**consumer
intelligence**

Annex 4

The impact of renewal disclosure legislation:

How has consumer behaviour changed?

1. Introduction

This technical report outlines the quantitative insights procured by the Financial Conduct Authority (FCA) on the impact of the 2017 renewal disclosure legislation on consumer behaviour within the Pet, Motor and Home insurance markets.

2. Context / background

The FCA, in its 2019/20 business plan, sets out the evaluation of the outcomes of General Insurance renewals transparency as one of its priorities within the General Insurance and protection sector.

On 1 April 2017, the FCA established new rules and guidance intended to increase transparency and engagement at renewal stage in the General Insurance market.

The new rules came into effect in response to the FCA's concern on low levels of transparency and engagement in the renewal process. These measures were implemented to encourage consumers to shop around at renewal stage, increase their levels of product knowledge and ensure price transparency.

Overall, the renewal disclosure legislation changes aimed to:

- Address concerns about levels of customer engagement at renewal stage
- Improve the conduct of insurance companies to existing customers
- Promote effective competition in the market

(Source: FCA 'Transparency in insurance renewals', March 2017)

Positive results from such interventions would be expected to enable consumers to make more informed decisions and reduce the likelihood of undesirable consumer outcomes, for example paying too much for their policy or not getting the right cover.

In February 2019, the FCA commissioned Consumer Intelligence to provide quantitative research to help the FCA evaluate the impact of its renewal disclosure legislation changes on consumer behaviour across Pet, Motor and Home insurance markets.

3. Objectives of the study

This study was conducted to provide consumer research and insights to help the FCA evaluate the progress made across the following objectives associated with the renewal disclosure legislation:

1. What has happened to consumer engagement, awareness and understanding of their insurance product?
2. Have customer estimates of the costs and benefits of shopping around improved?
3. What was the relative effectiveness of the different parts of the FCA intervention?
4. Are customers who switch or negotiate at renewal paying less for similar levels of coverage?

For the purpose of this study, Consumer Intelligence covered the above objectives across the following:

- Pet, Motor and Home insurance
- Two time periods: 18 months pre renewal disclosure legislation changes and 18 months post renewal disclosure legislation changes
- Two age segments: under 50s and over 50s

4. Datasets

Consumer Intelligence carried out multiple comparison analyses leveraging its proprietary datasets:

1. **Insurance Behavioural Tracker (IBT):** IBT is the most comprehensive insurance focussed consumer survey in the market. It provides insight and understanding of consumer behaviour throughout the renewal process, offering an overview of market trends and performance by segments (e.g. age, tenure, etc).

2. **Market View:** Market View provides a uniquely comprehensive understanding of pricing within the general insurance industry.

The table below provides an overview of the datasets used for this study.

	Insurance Behaviour Tracker (IBT)	Market View
What	‣ Online survey with respondents incentivised for participation	‣ Uniquely comprehensive and market leading insurance pricing insights tool
How	‣ 24,000 respondents each year for home insurance ‣ 24,000 respondents each year for motor insurance ‣ 4,000 respondents each year for Pet insurance	‣ 3,600 market representative risks ‣ 1.5m quote returns each month ‣ Over 100 brands and products and 4 aggregators
Outputs	‣ Consumer analytics and insight	‣ Quantitative analyses across numerous segments / dimensions, e.g. age, policy, geography, NCD
Usage	‣ Market share ‣ Retention ‣ New business ‣ Shopping and purchase channel ‣ Customers shopping around ‣ Reasons for shopping ‣ Engagement – service, trust ‣ Brand tracking	‣ Price benchmarking ‣ Identify opportunities to increase your quotability and/or competitiveness ‣ Optimise your panel of underwriters ‣ Evaluate rate changes ‣ Gain confidence in your pricing position against the market

5. Analysis

Consumer Intelligence provided bespoke analyses based on quantitative consumer research, across time periods and different age segments, across two phases.

Phase 1

In phase 1, Consumer Intelligence provided analyses based on consumer research to help the FCA evaluate the following 3 objectives:

1. What has happened to consumer engagement, awareness and understanding of their insurance product?
2. Have customer estimates of the costs and benefits of shopping around improved?
3. What was the relative effectiveness of the different parts of the FCA intervention?

Consumer Intelligence provided insights into the following topics:

1. Headline metrics
   a. Shopping behaviour
   b. Channel usage
   c. Pricing index

2. Shoppers
   a. Which segments shop the most
   b. Main reasons for shopping
   c. Which channels customers get quotes from
   d. Shoppers channel preferences
   e. Shopping propensity by purchase channel
   f. Behavioural factor ratings, e.g. cover, trust, care, service, satisfaction

3. Non-Shoppers
   a. Main reasons for non-shopping
   b. Which channels customers purchase from
   c. Non-shoppers preferences
   d. Behavioural factor ratings, e.g. cover, trust, care, service, satisfaction

Phase 2

In Phase 2, Consumer Intelligence conducted analyses and provided insights to help the FCA evaluate the following objective:

4. Are customers who switch or shop around at renewal paying less for similar levels of coverage?

Consumer intelligence provided the following analyses:

- Impact of renewal premium increase/decrease/no change on consumer shopping for quotes (Pet, Motor, Home)

- Impact of renewal premium increase/decrease/no change on consumer retention/switching (Pet, Motor, Home)

- Analysis of the 'tipping point' of renewal premium increase/decrease on consumers shopping around (Motor, Home), by certain price change increments

- Analysis of the 'tipping point' of renewal premium increase/decrease on consumers switching (Motor, Home), by certain price change increments

The analyses covered 36 months to include 18 months pre and post change to renewal notification, reported in 6 monthly intervals.

Methodology

For the purpose of this study, Consumer Intelligence leveraged its existing consumer research datasets to conduct analyses aimed at providing the requested insights / findings to the FCA.
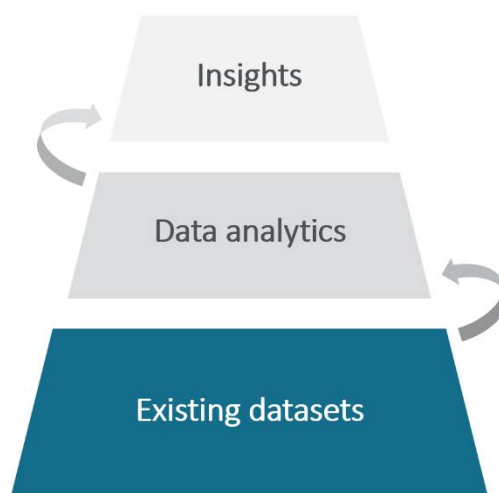
Sample sizes

Home	Sample size	
	Oct '15 – Mar '17	Apr '17 – Sep '18
Shopping rate	18,020	18,350
Purchase channel	6,640	7,060
Pricing index	36,000	36,000
Main reasons to shop	13,400	14,220
Quote channel	18,020	18,350
Shoppers preferences	18,020	18,350
Shopping propensity by purchase channel	18,020	18,350
Behavioural factors	18,020	18,350
Customer engagement	36,320	
Main reasons not to shop	4,620	4,130

Motor

	Sample size	
	Oct '15 – Mar '17	Apr '17 – Sep '18
Shopping rate	18,000	18,250
Purchase channel	7,240	7,410
Pricing index	36,000	36,000
Main reasons to shop	15,060	15,450
Quote channel	15,060	15,450
Shoppers preferences	18,000	18,250
Shopping propensity by purchase channel	18,060	18,260
Behavioural factors	18,000	18,250
Customer engagement	36,320	
Main reasons not to shop	2,935	2,800

Pet

	Sample size	
	Oct '15 – Mar '17	Apr '17 – Sep '18
Shopping rate	6,000	6,000
Purchase channel	6,000	6,000
Pricing index	36,000	36,000
Main reasons to shop	3,350	3,430
Quote channel	3,350	3,430
Shoppers preferences	3,350	3,430
Non-shoppers preferences	2,700	2,650
Shopping propensity by purchase channel	6,780	
Behavioural factors	2,640	3,430
Customer engagement	4,100	
Main reasons not to shop	2,700	2,650

The table below shows the questions used from Consumer Intelligence's Consumer research data assets.

Consumer research Questions
· Did you shop around for quotes during your recent renewal?
· Why did you shop around at your recent renewal? (main reason)
· How did you contact these providers for a quote?
· How did you purchase your insurance from this new provider?
· How much do you trust the prices given by the aggregators?
· When you shopped around why did you not use price comparison websites?
· % of customers who did not shop for quotes at renewal
· Why did you not look for an alternative quote during this renewal period? (Main reason)
· Non shoppers – how did you originally purchase your insurance?
· Do you have other insurance with the same provider? (Pet only)
· Of the pets customers own, how many are insured? (Pet only)
· Behavioural factors – Agreement with the statement: *(rated strongly disagree – strongly agree)*
o I believe that the level of cover is better than other companies
o I trust this company
o I believe this company cares about its customers
o I have always received a good service from this company
o I am overall satisfaction with this company *(rated 0 - 10)*

6. Overview of Consumer Intelligence

In an uncertain world, Consumer Intelligence helps businesses in the financial sector develop strategies that meet or exceed consumer expectations using its unique proprietary data and insight.

We have a 15-year track record of developing unique consumer insights which give businesses a picture of where they fit and how they are perceived in the market, by competitors and consumers alike - a picture seen uniquely through the eyes of consumers.

This is done using a holistic approach, exercising our price benchmarking and consumer research capabilities. And it is this approach that gives our clients the confidence to make bold and informed decisions; to build better quality strategies that benefit them and their customers.

We offer concrete and compelling consumer understanding that our clients can build their business on, and our Advisory service not only scans for opportunities but puts companies on the path to capturing and executing them.

Investors, Governments and regulators publish and rely upon our data to help manage the market and the economy.

We appreciate that every business is different and understand that each requires a specifically tailored approach to create actionable insight that will lead to success. That is why we focus on working in partnership with our clients to truly understand their goals, tools and priorities.

Rajeev Aggarwal
Managing Director, Advisory

Rajeev specialises in helping clients develop customer driven strategies and improve their performance. He has advised insurance companies and banks globally.

Prior to CI, he spent 17 years in strategy consulting with PwC and Booz & Co.

Ian Hughes
CEO

In 2003, Ian launched Consumer Intelligence, a market and consumer benchmarking specialist, which now operates in 9 countries globally. Ian is a Fellow of the Institute of Direct Marketing, a Best Business Awards judge and an I Love Claims Board member. He is a graduate of Harvard Business School and regular contributor to the Post and Insurance Times.