31%	31%	21%	26%	25%
Other	15%	9%	12%	13%	18%	9%	21%	21%	36%	16%	12%
N	241	422	661	795	381	1,454	648	305	93	464	1,534

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
They were able to reduce the price	18%	21%	19%	20%	21%	21%	25%	21%	18%	21%	21%
I thought I was getting a good deal	24%	31%	23%	30%	28%	31%	26%	30%	27%	31%	30%
I like the company/brand	25%	22%	21%	23%	20%	23%	19%	22%	22%	22%	22%

I was unable to get a lower price elsewhere	6%	95	9%	8%	6%	9%	5%	8%	7%	9%	8%
I was able to get a lower price elsewhere, but my current provider offered better value	6%	12%	3%	12%	10%	12%	12%	12%	9%	12%	12%
I was not sure how to switch providers	2%	< 0.5%	5%	< 0.5%	1%	< 0.5%	7%	< 0.5%	1%	< 0.5%	< 0.5%
I was concerned about switching to a brand I did not know	7%	6%	3%	6%	6%	6%	13%	6%	6%	6%	6%
The switching process was difficult and frustrating	5%	2%	2%	3%	3%	3%	5%	3%	5%	2%	3%
There were better deals elsewhere, but the gains were too small to worry about	13%	22%	7%	21%	20%	22%	15%	21%	14%	22%	21%
I did not have the time to look elsewhere	13%	10%	17%	11%	11%	10%	20%	10%	10%	10%	10%
I trust my current provider to treat me fairly if I need to make a claim	21%	25%	10%	25%	24%	25%	21%	25%	23%	25%	25%
I have had a good experience with my current brand	24%	27%	23%	28%	27%	27%	21%	28%	26%	27%	27%
I have been a customer with my provider for a number of years	28%	24%	25%	24%	23%	25%	28%	24%	30%	23%	25%
Other	17%	13%	18%	14%	15%	13%	3%	13%	20%	12%	13%
N	146	2,317	53	1,896	583	1,828	38	2,433	333	2,084	2,500

Q16. Why did you choose to remain with your existing provider? Please select all that apply



Percentages in the table are the percentage of respondents within each demographic group that provided a given answer.

Table 26 Reasons to stay– motor insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
They were able to reduce the price	36%	31%	32%	32%	28%	30%	38%	31%	23%	21%	34%
I thought I was getting a good deal	27%	27%	32%	32%	26%	30%	30%	29%	38%	27%	31%
I like the company/brand	13%	15%	20%	22%	25%	18%	22%	16%	31%	11%	21%
I was unable to get a lower price elsewhere	20%	13%	11%	11%	17%	15%	11%	10%	9%	13%	14%
I was able to get a lower price elsewhere, but my current provider offered better value	11%	12%	12%	14%	10%	13%	13%	8%	4%	8%	14%
I was not sure how to switch providers	< 0.5%	< 0.5%	< 0.5%	1%	< 0.5%	< 0.5%	1%	2%	3%	1%	< 0.5%
I was concerned about switching to a brand I did not know	6%	5%	7%	7%	8%	6%	8%	7%	3%	8%	6%
The switching process was difficult and frustrating	4%	3%	2%	1%	2%	2%	3%	6%	3%	6%	2%
There were better deals elsewhere, but the gains were too small to worry about	22%	23%	25%	25%	23%	27%	22%	15%	5%	15%	27%
I did not have the time to look elsewhere	11%	12%	8%	5%	6%	8%	8%	11%	5%	16%	7%

I trust my current provider to treat me fairly if I need to make a claim	17%	19%	26%	30%	31%	24%	29%	24%	17%	18%	27%
I have had a good experience with my current brand	24%	24%	30%	32%	29%	29%	30%	24%	29%	21%	30%
I have been a customer with my provider for a number of years	16%	19%	26%	29%	33%	22%	29%	28%	32%	25%	24%
Other	7%	7%	6%	7%	9%	6%	7%	10%	23%	9%	6%
N	636	919	1,208	1,291	496	2,828	1,117	530	76	619	3,078

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability		Overall
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	
They were able to reduce the price	26%	32%	33%	32%	30%	32%	26%	32%	29%	32%	32%
I thought I was getting a good deal	28%	30%	24%	32%	32%	30%	16%	30%	30%	30%	30%
I like the company/brand	17%	19%	15%	20%	19%	19%	9%	19%	20%	19%	19%
I was unable to get a lower price elsewhere	14%	13%	11%	14%	14%	13%	13%	13%	13%	13%	13%
I was able to get a lower price elsewhere, but my current provider offered better value	9%	12%	8%	12%	11%	13%	7%	12%	12%	13%	12%
I was not sure how to switch providers	1%	< 0.5%	0%	1%	1%	< 0.5%	0%	1%	1%	< 0.5%	1%

I was concerned about switching to a brand I did not know	8%	6%	2%	7%	7%	6%	9%	6%	6%	7%	6%
The switching process was difficult and frustrating	8%	2%	9%	2%	4%	2%	6%	2%	4%	2%	2%
There were better deals elsewhere, but the gains were too small to worry about	17%	24%	10%	25%	22%	24%	15%	24%	23%	24%	24%
I did not have the time to look elsewhere	13%	8%	11%	9%	11%	8%	21%	8%	7%	9%	8%
I trust my current provider to treat me fairly if I need to make a claim	18%	25%	8%	26%	25%	25%	16%	25%	23%	25%	25%
I have had a good experience with my current brand	21%	29%	14%	29%	28%	29%	15%	29%	27%	29%	28%
I have been a customer with my provider for a number of years	24%	25%	24%	25%	25%	25%	21%	25%	26%	25%	25%
Other	10%	6%	9%	7%	7%	7%	9%	7%	8%	7%	7%
N	228	4,236	92	3,129	1,008	3,329	92	4,384	456	3,845	4,550

Q16. Why did you choose to remain with your existing provider? Please select all that apply

Percentages in the table are the percentage of respondents within each demographic group that provided a given answer.

**Table 27** Understanding of the market – home insurance

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
An insurance company will generally offer me the same quote if we are equally likely to make a claim.	27%	25%	23%	26%	28%	23%	28%	28%	50%	28%	25%
Typically, first time customers receive a lower price	89%	89%	92%	90%	83%	92%	89%	81%	66%	84%	92%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	10%	11%	11%	12%	21%	8%	14%	21%	50%	15%	11%
If prices rise, I assume that this is because there has been an increase in insurance costs.	32%	32%	32%	34%	48%	28%	43%	45%	78%	42%	32%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	80%	82%	83%	84%	78%	85%	80%	69%	76%	73%	86%

It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	22%	23%	19%	20%	25%	19%	21%	28%	36%	25%	19%
N	485	759	1,130	1,262	577	2,627	993	463	131	761	2,626

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
An insurance company will generally offer me the same quote if we are equally likely to make a claim.	27%	26%	26%	28%	25%	26%	26%	26%	27%	26%
Typically, first time customers receive a lower price	86%	90%	85%	90%	90%	89%	91%	89%	84%	90%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	18%	12%	34%	12%	14%	12%	12%	12%	16%	12%
If prices rise, I assume that this is because there has been an increase in insurance costs.	38%	35%	43%	35%	33%	36%	52%	35%	41%	34%
If I don't search regularly, the price I pay for insurance	81%	82%	74%	85%	82%	83%	71%	82%	78%	83%

will become less competitive over time.										
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	33%	21%	34%	21%	24%	20%	40%	21%	27%	20%
N	260	3,877	98	3,151	1,018	3,038	68	4,095	541	3,492

	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
An insurance company will generally offer me the same quote if we are equally likely to make a claim.	23%	29%	27%	25%	2%	26%
Typically, first time customers receive a lower price	92%	79%	89%	88%	79%	89%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	11%	11%	14%	12%	12%	12%
If prices rise, I assume that this is because there has been an increase in insurance costs.	26%	41%	40%	40%	25%	35%

If I don't search regularly, the price I pay for insurance will become less competitive over time.	85%	74%	81%	82%	83%	82%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	25%	23%	18%	22%	24%	21%
N	1,455	215	2,268	232	43	4,214

Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true. Percentages calculated including respondents reporting "Don't know"

**Table 28 Understanding of the market – motor insurance**

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
An insurance company will generally offer me the same quote if we are equally likely to make a claim.	22%	20%	22%	20%	22%	2%	22%	22%	47%	22%	21%
Typically, first time customers receive a lower price	79%	85%	88%	86%	83%	86%	84%	80%	66%	78%	87%



If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	9%	8%	9%	11%	15%	8%	11%	14%	52%	13%	9%
If prices rise, I assume that this is because there has been an increase in insurance costs.	26%	29%	30%	35%	35%	27%	37%	40%	63%	34%	30%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	75%	77%	81%	82%	79%	82%	77%	69%	69%	72%	82%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	29%	22%	19%	19%	22%	21%	21%	25%	37%	23%	21%
N	1,187	1,547	2,048	1,968	740	4,960	1,670	769	94	1,006	5,118

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
An insurance company will generally offer me the same quote if we are equally likely to make a claim.	22%	21%	21%	23%	21%	22%	25%	21%	23%	21%

Typically, first time customers receive a lower price	77%	86%	72%	87%	84%	86%	77%	85%	82%	86%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	13%	10%	12%	10%	12%	9%	10%	10%	15%	9%
If prices rise, I assume that this is because there has been an increase in insurance costs.	37%	31%	41%	31%	32%	31%	35%	31%	40%	31%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	68%	80%	57%	82%	77%	81%	64%	80%	74%	81%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	27%	21%	28%	21%	25%	20%	24%	21%	26%	21%
N	411	6,931	194	5,131	1,714	5,423	155	7,217	747	6,338

	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
An insurance company will generally offer me the same quote if we	17%	26%	23%	25%	21%	21%

are equally likely to make a claim.						
Typically, first time customers receive a lower price	88%	78%	84%	86%	69%	85%
If you succeed in finding the cheapest price, it will remain the cheapest price for 2 – 3 years, if you stay with that same insurance provider.	8%	11%	11%	8%	27%	10%
If prices rise, I assume that this is because there has been an increase in insurance costs.	25%	35%	35%	33%	31%	31%
If I don't search regularly, the price I pay for insurance will become less competitive over time.	81%	80%	78%	8%	63%	79%
It is not possible to receive a more competitive price through directly negotiating with your insurance provider.	29%	25%	17%	15%	26%	21%
N	2,623	251	4,070	480	67	7,493

Q12. Do you believe the following statements are true or false?

Percentages in the table are the percentage of respondents within each demographic group that believe a statement is true. Percentages calculated including respondents reporting “Don’t know”

**Table 29 Respondents who objected to the principle of trading off savings against searching/switching – home insurance**

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
I shouldn't have to pay more to avoid searching/switching	25%	24%	24%	24%	20%	24%	25%	19%	17%	21%	23%
I shouldn't have to search/switch in order to save money	11%	13%	15%	15%	17%	12%	16%	24%	18%	16%	13%
Either of the above	36%	36%	38%	39%	37%	36%	41%	43%	35%	37%	36%
N	485	759	1,131	1,261	577	2,627	993	463	131	761	2,626

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
I shouldn't have to pay more to avoid searching/switching	23%	23%	25%	22%	22%	23%	24%	23%	23%	23%
I shouldn't have to search/switch in order to save money	18%	14%	12%	14%	16%	14%	22%	14%	15%	14%
Either of the above	41%	37%	37%	36%	39%	37%	46%	37%	39%	37%
N	260	3,877	98	3,151	1,018	3,308	68	4,095	541	3,492

	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
I shouldn't have to pay more to avoid searching/switching	24%	21%	24%	22%	17%	23%

I shouldn't have to search/switch in order to save money	13%	14%	15%	15%	16%	14%
Either of the above	37%	35%	38%	37%	34%	38%
N	1,456	215	2,268	232	43	4,214

cv\_val1. Thinking about the questions you just answered about how much you value time and effort spent searching for and switching insurance, why did you give the answers that you did? Please tick the reason that applies most.

Percentages in the table are the percentage of respondents within each demographic group providing a given response.

**Table 30 Respondents who objected to the principle of trading off savings against searching/switching – motor insurance**

	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
I shouldn't have to pay more to avoid searching/switching	24%	25%	27%	23%	20%	25%	24%	21%	14%	22%	25%
I shouldn't have to search/switch in order to save money	13%	16%	16%	16%	15%	14%	18%	20%	20%	19%	15%
Either of the above	37%	41%	42%	38%	35%	39%	42%	41%	34%	41%	40%
N	1,187	1,547	2,048	1,968	740	4,960	1,670	769	94	1,006	5,118

	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
I shouldn't have to pay more to avoid searching/switching	25%	24%	26%	24%	26%	24%	27%	24%	21%	25%

I shouldn't have to search/switch in order to save money	15%	15%	17%	14%	15%	15%	17%	15%	18%	15%
Either of the above	40%	39%	44%	38%	41%	39%	44%	39%	39%	40%
N	411	6,931	194	5,131	1,714	5,422	155	7,217	747	6,338

	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
I shouldn't have to pay more to avoid searching/switching	26%	23%	23%	27%	25%	24%
I shouldn't have to search/switch in order to save money	15%	15%	16%	14%	5%	15%
Either of the above	42%	38%	39%	41%	30%	40%
N	2,623	251	4,070	480	67	7,492

cv\_val1. Thinking about the questions you just answered about how much you value time and effort spent searching for and switching insurance, why did you give the answers that you did? Please tick the reason that applies most.

Percentages in the table are the percentage of respondents within each demographic group providing a given response.

**Table 31 Attitude to fairness – home insurance**

Statement	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
A	82%	81%	82%	80%	73%	83%	78%	71%	53%	73%	82%
B	43%	43%	44%	44%	49%	44%	45%	40%	56%	46%	44%
C	38%	37%	41%	39%	48%	41%	40%	37%	49%	38%	41%
D	6%	8%	10%	9%	9%	9%	8%	8%	14%	6%	10%
E	9%	7%	10%	6%	7%	8%	7%	8%	14%	9%	7%
F	26%	28%	29%	30%	36%	32%	25%	29%	34%	23%	31%

Statement	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
A	78%	80%	80%	81%	80%	80%	83%	80%	74%	81%
B	46%	45%	31%	46%	47%	45%	37%	45%	48%	44%
C	36%	41%	34%	42%	39%	41%	36%	41%	40%	41%
D	14%	8%	12%	9%	10%	9%	6%	9%	10%	8%
E	12%	8%	12%	8%	10%	7%	7%	8%	9%	8%
F	27%	30%	47%	30%	31%	30%	9%	30%	30%	29%

Statement	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
A	82%	80%	79%	81%	77%	80%
B	43%	45%	45%	45%	43%	45%
C	38%	45%	42%	39%	30%	40%
D	10%	14%	8%	6%	9%	9%
E	8%	11%	8%	7%	5%	8%
F	31%	32%	30%	21%	10%	30%

Q19. Do you think that the following are fair or unfair?

Percentages in the table are the percentage of respondents within each demographic group believe a statement is fair. Percentages calculated including respondents report “Don't know”

Statement A: Alex gets her insurance renewal letter. She shops around using a price comparison website and gets an offer from a different insurance provider and saves £75.

Statement B: Sam is too busy with an exciting new job to pay much attention to the renewal letter for his insurance, and he renews automatically. Had he had more time, he could've switched to a different provider and saved £75.

Statement C: Sarah gets her policy insurance renewal letter. She did not shop around because she had more important things on her mind after having a new baby. Had she had more time and energy she could've switched to a different provider and saved £75

Statement D: Mr Smith has been with the same insurance firm for 5 years and pays £500 for his buildings insurance. Mr Jones, whose house is identical, asks Mr Smith's insurance provider for a quotation, and is quoted £300 for the same policy.

Statement E: Anna and Beth are neighbours and have a lot in common. They live in identical houses, have never made a home insurance claim, and have both been insured by the same firm for the same length of time. Anna books her annual cruise with her credit card, which she also uses for her subscription to a premium wine club. Her home insurance renewal cost £100 more than Beth's.

Statement F: Anna and Beth are neighbours and have a lot in common. They live in identical houses, have never made a home insurance claim, and have both been insured by the same firm for the same length of time. Anna has just switched both her energy supplier and internet provider. Her motor insurance renewal cost £200 less than Beth's.

Table 32 Attitude to fairness – motor insurance

Statement	Age					Comfort buying financial products online				Knowledge of insurance products	
	18-44	45-54	55-64	65-74	75+	Very comfortable	Comfortable, but prefer other channels	Not comfortable	No access	Not knowledgeable	Knowledgeable
A	86%	83%	81%	83%	83%	84%	83%	77%	72%	80%	84%
B	44%	42%	45%	46%	51%	45%	46%	43%	62%	44%	46%
C	39%	41%	40%	42%	46%	42%	40%	38%	55%	38%	43%
D	41%	40%	37%	39%	36%	40%	38%	30%	39%	35%	40%
E	5%	5%	7%	5%	6%	6%	5%	5%	16%	6%	6%
F	21%	20%	25%	29%	31%	26%	23%	22%	32%	22%	26%

Statement	Vulnerability on at least 2 dimensions		Vulnerability - low financial resilience		Vulnerability – life events		Vulnerability - low confidence managing money		Vulnerability – ill health or disability	
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
A	77%	84%	79%	84%	82%	84%	82%	83%	83%	84%
B	48%	45%	41%	47%	47%	45%	37%	45%	48%	45%
C	41%	41%	41%	42%	42%	41%	31%	41%	42%	42%
D	34%	39%	29%	42%	38%	39%	38%	39%	37%	39%
E	7%	5%	7%	6%	6%	5%	9%	5%	4%	6%
F	20%	25%	20%	25%	25%	25%	21%	25%	24%	25%

Statement	Switch and stay behaviour					Overall
	Switch	New policy	Renewed	Changed	Don't know	
A	84%	83%	82%	84%	74%	83%
B	44%	48%	46%	47%	33%	45%
C	39%	38%	43%	42%	32%	41%
D	35%	43%	40%	44%	21%	39%
E	5%	8%	6%	4%	2%	6%
F	24%	27%	25%	27%	20%	25%

Q19. Do you think that the following are fair or unfair?



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Percentages in the table are the percentage of respondents within each demographic group believe a statement is fair. Percentages calculated including respondents report “Don’t know”

Statement A: Alex gets her insurance renewal letter. She shops around using a price comparison website and gets an offer from a different insurance provider and saves £75.

Statement B: Sam is too busy with an exciting new job to pay much attention to the renewal letter for his insurance, and he renews automatically. Had he had more time, he could've switched to a different provider and saved £75.

Statement C: Sarah gets her policy insurance renewal letter. She did not shop around because she had more important things on her mind after having a new baby. Had she had more time and energy she could've switched to a different provider and saved £75

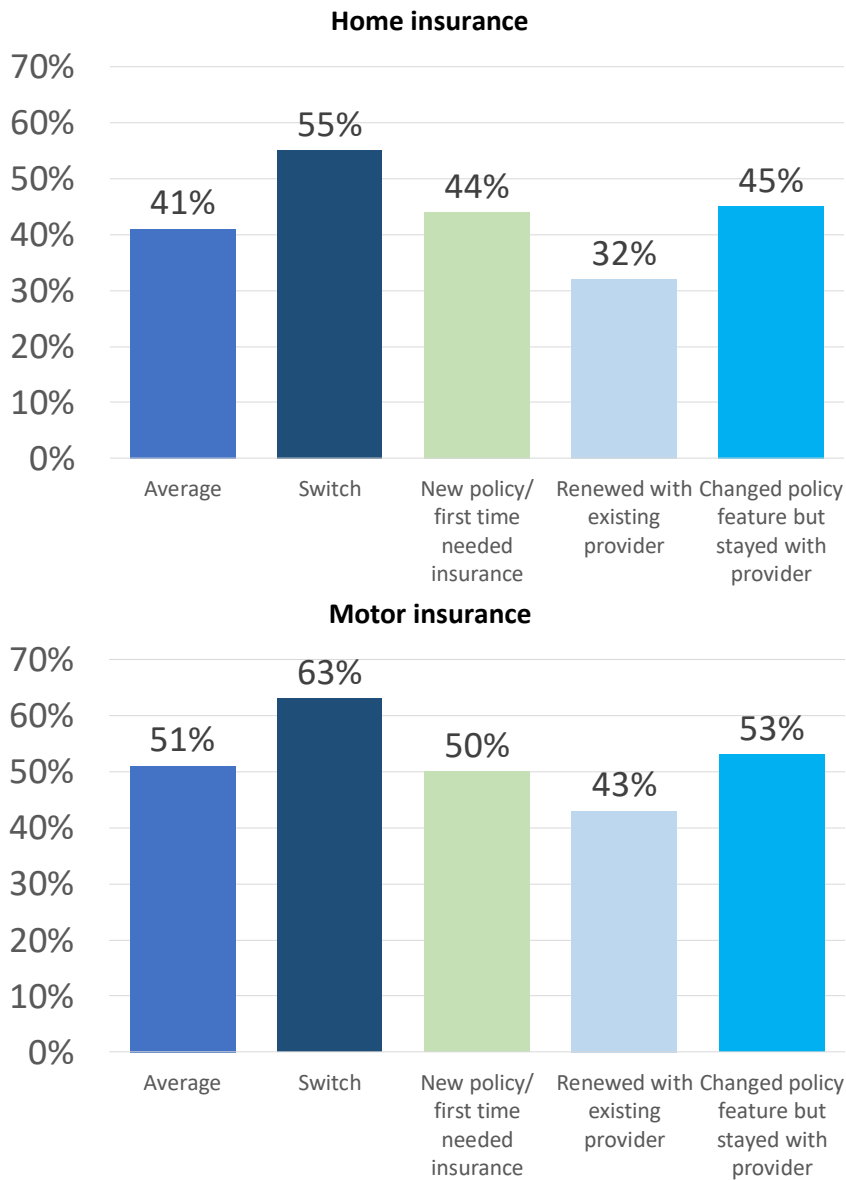
Statement D: Tom is 18 and has just taken out his first motor insurance policy. He is quoted a price of £1,500, which he cannot afford. However, the insurance company thinks it will cost them £2,000 to provide Tom with insurance in the first year, and so they expect to make a loss initially.

Statement E: Anna and Beth are neighbours and have a lot in common. They drive identical cars, have identical driving records, and have been insured by the same firm for the same length of time. Anna books her annual cruise with her credit card, which she also uses for her subscription to a premium wine club. Her motor insurance renewal cost £200 more than Beth's.

Statement F: Anna and Beth are neighbours and have a lot in common. They drive identical cars, have identical driving records, and have been insured by the same firm for the same length of time. Anna has just switched both her energy supplier and internet provider. Her motor insurance renewal was for £200 less than Beth's.

PCWs were used to compare prices both by respondents who switched insurance providers, and by those who renewed policies with the same provider. However, individuals who switched were also more likely to use PCWs to compare prices or to compare service quality or cover, compared to those who renewed their policies. For example, 55% of home insurance consumers who switched providers used PCWs to compare prices, compared to 32% of home insurance consumers who renewed their policies (Figure 38). 63% of motor insurance respondents who switched providers used PCWs to compare prices compared to 43% of those who renewed.

**Figure 38** Proportion of respondents who used PCWs to compare prices, by switching or renewing behaviour

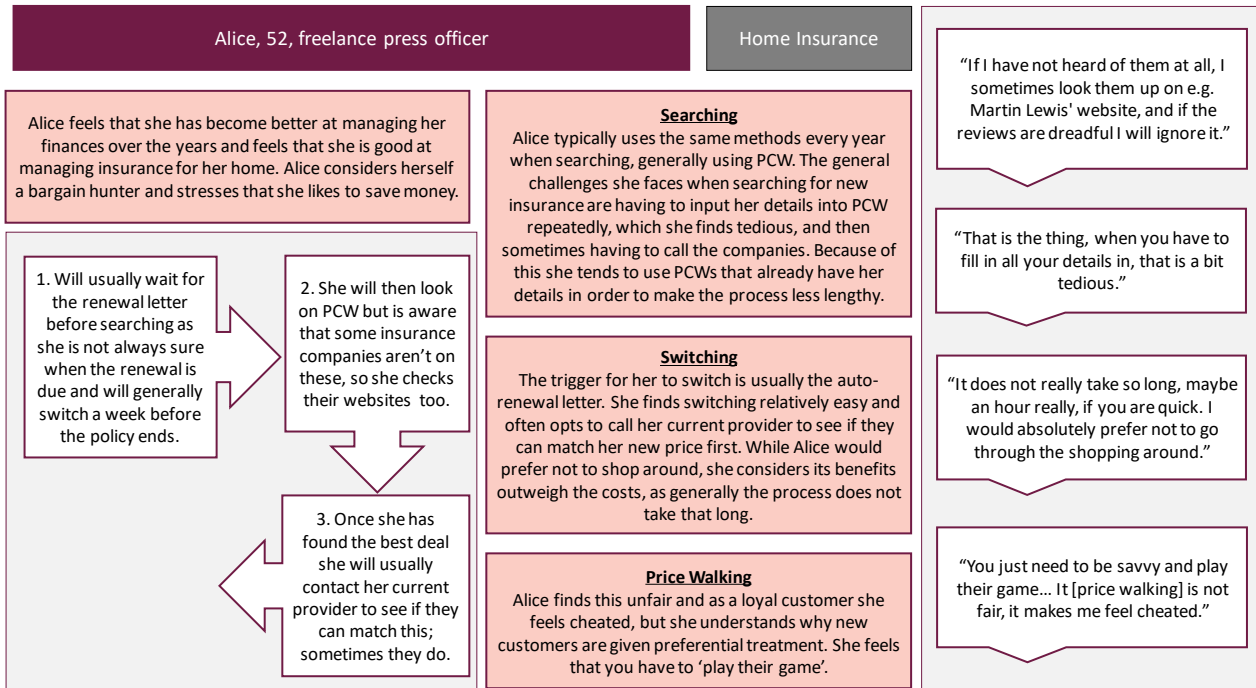


Note: Which of the following did you do before [choosing/switching/renewing] your insurance policy? Please select all that apply. Base: 4,214 home insurance respondents. 7,493 motor insurance respondents. Respondents who switched providers (home insurance): 1,456; (motor insurance): 2,624. Respondents who renewed their existing policy (home insurance): 2,268; (motor insurance): 4,070.

Source: London Economics analysis of survey data

## Annex 2 Case studies from follow-up depth interviews

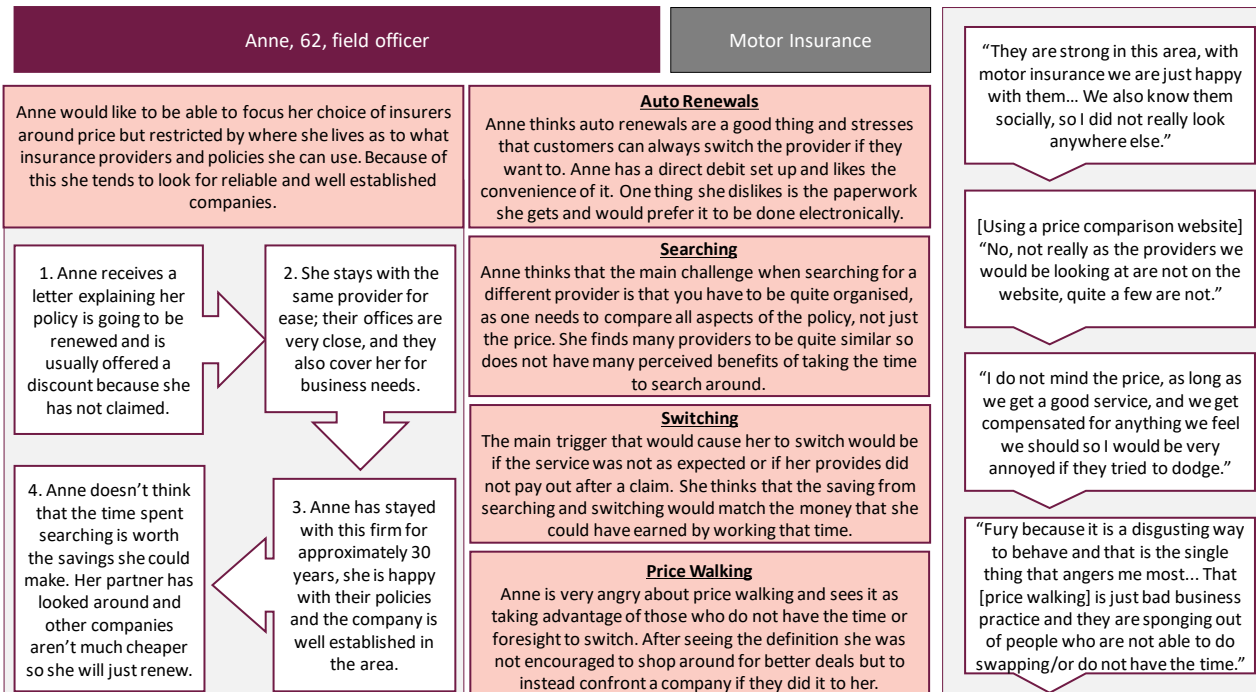
Figure 39 Alice, 52, freelance press officer



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

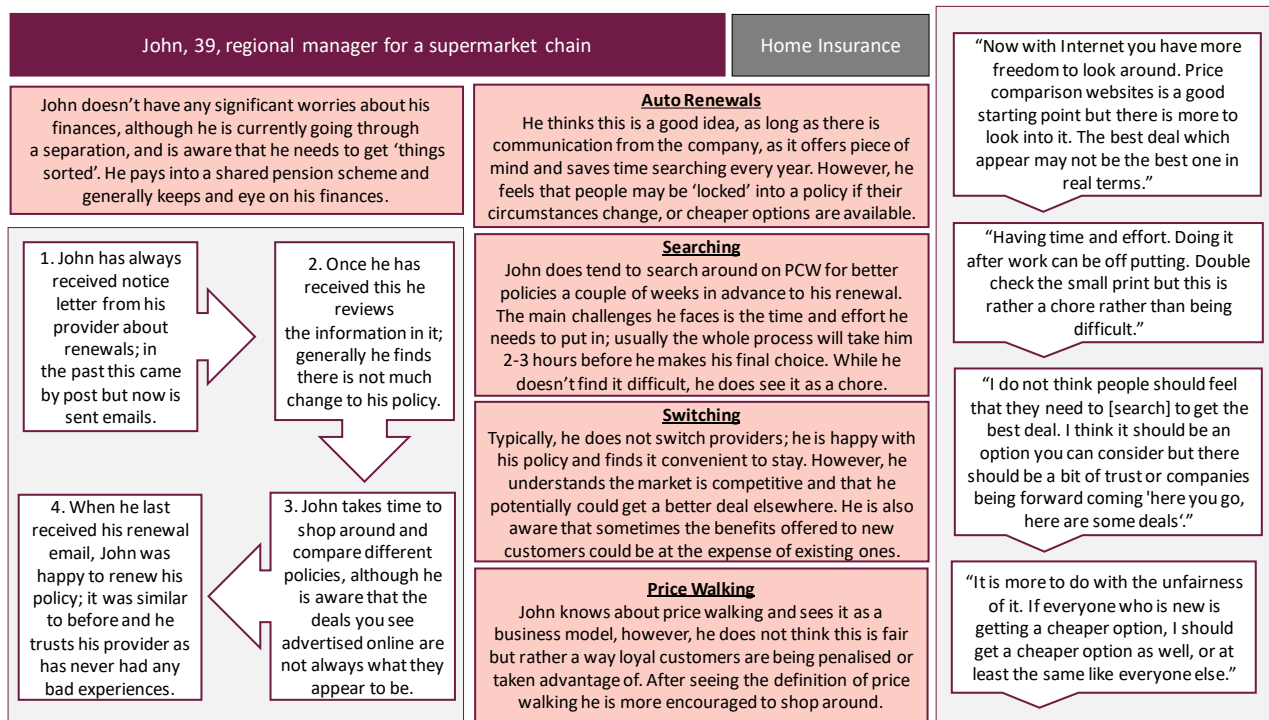
Figure 40 Anne, 62, field officer



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

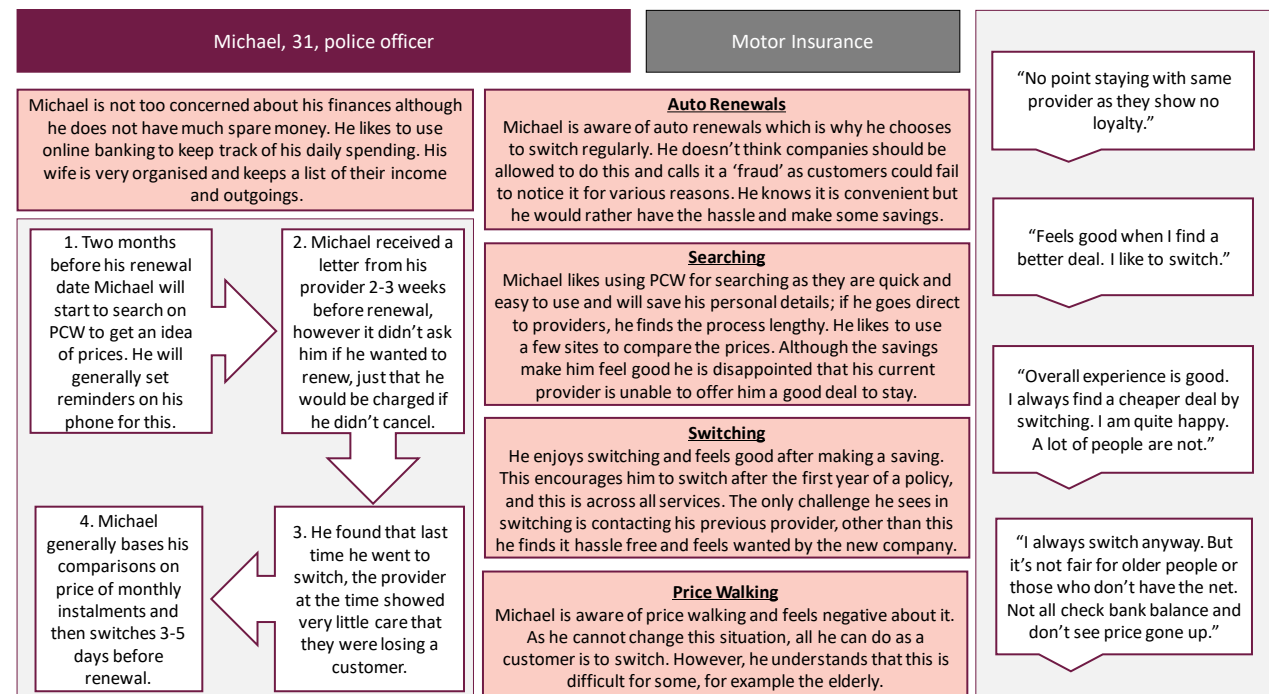
Figure 41 John, 39, regional manager for a food chain



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

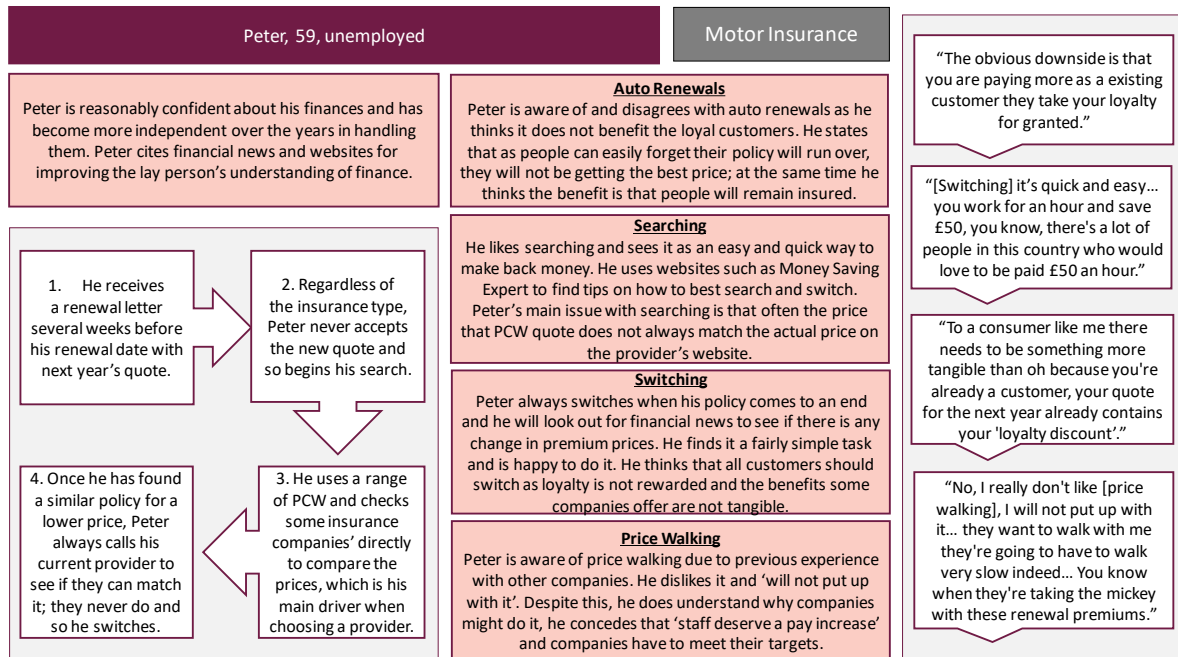
Figure 42 Michael, 31, police officer



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

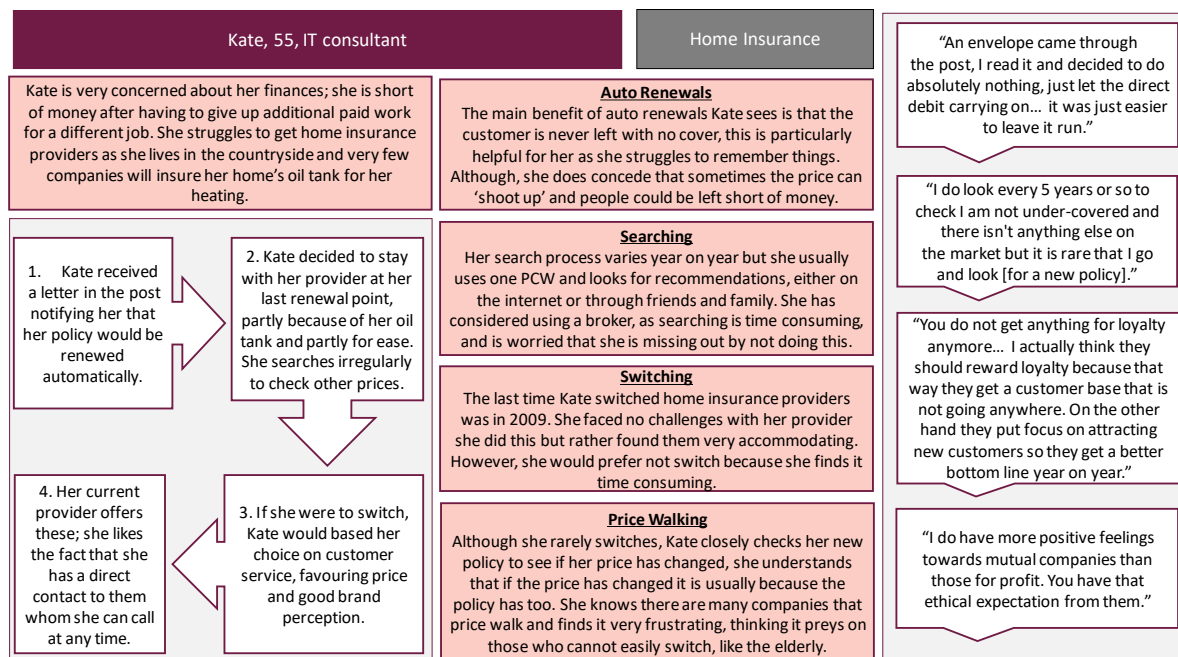
Figure 43 Peter, 59, unemployed



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

Figure 44 Kate, 55, IT consultant



Note: 10 in-depth interviews were carried out (5 over the telephone, 5 face-to-face)

Source: YouGov analysis of case study depth interviews

## Annex 3 Potential vulnerability in the Financial Lives Survey

The following questions were used in the Financial Lives Survey to track potential vulnerability<sup>28</sup>. All questions in bold were also used to track potential vulnerability in this study. Note that the survey attached to this project may have used different wording to capture various dimensions of potential vulnerability.

- Low financial resilience
  - If you lost your main source of household income, how long could your household continue to cover living expenses, without having to borrow any money or ask for help from friends or family?**
  - To what extent do you feel that keeping up with your bills and credit commitments is a burden?
  - In the last 6 months, have you fallen behind on, or missed, any payments for credit commitments or domestic bills for any 3 or more months? These 3 months don't necessarily have to be consecutive months.
  - Thinking about your monthly mortgage or loan payments/rent/mortgage payments and rent, by how much could these increase before you would struggle to pay them?
  - Below are a number of statements people have made about their finances when it comes to retirement. How much do you agree or disagree with these statements?
    - a) I am happy with the choices I have made with my pension arrangements
    - b) I needed to work longer than I had hoped to fund my retirement
    - c) I worry about not having enough money to last me throughout my retirement
    - d) I do not have difficulty paying for day to day expenses since I retired
    - e) I wish I had spent more time planning my finances for retirement
  - Which of these statements best describes how often you are overdrawn on any of your current accounts?
    - I am constantly overdrawn
    - I am usually overdrawn by the time I get paid/receive income
    - I am sometimes overdrawn by the time I get paid/receive income
    - I am hardly ever overdrawn
    - It varies too much to say
    - Don't know
    - Prefer not to say
- Experiencing life events
  - People sometimes have to deal with very important or difficult events which can have a big impact on their lives, and sometimes on their finances. Which of the following events have you or your partner experienced in the last 12 months? Please select all that apply**
- Life financial capability

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<sup>28</sup> FCA (2017). Understanding the financial lives of UK adults: Findings from the FCA's Financial Lives Survey 2017. Retrieved from: <https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf>. Annex 2, pp. 185-186.

- How confident do you feel managing your money? Please answer on a scale of 0 to 10 where 0 is 'not at all confident', and 10 is 'completely confident'.**
- How knowledgeable would you say you are about financial matters? Please answer on a scale of 0 to 10, where 0 is 'not at all knowledgeable' and 10 is 'very knowledgeable'.
- How much do you agree or disagree with the following statements. c) When it comes to financial services and products, I would consider myself to be a confident and savvy consumer

■ **Poor health**

- Do your condition(s) or illness(es) reduce your ability to carry out day-to-day activities?**
- Do any of these conditions or illnesses affect you in any of these ways? Please select all that apply.
  - Vision (e.g. blindness or partial sight)
  - Hearing (e.g. deafness or partial hearing)
  - Mobility (e.g. walking short distances or climbing stairs)
  - Dexterity (e.g. lifting and carrying objects, or using a keyboard)
  - Learning, understanding or concentrating
  - Memory
  - Mental health
  - Stamina, breathing or fatigue
  - Socially or behaviourally (e.g. associated with autism, attention deficit disorder or Asperger's syndrome)
  - Other (please write in)
  - None of the these
  - Don't know







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