



How Insurers Can Support Their Customers In Uncertain Times

Guidewire Insurance Consumer Survey 2023 – UK

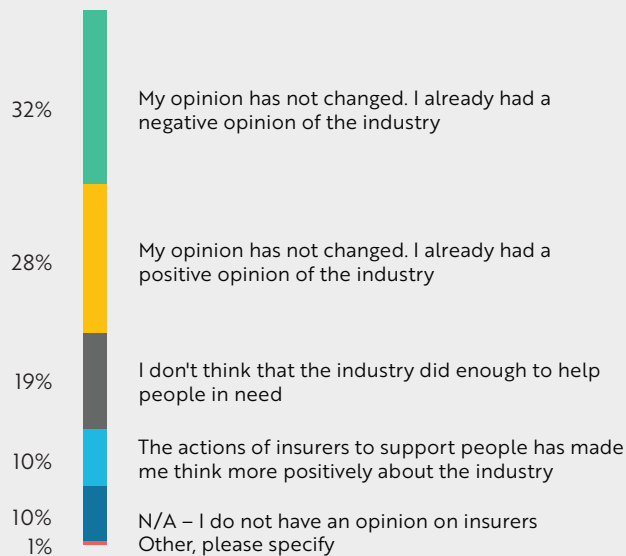


Guidewire commissioned market research agency, Censuswide, to survey a representative sample of approximately 1,000 UK insurance consumers aged 18 to 55-plus years old. They were asked about how they view insurers, insurance products and services, as well as their perspective on data privacy, cost of living, and climate change in regard to insurance. While the primary focus of this report is the UK, it is worth noting that this is one of four parallel surveys, in France, Germany, Spain, and the UK. These surveys took place in February 2023 and are part of an annual consumer sentiment survey which has been running since 2019.

Insurance consumers are not for turning

Insurance consumers are becoming more entrenched in their views when it comes to their opinions of insurers. In the UK, 28 percent already had a positive view of the insurance industry, a 4 percent increase on 2022, which shows that the industry has made some progress in winning over people whose opinions had swayed in 2022. What may be of greater concern to the industry, however, is that the number of people who have an unchanged and negative view is now almost one in three (32 percent), which represents a 6% increase since 2022. It should also be noted that the UK is the only market where more people already had a negative view of the insurance industry versus a positive one.

How has your opinion of insurers changed over the course of the last 12 months?



This slight trend towards a dimmer view of the insurance industry continues despite the fact that opinions on the services that insurers offer have not substantially changed. A very similar number of people said they think that insurers sell overpriced products (25 percent in 2023 versus 23 percent in 2022), whilst the number of people who considered that insurers are necessary but inconvenient is exactly the same (36 percent). It should be noted that the number of UK insurance customers who said that they believe insurers understand them and that they value their products and services is slowly increasing; nearly one in five (18 percent) subscribes to that view in 2023, which compares to 17 percent in 2022 and 15 percent in 2021.

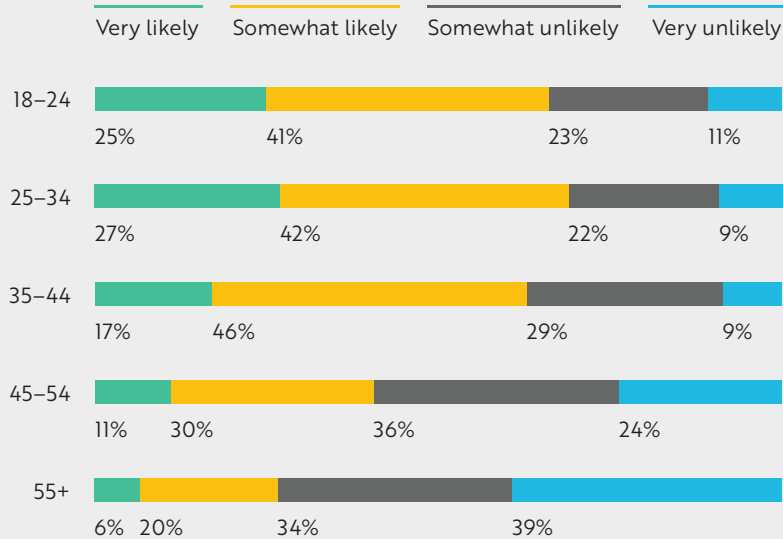
Clearly undoing the damage to the industry’s reputation during the early months of the COVID-19 pandemic is going to take some time, but there are early signs of improvement. The question insurers must ask themselves is how they can better demonstrate the value that they bring to their customers’ lives, particularly during difficult times.

Costs continue to bite

The cost of living crisis has continued to be a major concern both in the UK and across Europe. More than eight in ten (81 percent) of those surveyed were worried about the cost of living, which does represent a slight drop on 2022 (86 percent) but still represents the vast majority of respondents. It should be noted that UK insurance consumers are the least worried of those surveyed, with France (92 percent) the most concerned, followed by Spain (91 percent), and Germany (83 percent).

With concern remaining high, there are still a significant number of people that would consider cutting their spending on insurance products. However, in line with overall concern about the cost of living, this likelihood has dropped; in 2023, 42 percent of UK insurance customers said that they were likely to cut spending on insurance compared to 47 percent in 2022. Insurers would do well, however, to look at the data more closely as this reduction is driven by customers aged over 45 years, with those aged between 18 and 44 just as likely to cut their spending on insurance in 2023 as they were in 2022.

With the significant increases in the cost of living, how likely or unlikely is it that you would cut your spending on insurance?



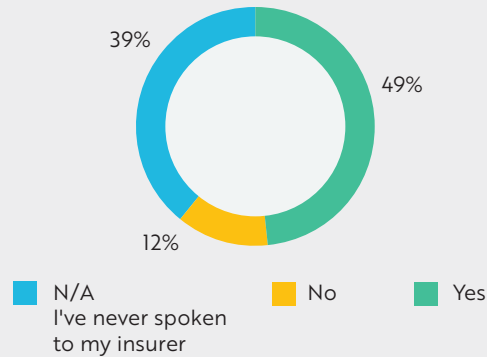
When it comes to the types of insurance that people might cancel, it is perhaps not surprising that travel insurance is one of the top choices given that a reduction in spending generally is likely to mean that people are not travelling as much. However, whilst in 2022 it was the most likely type of cover to be cancelled in the UK, this year, home contents insurance is the top choice. Once again, this is driven by younger insurance customers, with more than a quarter (28 percent) of those aged 25-34 years and one in four of those aged 18-24 saying that they would cancel home contents insurance.

The greater likelihood that younger insurance customers will cut their insurance spending, and the fact that they would consider cutting cover such as home contents insurance, is perhaps not surprising when you consider the widely reported financial challenges of home ownership and rental for this cohort. That said, insurers should see this as an opportunity. One in four UK insurance consumers aged 18-24 years and 30 percent of those aged 25-34 said that insurers understand them and that they value their products and services; far more than their older compatriots. With this in mind, insurers need to find new ways to interact with these customers and also design innovative products that meet their requirements and prevent insurance gaps developing that leave people at risk.

Customers look for deeper engagement when they come to call

When it comes to how customers want to interact with their insurer, it is clear to see that habits which have formed in people’s personal and professional lives, such as the widespread use of video-calling, are starting to set the trend for preferred communication. In good news for insurers, they also look to be doing a good job of providing their customers with the information they need when their customers do contact them.

When you last spoke to your insurer, did you feel as though the customer service agent had all the information about you that they needed in order to help you?



Almost half (49 percent) said that when they last spoke to their insurer the customer service agent had all the relevant information needed in order to help them, while only 12 percent said that this was not the case. What this reveals, however, is that a further 39 percent of people have never spoken to their insurer, the same number as in 2022. There will, of course, be some who do not want to speak to their insurer and others who do not have a reason to do so. This figure is not that surprising when you consider that eight in ten (83 percent) of those surveyed have not made a claim in the past twelve months. What is critical for insurers is ensuring that they can serve the needs of these different types of customers and meet their communication preferences when it matters most.

When it comes to the communication channels those in the UK feel comfortable using when making a claim, the phone (56 percent) and email (39 percent) are still the preferred options. However, it should be noted that these preferences are shifting, with the number of people who would process a claim by phone dropping 10 percent and a 5 percent drop for email, compared to 2022. Meanwhile, younger customers seem to be showing a tendency towards more engaged forms of communication, with a 9 percent increase in 18–24-year-olds who would want to have a one-to-one meeting conducted face-to-face or over a video call, such as Zoom. Interestingly, this younger generation is also the most likely to prefer their insurance agent to file their insurance claim for them (20 percent versus a UK average of 12 percent). This may suggest a general lack of confidence in their ability to communicate their claims themselves. Insurers need to consider how they can provide personalised support and education to these customers.

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Prevention is better than cure

As insurance systems are modernised and able to better analyse the data held by insurers as well as other third-party data providers, new opportunities for customer engagement and value-added services are appearing. Particularly with the greater number and availability of sensors, and increasing concern about risks such as flooding, there is a growing interest in services that send warnings before damage is incurred instead of picking up the pieces after the fact.

There is a clear appetite for such alert services, with two thirds (66 percent) of UK insurance consumers now interested in being able to access them, a six percent increase compared with last year. Interest across Europe is even higher, particularly in Germany (79 percent) and Spain (82 percent). In the UK there is strong interest in these services across all age groups. The least interested group is those aged 55+ years. Nonetheless, 62 percent of these would be interested in a warning service. The results show growing interest amongst younger consumers, with eight in ten (80 percent) of 18–24-year-olds and almost three quarters (74 percent) of 25–34-year-olds saying that they would want access to risk alerts, an increase of more than 10 percent across the two age groups year-on-year.

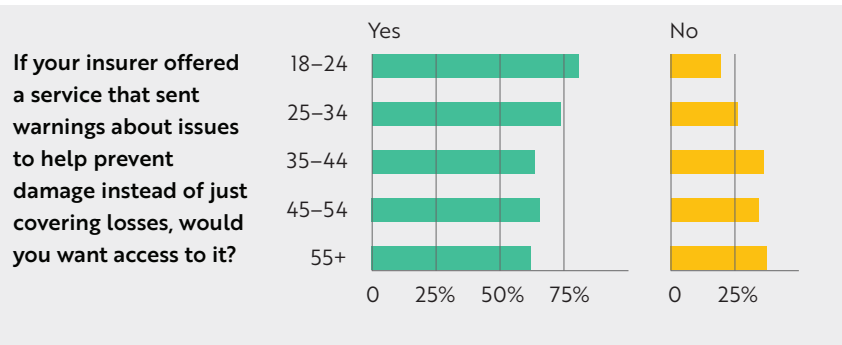


This presents a clear opportunity for insurers to add greater value to their customers’ lives, but they need to do so in a way that does not feel that they are intruding. While the collection of personal data by companies is commonplace across society, insurers need to tread carefully, reinforce trust and communicate transparently with their customers about how their data is being used and how it benefits them.

Getting used to new lifestyles

As people’s lifestyles change and they look to save money, there has been a suggestion that they may turn to Usage-Based Insurance (UBI) to offer them flexibility and savings.

In the UK, the number of people that currently have a usage-based policy has not changed significantly, standing at 14 percent in 2023 versus 12 percent in 2022. The number of people that do not have a usage-based policy but can see the value in one is also largely similar, standing at 52 percent in 2023 compared to 54 percent in 2022.

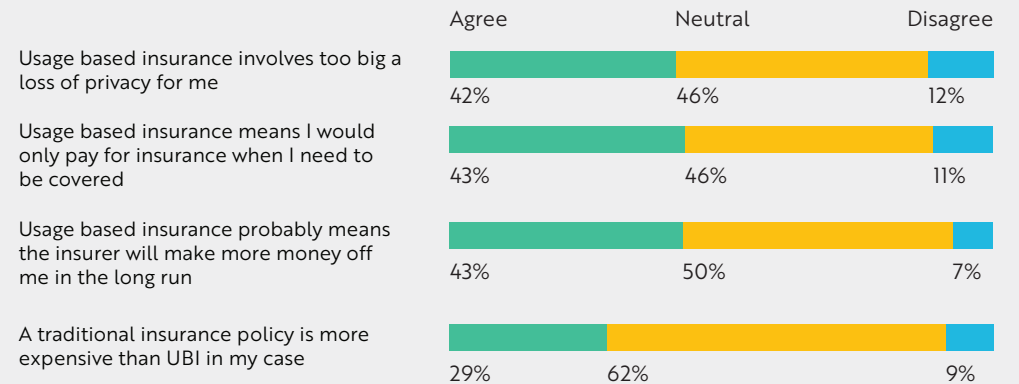


Dig a little deeper, however, and we see that there may be more significant changes afoot. Amongst those aged 35-44 years, the number of people using UBI has increased by 5 percent, whilst the number of 18-24-year-olds with a UBI policy has increased by 13 percent. There appears to be a contention between whether people are choosing UBI policies on the basis of lifestyle factors or cost. While the higher cost of traditional insurance compared to UBI is the top reason those with a UBI policy said that they have one (35 percent), it is also the case that a third (33 percent) of those who are not worried at all (33 percent) about the cost of living also have such a policy, more than any other group. This is perhaps reflected in the fact that many people cited other factors, such as providing more flexibility and fitting with their lifestyles (both 30 percent), or no longer driving enough to warrant a traditional policy (32 percent) as why they opted for a UBI policy.

Why did you choose a usage-based insurance policy? (Tick all that apply)



To what extent do you agree or disagree with the following statements?



Insurers need to bear this in mind in how they position and market their usage-based products. Price clearly impacts people’s decision to move to UBI, but there is a trend towards lifestyle factors being a significant influence. This has ramifications for the different features that insurers might offer as part of their UBI policies, as well as how they sell them to prospective customers.

Insurers also need to consider attitudes towards data collection and privacy when it comes to UBI, given that these policies often entail using location and other usage data to ascertain the level of risk and, so, the cost of the policy. As already discussed, younger cohorts tend to be more likely to use UBI policies, but they are also the most sensitive when it comes to privacy; at least half of those aged 18-24 years (50 percent), 25-34 (54 percent), and 35-44 (51 percent) agreed that UBI involves too big a loss of privacy for them. The fact that this is of such great concern means that insurers need to invest time in showing clearly how they are responsible custodians of people’s data and use it in an ethical and constructive manner.

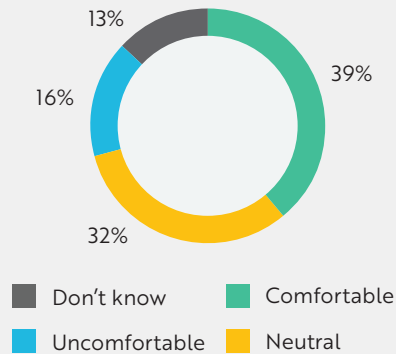
Do insurance customers see the forest from the trees?

The insurance industry is often viewed as an industry that could be disrupted by companies with deep pockets and strong relationships with their customers. In recent years, companies such as Tesla, IKEA, and Amazon have made early forays into playing a role in the insurance value chain, whether through embedded insurance offerings or marketplaces.

Survey respondents were asked whether they would be comfortable with purchasing their insurance cover from companies such as Tesla, IKEA, or Amazon. The good news for insurers is that the number of people who said they would be comfortable has fallen to 39 percent this year, compared to 45 percent in 2022. While insurance customers in France (39 percent) express the same level of comfort as those in the UK, German insurance customers (46 percent) and those in Spain (53 percent) are more enthusiastic.

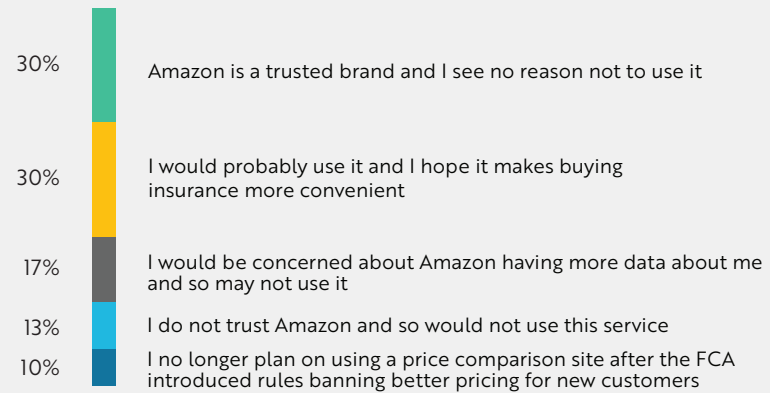
UK insurance consumers were also asked for their opinion of the recently launched Amazon Insurance Store and whether they would use it or not.

Companies such as Tesla, IKEA, and Amazon are now offering their own insurance policies to protect goods bought from them. The next time you make a major purchase (e.g. a car, bicycle, sofa, laptop) how comfortable, or uncomfortable, would you be with the insurance being delivered by the company from which you purchased the product?



Opinions are mixed; three in ten (30 percent) said that they would probably use it, with a further 30 percent commenting that Amazon is a trusted brand and so see no reason not to use it. On the other hand, 13 percent said that they do not trust Amazon and so would not use the service, while a further 17 percent responded that they would be concerned about Amazon having more data on them and so may not use it.

Amazon has launched the Amazon Insurance Store, a price comparison website for home and motor insurance in the UK. What do you think about the idea of buying your insurance through an Amazon owned price comparison service?



The findings clearly show that there is a significant contingent of people who would be interested in obtaining their insurance through non-traditional sources, but the tide has not completely turned against insurers. Yet again, concern about trust and privacy plays a key role in whether people will buy into new services or technologies, pointing to where insurers should invest their time if they want to maintain their market position. Battle lines will need to be drawn around trust and making sure that when insurers do leverage the data they hold, they do so in a way that is relevant to their customers and adds value to their lives.

Eye on privacy

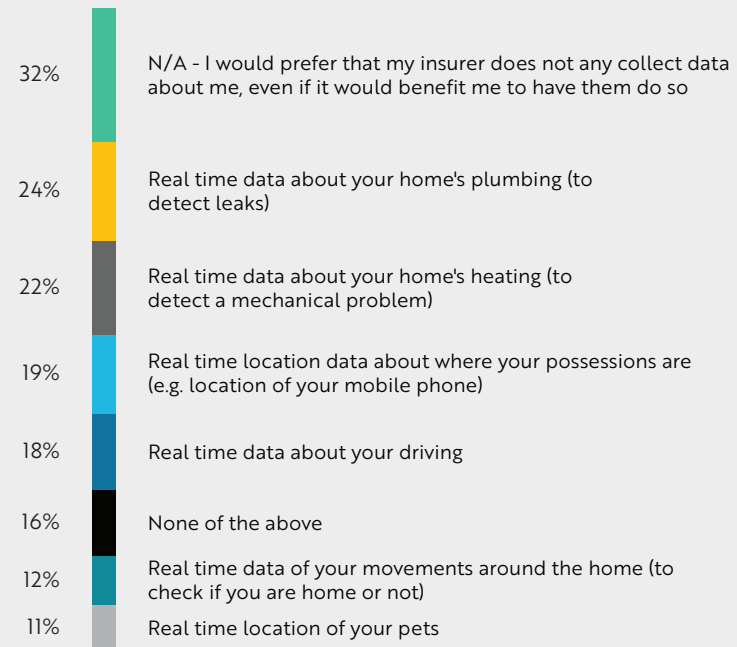
The report shows that even as people’s attitudes towards increased data collection change, concerns around privacy are a clear determinant of how people want to buy their insurance and communicate with their insurer. For insurers, they need to think about how ethical data use and security could become a source of competitive advantage for those that can clearly demonstrate to their customers that their data is safe and used appropriately.

There is a definite trend towards more acceptance of the insurance industry collecting and processing new types of data. When looking at whether UK insurance customers are comfortable with insurers using data from sensors and connected devices to better understand their risk profiles and insurance needs, there has been a 10 percent drop in the number of people who question why this level of customer data (18 percent) is needed. That means it is now the minority opinion.

When asked to think about the kinds of data insurers could collect about them or their property and how it might be used, people were most comfortable with insurers collecting real-time data on home plumbing systems to detect leaks (24 percent), or to monitor home heating systems for problems (22 percent). The biggest change, however, is in people’s willingness for insurers to track the real-time location of their possessions. This has risen from 14 percent in 2022 to 19 percent in 2023.

The degree to which people are comfortable with insurers collecting their data has a clear influence on their attitudes to other issues. Across Europe, those who say that they would prefer insurers not to collect any data, even if it would benefit them, are the least likely to want to use a website chatbot or social media to contact their insurer. They are also those people who are most uncomfortable with the idea of embedded insurance offerings, and in the UK are the least likely to make use of Amazon’s Insurance Store.

In terms of the data an insurer could collect about you and analyse to help reduce the risks to you and your property, which of the following, if any, are you most comfortable they collect? (Tick up to three)



It is clear that if insurers want to win customers over to new insurance offerings and products, once again, winning their trust around data and privacy is key. This is an area in which they may have an advantage over would-be disruptors, whose known use of personal data is likely to be one of the reasons people have such a dim view of data analysis by businesses in the first place.

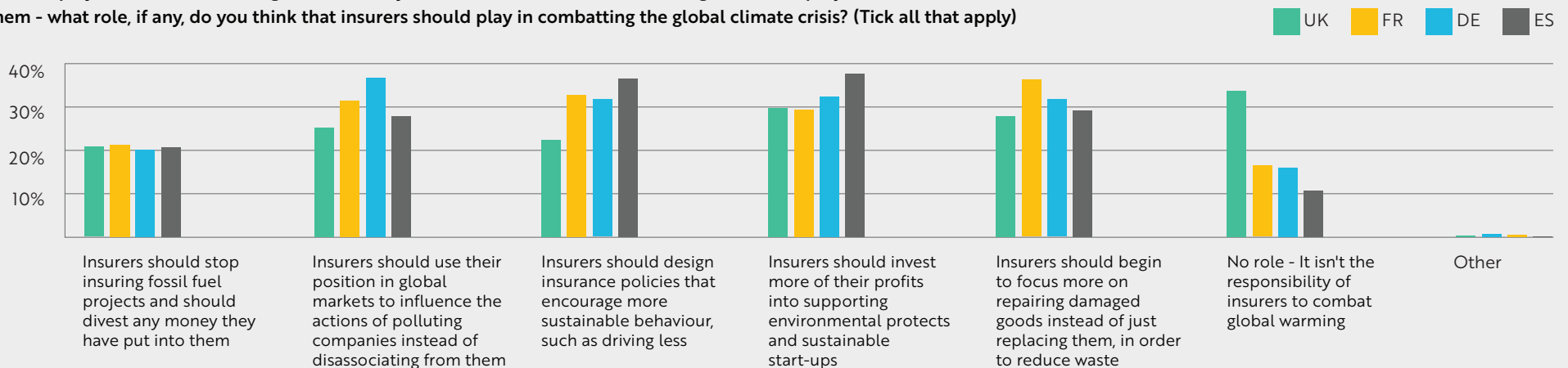
What should insurers be doing about climate change?

Climate change is clearly understood to be one of the great challenges of our time and the insurance industry has begun to commit to playing its part in reducing our negative impact on the environment; but do insurance consumers think that these efforts are being focused in the right direction?

Only 14 percent of UK insurance customers surveyed this year have had to make a claim for damage for an extreme weather event, making this the lowest percentage amongst the four countries surveyed: Spain is next with 21 percent, then France (24 percent) and topped by Germany (34 percent).

It would appear that UK attitudes towards the role of insurers in dealing with climate change may be affected by the above. When asked what insurers should be doing to combat climate change, the topmost answer was that insurers have no role, and it is not their responsibility to combat global warming (34 percent). The UK is the only surveyed market in which this was the lead response and is at least twice as high as insurance customers in France or Germany (both 16 percent), and three times more than Spain (11 percent).

Insurers play a central role in the global economy - both as insurers of business and government projects, and as investors in them - what role, if any, do you think that insurers should play in combatting the global climate crisis? (Tick all that apply)



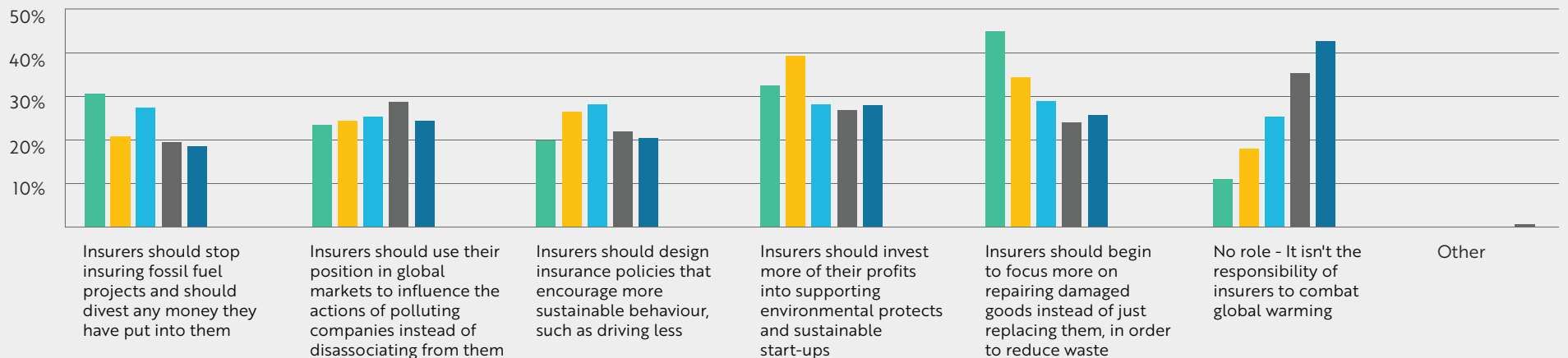
A similar picture plays out when it comes to the use of data, such as satellite imagery, for the purposes of mapping climate-related insurance risks, sending warnings to alert policyholders of potential damage, and assessing damage caused by a climate disaster. Insurance consumers in the UK are twice as likely (18 percent) as those in France (8 percent), and three times as likely as those in Germany (6 percent) to not want this kind of data to be collected for insurance purposes. A quarter (25 percent) of those in the UK do say that they agree with the technology being used and that they can see the benefit to them. This is slightly lower than in France (27 percent) and over ten percent lower than Germany (36 percent). It should be noted that in France a further one in four (25 percent) say that they are not bothered about this data being collected, whereas in the UK this figure is less than a fifth (18 percent).

Only 18 percent of 25–34-year-olds believe that insurers have no role in combating climate change.

Worth noting is that in the UK only 11 percent of 18-24-year-olds and 18 percent of 25–34-year-olds believe that insurers have no role in combating climate change. Amongst those that do think insurers should take action, views are mixed: a quarter (25 percent) believe that insurers should influence the actions of polluting companies, 28 percent say that insurers should focus on repairing damaged goods instead of replacing them, and almost one in three (29 percent) say that they should invest their profits in environmental projects and start-ups.

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18–24 25–34 35–44 45–54 55+



The path forward

There are a number of key takeaways from the report that insurers should keep in mind as they think about how they will continue to innovate and adapt their businesses to meet their customers' needs.

Confidence in data and privacy can be a source of competitive advantage

When people are confident that their data and privacy is being respected, then they are more likely to buy into new services, such as UBI or preventative alerts, and use forms of digital communication. Insurers have made significant investments in these new offerings and omnichannel communications, but the industry should not forget the importance of softer skills needed to educate their consumers on how this new technology is benefiting them and demonstrate that their data is safe with their insurer.

The battle for hearts and minds

Looking at the findings of this research over the past four years, one thing that is clear is that the more disruption there is, the more likely people are to change their minds about the insurance industry. This can clearly be a positive or negative stance, but with continued disruption in the lives of many policyholders, insurers should think about how this creates opportunities to add value and help their customers. Doing so could help swing the balance of favour towards them, which is important when they are facing even greater competition from both peers and outsiders.

The cost of living continues to be a concern

Although there has been a slight drop in the number of respondents that are concerned about the cost of living, there is clearly still a long way to go before its impact on people's insurance spend reduces. Insurers also need to be cognisant of the fact that younger consumers are under more financial pressure, and so need greater support. New, more flexible offerings that allow customers to protect key possessions or usage-based insurance can play a role here.

Embedded insurance is a growing area

While there is still not yet an overwhelming majority of people who will be turning to their car manufacturer or webstore for their next insurance policy, there is already a significant number of people who would be comfortable doing so. Insurers need to ask themselves whether they want to provide the insurance cover for these consumer brands or continue to stand alone as separate entities. Both positions come with risks and will require insurers to continue their digitalisation efforts to meet the varied needs of policyholders.

The climate conundrum

UK insurance customers may not seem quite as bothered about action on climate change as their counterparts in France, Germany, and Spain, but that could change if more people are impacted by extreme weather events. Even if it is not a dominant opinion, there is still the case that at least a fifth of insurance consumers across all markets, including the UK (21 percent), believe that insurers should stop insuring fossil fuel projects and ought to liquidate any investments they have in them.

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