


Are Insurers Moving with Changing Times and Tastes? The 2022 State of the UK Insurance Customer Attitudes Study



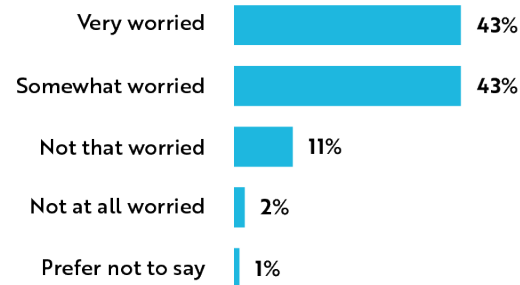
For the third year running, Guidewire is publishing its survey of consumer attitudes towards insurers and general insurance products. Guidewire commissioned the market research agency Censuswide to survey a representative sample of 1,008 UK insurance customers aged 18 to 55+ in May 2022. The aim of the survey is to provide the latest insights into how UK insurance customers view insurers as well as insurance products and services. While the primary focus of this report is on the UK results, it is worth noting that Guidewire commissioned simultaneous parallel reports in France, Germany, and Spain.



Will the cost-of-living crunch lead to cancelled insurance coverage?

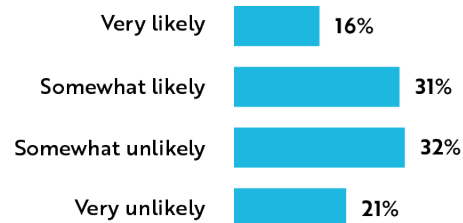
The cost-of-living crisis is clearly a major concern, with more than four in five (86%) of those surveyed saying that they were worried about it. While consumers are legally required to hold insurance coverage for certain risks or activities, such as driving, other insurance is not obligatory, such as home contents insurance. Are people thinking of cutting back on insurance costs — and leaving themselves exposed to potential risk — to free up money for other things?

Q6. How worried, if at all, are you about the rising cost of living e.g. higher energy bills, rise in food and other prices?



It seems that a sizeable number of people would consider cutting their spending on insurance in the face of the increased cost of living. Nearly half (47%) answered that they were likely to do so, with nearly one in six of those people (16%) saying that they were very likely to reduce spending on insurance.

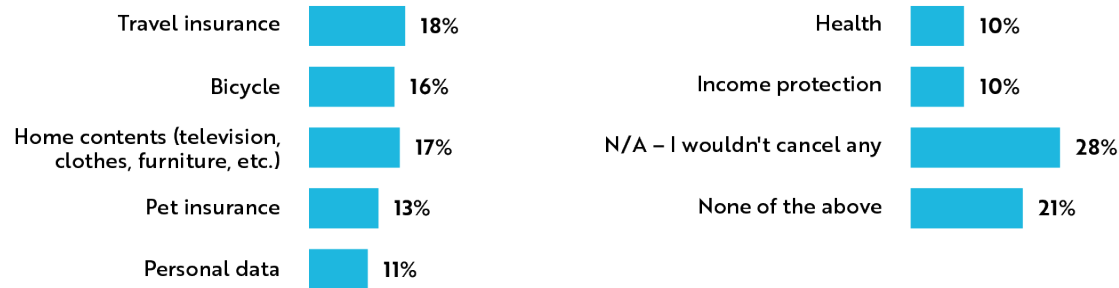
Q7. With the significant increases in the cost of living, how likely or unlikely is it that you would cut your spending on insurance?



When it comes to the policies that people would cut, travel insurance (18%) is the most likely to go. This is unsurprising, given that for many people travel would be an obvious cost they could cut down on. What is more concerning, however, is that home contents insurance (17%) is not far behind. In view of the potential risks that this could expose people to, insurers should think about how more tailored products can help customers who might feel the pressure of the cost-of-living crisis while also not leaving them without insurance at all. As we discuss later in this whitepaper, the research does not suggest that insurers should cut the price of products. Rather, it recommends an investment in personalised offers and pay-as-you-use insurance products.



Q8. Given the rising cost of living, if you were to cancel non-mandatory types of insurance cover – such as home contents insurance—to save money for essential purchases, which of the following policies are you most likely to cut? (tick up to three)

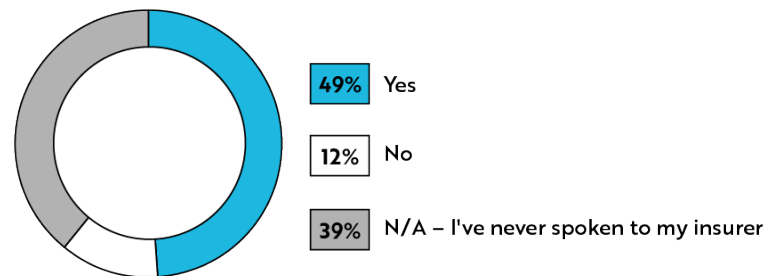


Hello? Can you hear me?

The way in which insurers communicate with their customers is changing. But are they mastering the fundamentals of knowing who their customer is so that they can deliver the best service?

In the UK, almost half (49%) of insurance customers said that, when they last spoke to their insurer, they felt as though the customer service agent had all the information necessary to help them. Although this is a significant number, it compares poorly with insurers elsewhere in Europe. Customers in Spain (71%), Germany (70%), and France (67%), are more likely to feel as though their insurer has all the required information when contacting them. Another way in which the UK is markedly different from the other surveyed countries is in the number of people who have simply never spoken to their insurer. In the UK this is 39%, as opposed to 13% in France, 12% in Germany, and 8% in Spain. Assuming that customers are open to speak with their insurers, this would suggest that UK insurers need to do a better job of staying in touch with their clients not only at the normal touchpoints of renewal and claims, but throughout the calendar year.

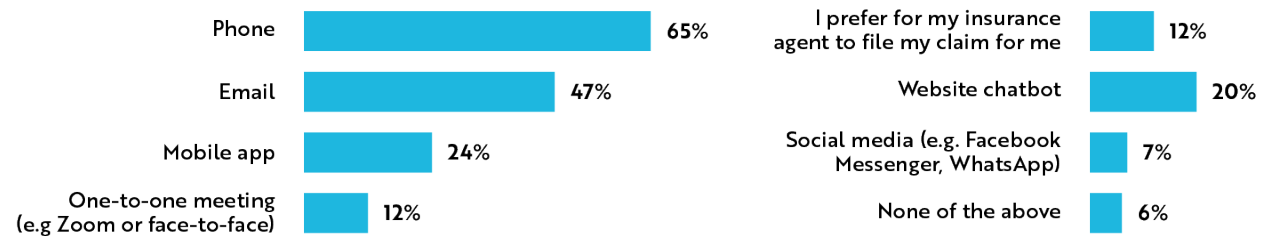
Q9. When you last spoke to your insurer, did you feel as though the customer service agent had all the information about you that they needed in order to help you?





In terms of how people want to contact their insurer for a claim, insurance customers are open to a range of options. Exactly 20% say that they would happily contact their insurer regarding a claim using a website chatbot, and just under a quarter (24%) would be comfortable to use a mobile app. Phone (65%) and email (47%) are the most preferred options. While the old ways appear to still be the best, the survey clearly shows that insurers in the UK are likely to have significant numbers of customers who are looking for omnichannel communications when it comes to dealing with a claim.

Q13. Think about when you contact your insurer for a claim, which of the following options, if any, would you feel comfortable using (tick all that apply)



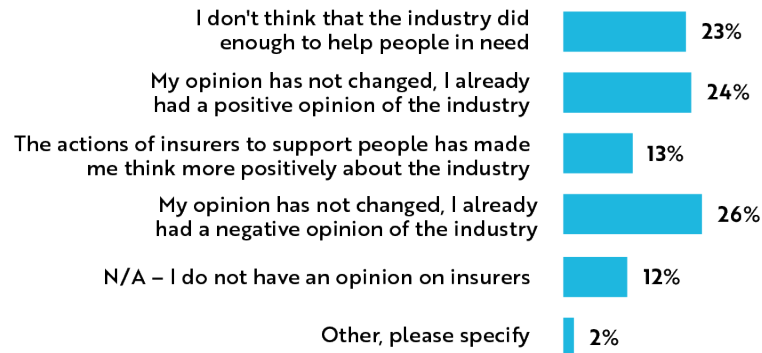
Is there a “Long COVID” effect in customer attitudes towards insurers?

During the COVID-19 pandemic, consumer attitudes towards insurers were affected by the fact many felt their insurers did not do enough to help struggling customers. In our 2021 survey, a quarter (26%) of people believed that the industry had not done enough to help people in need. The question now is whether these views have become more entrenched, or whether the reduction in negative headlines and the actions of insurers have helped improve perceptions.

The number of people who believe that the insurance industry has not done enough to help struggling customers has dipped in 2022 to 23%. What should worry the industry, however, is that the number of people who answered that they have a negative view of insurers has increased by more than a third versus 2021, reaching 26%. This means that almost half (49%) of the insurance customers surveyed see insurers in a negative light. This may demonstrate a concerning trend – insurers are struggling to win back customers whose opinion became negative during the preceding year. On the upside, it should be noted that the number of people who say that they have a positive view of insurers has also increased by more than a quarter to 24%.

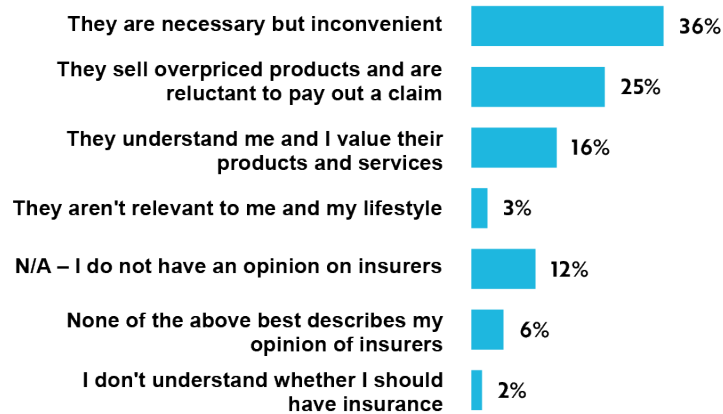


Q5. How has your opinion of insurers changed over the course of the last 12 months?



Setting aside how their opinion about insurers was affected by COVID, there is both good and bad news. The proportion of customers who think insurers sell overpriced products and are reluctant to pay out claims has fallen from 32% in 2021 to 25% in 2022. However, those who say insurers are necessary but inconvenient has risen from 32% to 36%, while those who say their insurers understand them and offer valued products has gone up from 15% to 17%.

Q4. Which of the following best describes your opinion of insurers, if any?

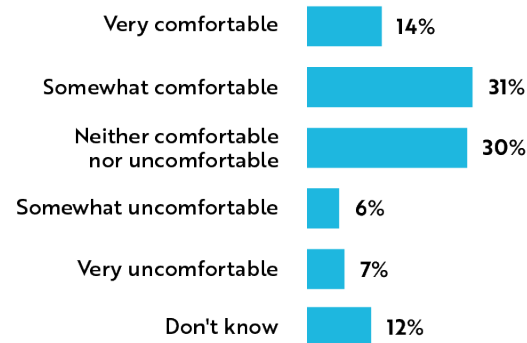




Should insurers be afraid of outside competition?

A source of great debate in the insurance industry is the question of whether insurers are going to be pushed aside by large, digitally savvy consumer brands and whether insurers should fear this or welcome it. The question is: Do consumers even want to buy their insurance from the likes of Amazon, IKEA, or Tesla?

Q14. 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?



One thing that is clear is that for most insurance customers in the UK the idea does not make them balk. Only 13% say that they are uncomfortable with the idea of the insurance they have for a car, bicycle or laptop being delivered by the company from which they purchased said item. More than two in five people (45%) are comfortable with the idea, although the UK has the lowest proportion of people (14%) who are very comfortable about it. It seems that many are undecided, with 30% neither comfortable nor uncomfortable about buying their insurance from a consumer brand, the highest of any of the four countries surveyed.

Are insurance habits changing to suit people's lifestyles?

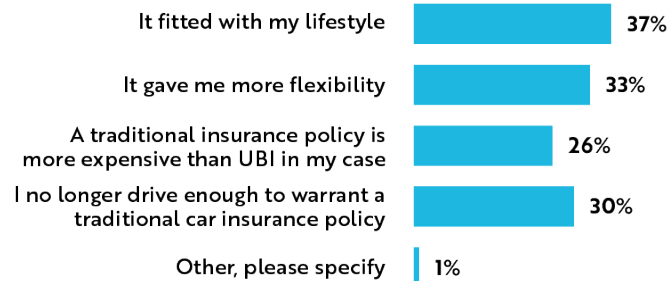
We all know that, since the pandemic, many people's habits and lifestyles have changed, and people are seeking more flexibility. In the insurance industry, usage-based insurance (UBI) policies offer a means to achieve this flexibility. But are consumers buying them?

Although the number of people who have a UBI policy has increased in the past year, there has not been a seismic shift; 12% of people report they have a UBI policy in 2022, versus 9% in 2021. The number of people who can see value in such a policy despite not having one has also fallen, dropping from 60% in 2021 to 54% in 2022. Insurance customers in Germany (32%), France (31%) and Spain (26%) are far more likely to own a UBI policy.



Of those that have chosen a UBI policy in the UK, lifestyle is the biggest factor (37%), followed by flexibility (33%) and not driving enough to warrant a traditional car insurance policy (30%).

Q11a. Why did you choose a usage-based insurance policy? (Tick all that apply)



Are consumers ready to invite insurers into their “private” lives?

As insurers look to deepen the relationships that they have with their customers, one option is to offer loss prevention services that go beyond covering losses by sending warnings to avert damage. This would involve the use of sensors to gather data, bringing insurers much closer to their customers through increased data collection. As consumer attitudes towards data collection have hardened in recent years due to a desire for digital privacy, is this something that insurance customers feel comfortable about?

There is a majority (61%) in favour of services that offer alerts about issues to help prevent damages, although enthusiasm for such services is not quite as high as it is in France (67%), Spain (74%), or Germany (82%).

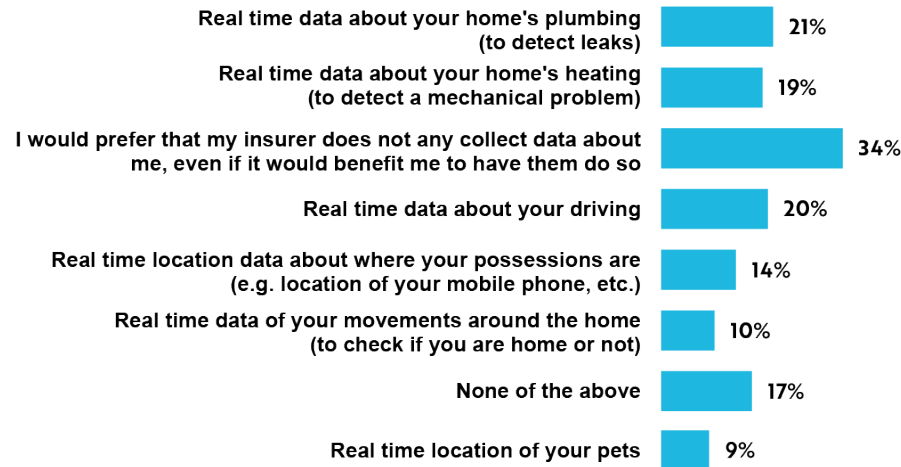
Q10. If your insurer offered a service that sent warnings about issues to help prevent damage instead of just covering losses, would you want access to it?



Real-time data about home plumbing (21%), driving (20%), and home heating (19%) are the three types of data customers are most willing for their insurer to collect and analyse. However, that is not to say that insurance customers are necessarily comfortable with the data being collected in the first place. Over a third (36%) say that they can see why insurers would want this data but would prefer they did not collect it, while a further 28% do not understand why insurers need this level of data about their customers, citing an invasion of privacy.

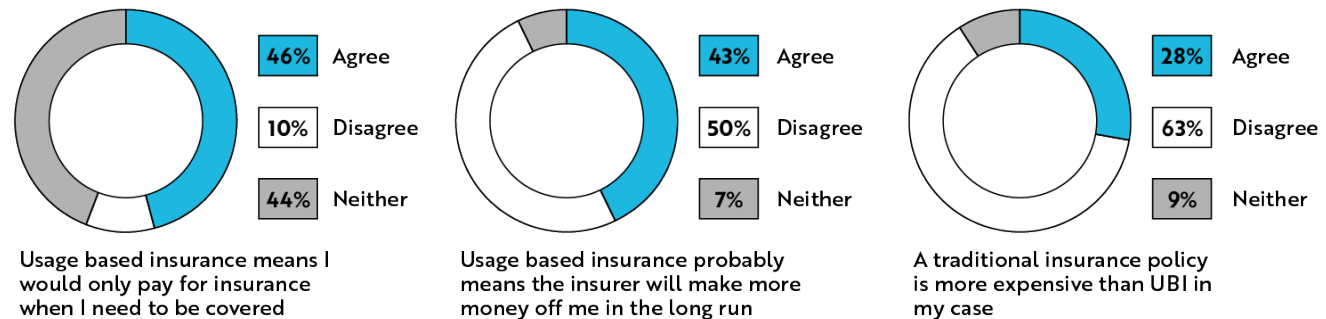


Q16. In terms of the data an insurer could collect about you, and analyse to help reduce the risks to you and your property, which of the following, if any, are you most comfortable they collect? (Tick up to three)



There is additional evidence that people are unsure about what UBI policies mean for their privacy. Amongst UK insurance customers, more than two in five respondents (44%) believe that UBI involves too big a loss of privacy, while only 10% disagree. This shows how much work insurers need to do to educate their customers on how secure their data is, as well as be transparent about how it is used.

Q12. To what extent do you agree or disagree with the following statements?



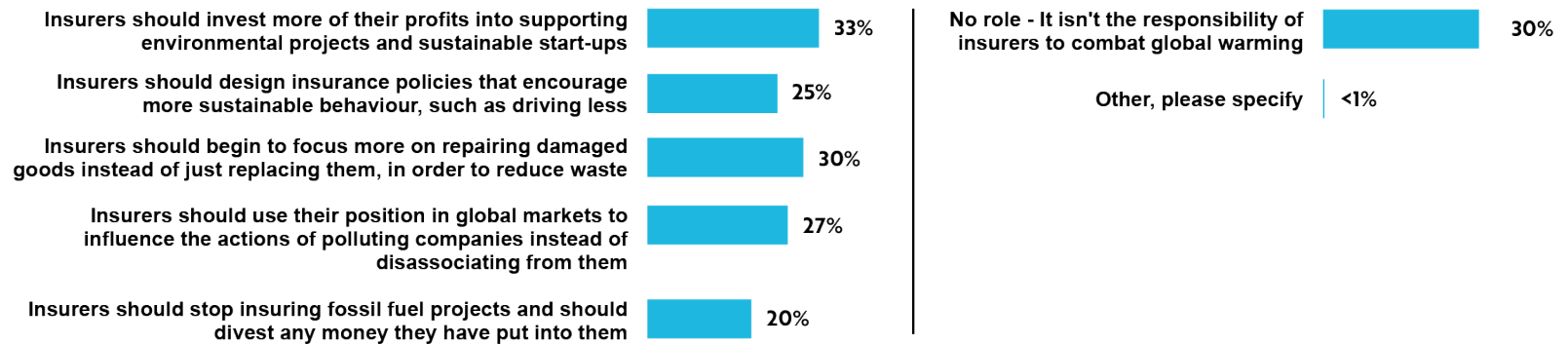


Do customers want their insurers to be climate conscious?

As concern about global climate change increases, the insurance industry has joined others in making pledges to help cut carbon emissions. However, are these messages getting through to consumers and are they being directed to the right places?

The UK stands out in that many more consumers (30%) believe that it is not the responsibility of insurers to combat global warming, compared to France (15%), Germany (14%), and Spain (13%).

Q17. Insurers play a central role in the global economy – both as insurers of business and government projects, as well 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)



While consumers have views on what insurers should be doing, they are less inclined to take action themselves. When it comes to whether people would pay for an eco-insurance policy – whereby the policy is more expensive than a standard tariff, but the increase is used to offset the emissions released during the insured activity, such as driving – only 31% would be prepared to pay the extra cost. This idea is more popular in the other countries surveyed. More than four in ten insurance customers in France (44%) and Spain (44%), and over half (53%) in Germany, would pay the extra cost for an eco-insurance policy.

Is it the end of the (price comparison) world as we know it?

At the end of 2021, the Financial Conduct Authority established its new General Insurance Pricing Practices (GIPP) rules. The new regulation prevents insurance companies from offering markedly discounted prices to new customers compared to existing customers, removing the loyalty penalty that customers face if they do not regularly shop around for their insurance. Many have speculated that this could mean the end of price-comparison websites as distribution channels in the insurance market, given that their main reason for existence has been taken away.

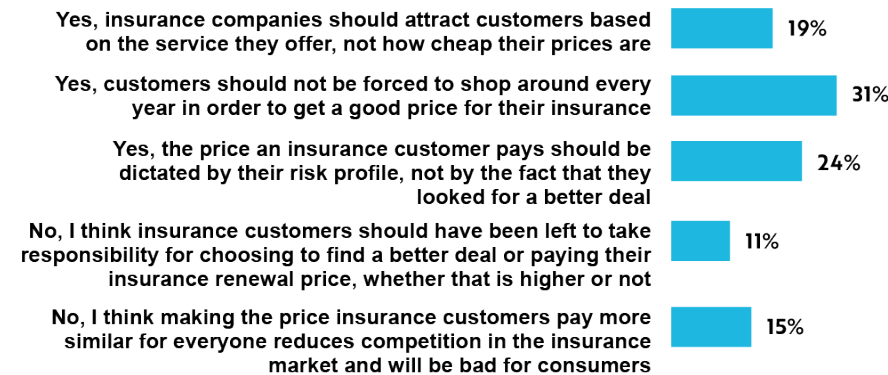
Although a quarter of those surveyed in the UK feel that insurance customers should have been left to take responsibility for choosing to find



a better deal, the majority see the new rules as making the insurance market fairer. Almost a quarter (24%) of people think that the price that insurance customers pay should be dictated by their risk profiles and not by the fact that they looked for a better deal; this number rises to 33% amongst those aged 18–24, an age group often thought of as higher risk. Approximately 31% agree that customers should not be forced to shop around every year to get a good price for their insurance, and 19% say that insurance companies should attract customers based on the service they offer and not their inexpensive prices.

Q19. At the beginning of 2022, new regulations came into effect that prevent insurers from offering new customers heavy discounts on insurance versus their existing customers. This has resulted in insurance policies for both new and existing customers being more evenly priced but has penalised those willing to shop around each year for the best deal. Do you think that this change makes the insurance market fairer?

As for the fate of comparison websites, it seems that, for now, reports of their death are greatly exaggerated. More than a quarter (28%) of UK

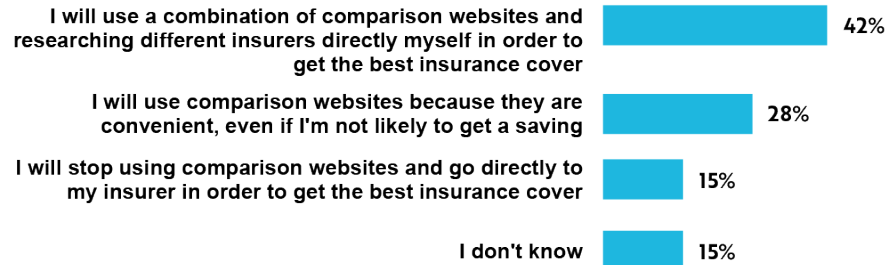


insurance customers will use comparison websites for reasons of convenience, even if they are unlikely to secure a saving. On top of this, a further four in ten (42%) will use a combination of comparison websites and researching different insurers directly to obtain the best insurance cover. However, younger consumers are more likely to stop using comparison websites. More than a fifth of those aged 18–24 (21%) and 25–34 (21%) said they would stop using comparison websites and go directly to their insurer to get the best insurance cover. This poses challenges for comparison sites as well as for insurers trying to win new customers.

Q20. Given that insurance policy prices are now much more similar, what is the most likely method through which you will



research and buy insurance?



How might insurers respond?

There is a *Groundhog Day* aspect to these findings. As in previous surveys, we see that customers maintain their indifferent and sometimes negative views of their insurers.

It would be wrong to say that the relationship between insurer and customer is strained. Yet it remains distant, and this could be a problem as the industry navigates the impact of economic uncertainty on its customers. Our study shows that most customers are worried, and some may cut their spending on insurance.

Faced with this difficult economic reality, insurers need to think hard about their options to retain existing and win new customers. The industry's ability to offer cut-price deals is affected by the new FCA rules on fair pricing and by how an insurer's own operational costs may be rising with inflationary pressures.

How consumers plan to economise in the year ahead could present an opportunity for insurers to reimagine their relationship with customers. Insurers could use customers' reluctance to spend on insurance to launch or increase the availability of new kinds of products that see customers pay for insurance only when they use their property. While UK take-up on usage-based insurance (UBI) has not changed much since last year's study, it is likely to be of more interest in the current climate.

Perhaps insurers need to be bolder and offer more extreme personalised products. For example, they could let customers set their own coverage limit and do a pick and mix of the specific items that they want to insure.

As customers query the value of insurance even more than before, insurers could respond with new services that proactively protect customers against risks in their homes or cars. Our study indicates there is certainly an appetite for risk prevention alerts. This would go some way to counter the perception of insurance services as a passive element in customers' lives.

The reality is that UBI and personalised insurance and risk services have been on insurers' agendas for years. The countervailing forces remain the



Navigate what's next.

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same. Customers need to be ready to let insurers into their private lives and not regard the required monitoring to be invasive snooping. Again, any investment in technology needs to be balanced with real commitment and determination by insurers: they must be super-transparent about how these new offerings work, how their customers' data is used and protected, and how individual customers can retain control and see clear benefit.

The latter point is particularly crucial if insurers are to enhance their relationships with customers. They need to show the value of insurance, how it protects customers' lives and their property, while also seeking to understand them better, and deliver better service.

The last few years have been tumultuous for everyone, insurers included. Notwithstanding past and current economic uncertainties, insurers should seize upon 2022 as a time not for caution but for more experimentation in creating and delivering services that bring them closer to customers. This means testing new ideas and having the confidence to learn from failure.

Insurers are seen as cautious risk takers. So how can they be bolder in engaging with their customers? With the right business and technology partners, they can share the risk of the new business models, technologies, and processes that must be designed, built, tested, and evolved. Insurers that are bolder and braver in their customer engagement will be those that are confident that their insurance technology platforms are stable, scalable, and built for change.

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