



Consumers experience of insurance renewal

FS Panel, Feb 2024

FCA

**Financial Services
Consumer Panel**

Our approach and method

Cognitive interviews

We conducted four cognitive interviews as part of the survey design process, to ensure questions were fit for purpose i.e. that the language was clear and we were effectively measuring the right concepts.

We interviewed consumers who had recently renewed insurance.



Quantitative survey

We ran a **10 minute online, bespoke quantitative** survey with a nationally representative sample of **2,000 consumers**.
This included a minimum sample of 1,000 consumers who had renewed insurance in the last 12 months.

We conducted fieldwork between 4th January and 10th January 2024.

Key findings: insurance renewal (I)

The majority of consumers have experienced a price increase for their insurance renewal across products, with 80% being offered an increased price for car insurance, 72% for home, and 51% for travel.

The mean average percentage change in price is highest for car insurance (27%), followed by home (22%), then travel (13%).

But mean averages hide the extremes, and some consumers are facing extremely large hikes. Specifically, almost a quarter of those renewing their home insurance have seen an increase of 30% or more, and a quarter of those renewing their car insurance have seen price increases above 40%.

Consumers are taking action in response to higher renewal prices (74% who renewed their car insurance, 64% home, 56% travel). In particular, they are 'shopping around' or changing provider, followed in third place by negotiating the price.

Key findings: insurance renewal (II)

Taking action does pay off and reduces prices for most, with 54% seeing a reduction in travel insurance, 64% in home and 68% in car after taking any action.

The action most likely to pay off is the one least likely to be taken, and possibly the hardest to do: negotiation. 85% of those who negotiated their car insurance price saw a reduction, and 81% of those negotiating home insurance saw a reduction.

Consumers tend to feel satisfied with their new insurance prices and believe they are getting value for money, but those who have taken action to get the price reduced are, interestingly, less likely to feel this way. This may indicate they may still be unhappy with the deal, or question why the price was increased in the first place.

Dissatisfaction with prices and deals is higher amongst those who have negotiated compared to other actions taken at insurance renewal...potentially showing these customers are most live to feeling they should have been offered that price from their provider to begin with.



Prices at renewal

Insights at a glance...

As the Panel hypothesised, and other research shows, **insurance renewal prices are increasing.**

80% said their car insurance went up, 72% said their home insurance went up, and 51% said their travel insurance went up.

Mean average percentage increases are highest for car insurance (27% increase), followed by home insurance (22% increase), and travel insurance (13% increase).

But some are experiencing even higher price hikes. For car insurance, a quarter of those renewing experienced price increases of above 40%, and almost a quarter of those renewing their home insurance saw an increase of above 30%.

Insurance increases are widely publicised

Increased cost of materials and labour continue to push up price of motor insurance in the last quarter

08/11/2023



NEWS

Home and motor insurance premiums surge at 'unprecedented' rate



By Chantal Kapani | 6 October 2023

UK home insurance prices set to jump after dire year for underwriters

Rise of 36% expected due to swings in weather, higher inflation and strained supply chains, says EY



The average household policy is already a tenth more expensive than it was last year, as the sector records its worst period of trading in 50 years © Christopher Furlong/Getty Images

PRESS RELEASE

UK car insurance prices hit new record as claim costs surge

October 13, 2023



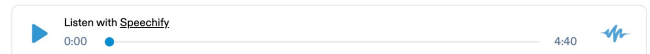
Car insurance

Why are car insurance premiums increasing?



Michael Brown | Commercial writer

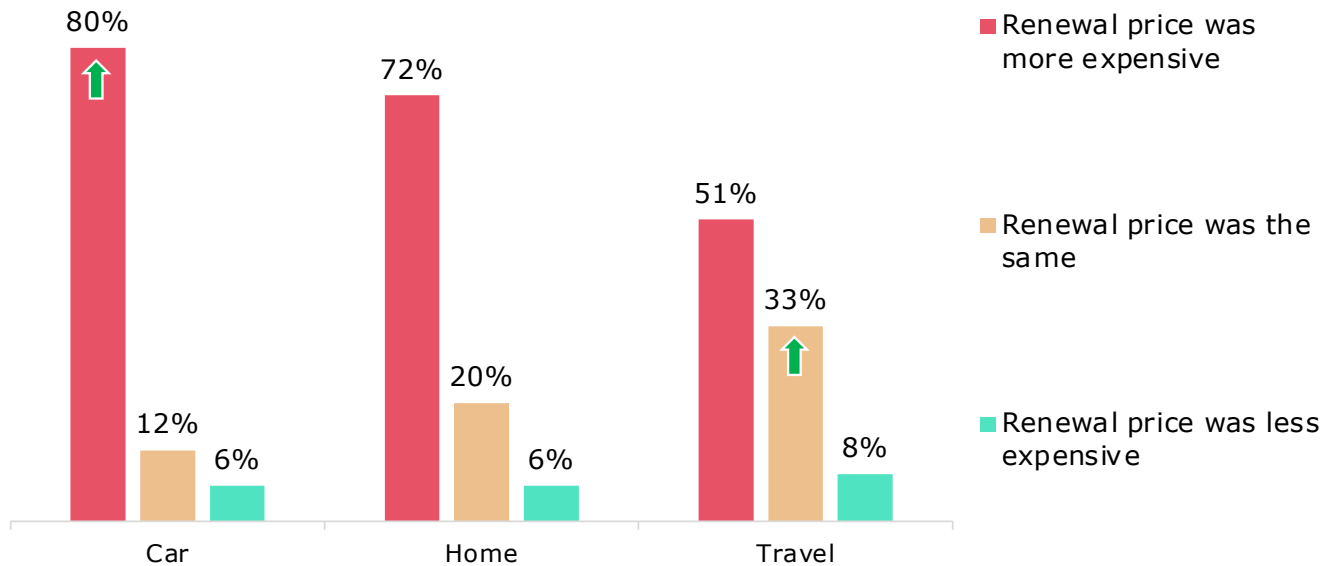
Updated January 17, 2024



We found that majority of consumers have experienced an increase in their insurance renewal



Stated price change when renewing insurance



Average percentage change is highest for car insurance, followed by home, then travel

	27%
	22%
	13%

↑ Significantly higher than the cohort at 95% confidence level



While the mean average price increases is lowest for travel insurance, some consumers are still seeing large increases

Quartile	% change in price of renewal	% of those who renewed travel insurance	Average (mean)
1 st quartile	Decrease in price (<0%)	12%	-31%
2 nd quartile	No change (0%)	35%	0%
3 rd quartile	1% to 22%	26%	15%
4 th quartile	23% or more	26%	50%

95th percentile increase: 60%

Average (mean) % increase: 13%



A note on the analysis here:

Calculating percentage change quartiles for those who renewed their travel insurance has been limited by the sample size -

- **Over a third reported no change in price** – this cannot be distributed into quartiles

The sample size also gets too small for further analysis by quartile, and so the later slides focus on those who renewed car insurance and home insurance.



Almost a quarter of consumers see their price at home insurance renewal increase by over 30%

Quartile	% change in price of renewal	% of those who renewed home insurance	Average (mean)
1 st quartile	Decrease or no change in price (0% or less)	29%	-5%
2 nd quartile	1% to 13%	23%	8%
3 rd quartile	14% to 30%	25%	21%
4 th quartile	31%+	23%	72%

95th percentile increase: 73%

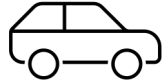
Average (mean) % increase: 22%



Key take-aways:

23% of those who renewed their home insurance had an **average price increase of 72%** (see 4th quartile).

The 1st quartile average of -5% shows that consumers were very unlikely to have been offered a renewal price cheaper than what they were paying.



Worryingly, a quarter of consumers have seen their car insurance renewal price increase by over 40%

Quartile	% change in price of renewal	% of those who renewed car insurance	Average (mean)
1 st quartile	Up to 5% increase (incl. decrease and 0%)	25%	-6%
2 nd quartile	6% to 20%	27%	13%
3 rd quartile	21% to 39%	23%	29%
4 th quartile	40%+	25%	74%

95th percentile increase: 94%

Average (mean) % increase: 27%



Key take-aways:

25% of those who renewed their car insurance had an **average increase of 74%** (see 4th quartile).

The 95th percentile increase is higher here than for any other insurance type, demonstrating how high car insurance renewals were.



Action taken at renewal

Insights at a glance...

Consumers are taking action in response to price increases, mostly by shopping around, then changing provider, followed by negotiating the price.

Those offered **the biggest increase in price at renewal are most likely to take action,** somewhat unsurprisingly.

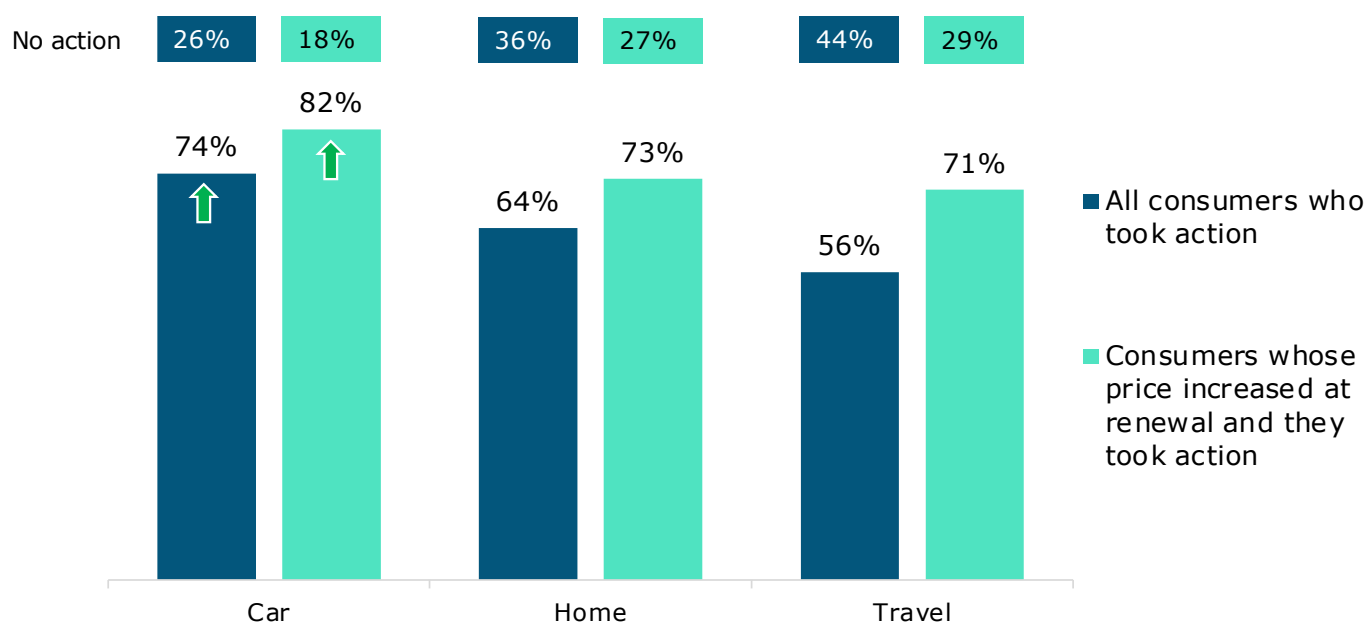
Taking action usually pays off. After taking action, 54% saw a decrease in their car insurance, 64% in their home insurance and 68% in their travel insurance.

Negotiation is the action that is most likely to pay off, with 85% of those who negotiated the price of their car insurance seeing a reduction in price, and 81% for home insurance.

But negotiation is the least likely action consumers take, as it's likely to require a specific set of skills and financial confidence. This means some less able to negotiate may be left out of securing the best prices.

Consumers are more likely to take action if the price of their insurance increased when renewing

Consumers who took action when renewing their insurance



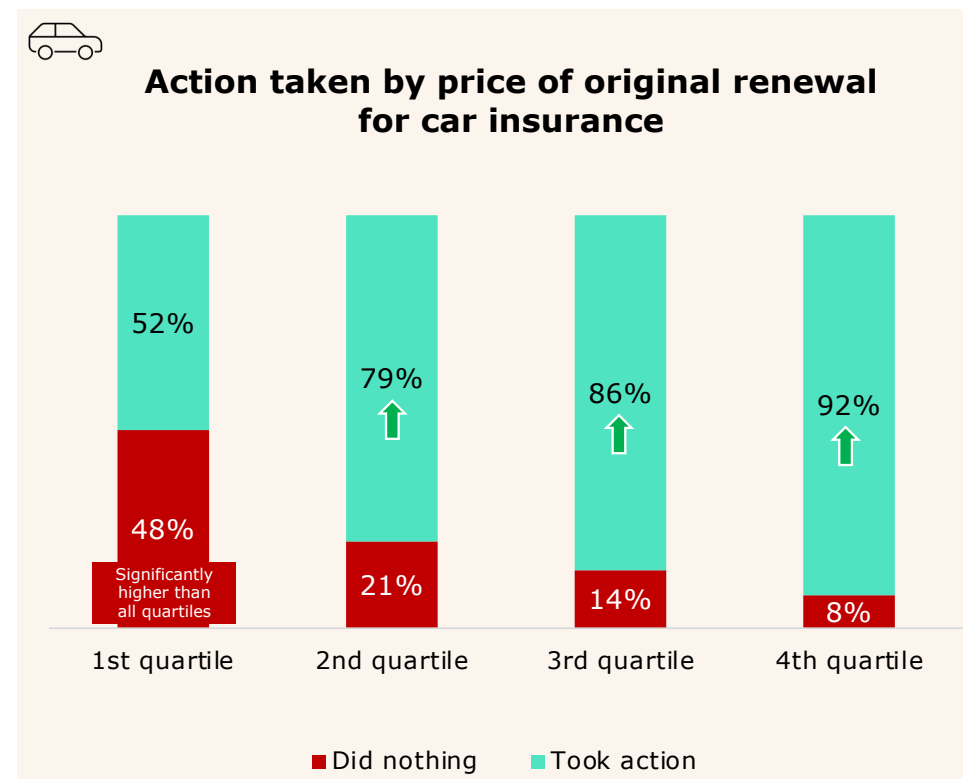
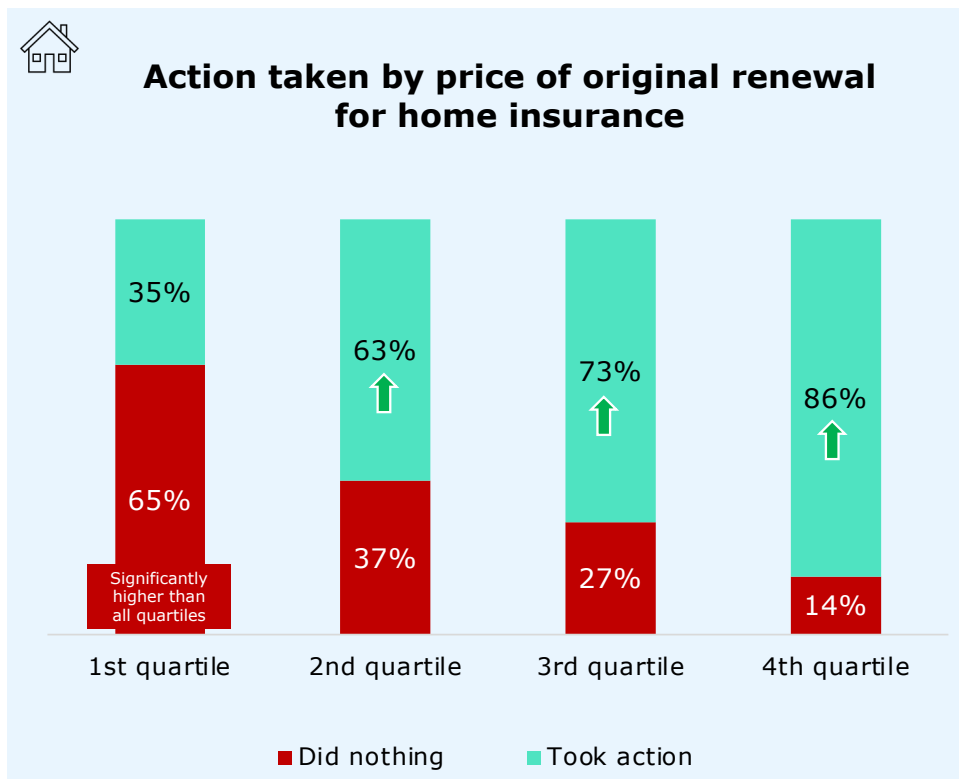
Action takers tend to be those facing financial pressure (e.g. struggling to keep up with bills / payments), except for car insurance.

No action taken:

- Travel insurance is likely the cheapest expense overall which may explain why this proportion of consumers is higher.
- Those with home insurance are less likely to take action if they have any type of vulnerability or feel less knowledgeable about finances.
- In terms of car insurance, those in the DE social grade are less likely to take action, and those with a physical or mental health condition.

↑ Significantly higher than the cohort at 95% confidence level

As we may expect, the bigger the price increase, the more likely consumers are to take action



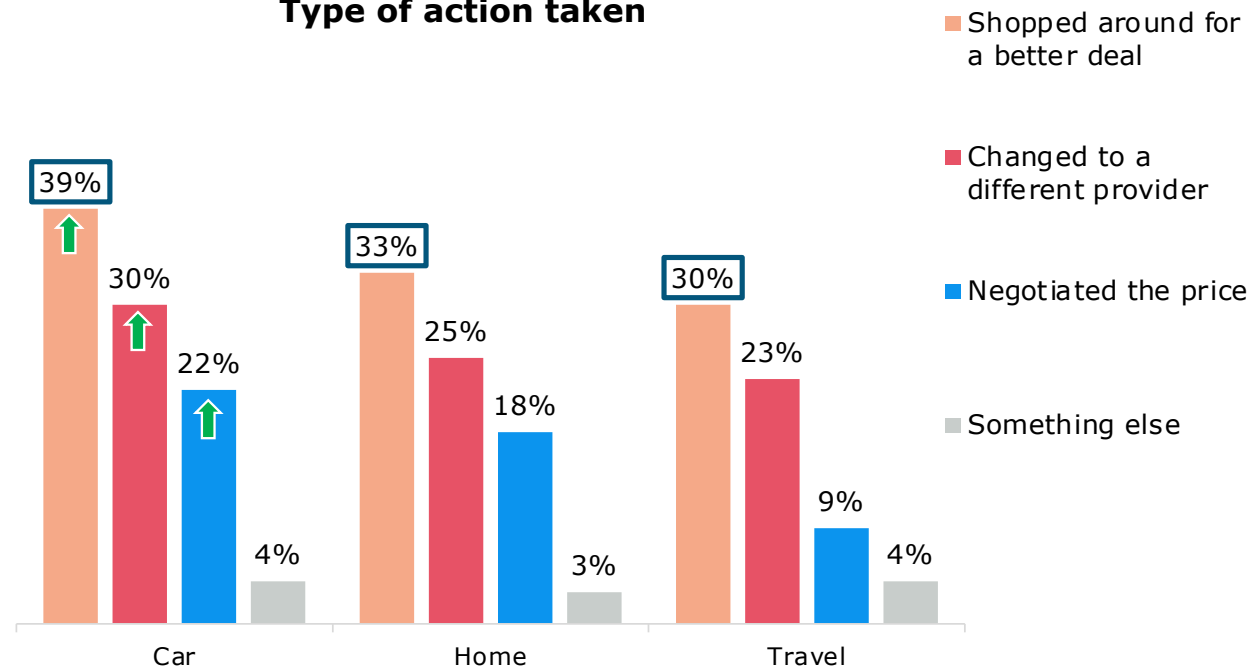
↑ Significantly higher than the lowest quartile at 95% confidence level

NB: Travel insurance base sizes too small Q29. Which of the following, if any, did you do when you found out about the price of your... Base: Home; 1st quartile (n=187), 2nd quartile (n=153), 3rd quartile (n=164), 4th quartile (n=153). Car insurance; 1st quartile (n=182), 2nd quartile (n=197), 3rd quartile (n=170), 4th quartile (n=184)

Consumers are mainly 'shopping around' or changing to a different provider, with negotiation less popular



Type of action taken



Home insurance – older consumers (65+) are more likely to negotiate, and less likely to change provider.

Car insurance – those aged 55-64 are more likely to shop around. Those in the DE social grade are less likely to negotiate than those in AB.

Of those who shopped around...

- Car: 32% changed provider
- Home: 27% changed provider
- Travel: 22% changed provider

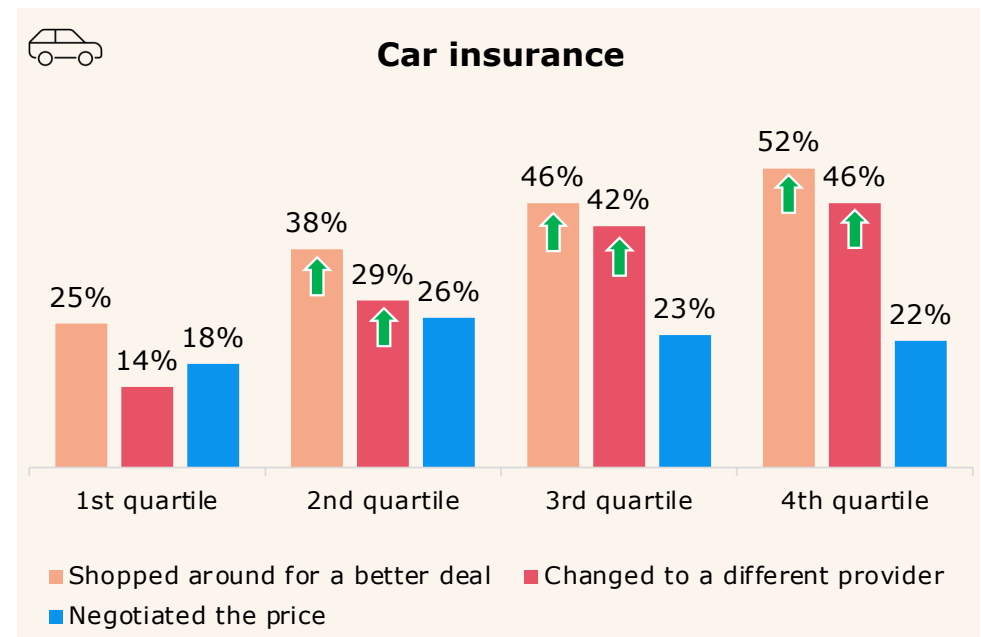
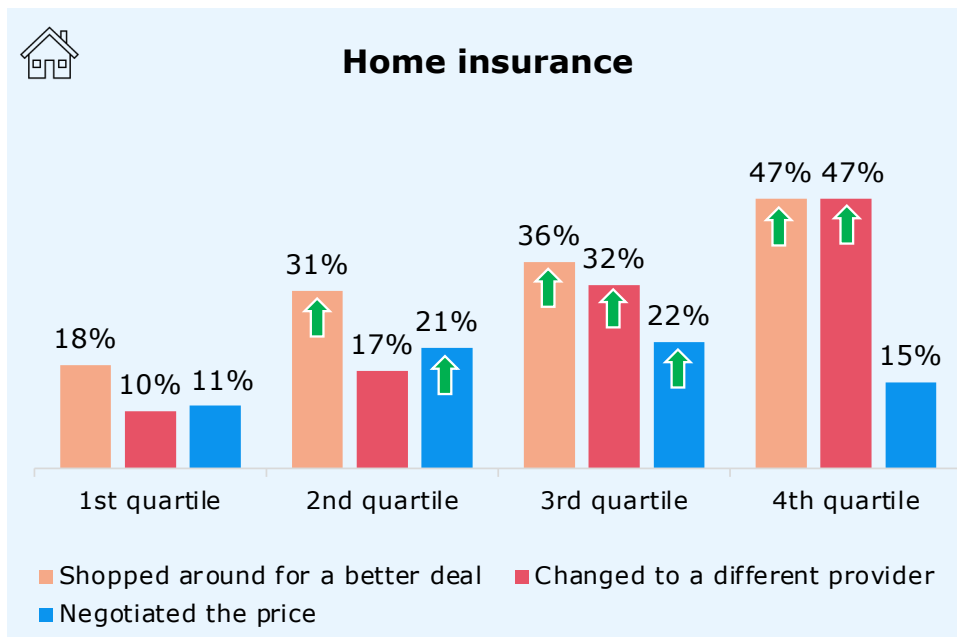
This suggests that **prices are high across the board** – changing provider doesn't necessarily pay off.

It also points to a **confidence / time / effort barrier** stopping consumers from actually changing provider.

↑ Significantly higher than the cohort at 95% confidence level

NB: This question was multiple choice, so respondents could select as many options as they like – please see the blue box to understand how many of those who shopped around changed provider

These trends play out across the quartiles: shopping around and changing provider stay most popular irrespective of the price increases



Price isn't the primary driver for why people negotiate. We can hypothesise that negotiation requires confidence, time, effort, etc., meaning certain consumers are more likely to negotiate than others. It may also be that consumers are so outraged by the price hikes that they lose any interest in trying to negotiate with their provider.


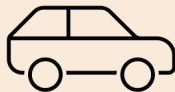
And taking action pays off for most consumers, across all quartiles

Overall, most consumers who acted saw the price of their renewal reduce:



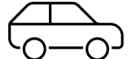
 **68%** got a reduction

 **64%** got a reduction

 **54%** got a reduction

Insurance renewal	% whose renewal price reduced after taking action			
	1 st quartile	2 nd quartile	3 rd quartile	4 th quartile
*Base between 50 and 100				
	58%*	60%*	69%	71%
	67%*	72%	80%	70%

...Negotiation specifically has the best pay offs for consumers, despite being the action least taken

Likelihood of taking action	Action taken	% of consumers whose renewal price reduced after taking action		
				
N/A	Any action	54%	64%	68%
1 st	Shopped around for a better deal	42%*	54%	59%
2 nd	Changed to a different provider	75%*	77%↑	77%↑
3 rd	Negotiated the price	** Base <50	81%↑	85%↑



- **Shopping around for better deals**, whilst most popular, is least likely to lead to a reduction in renewal price for all insurance types.
- This points to the fact that prices are increasing across the board and that better deals are not always easy to find.
- This said, three quarters of consumers who can **find an alternative provider** see their renewal price drop as a result.
- Better still, **negotiating the price** pays off for more than 4 in 5 home or car insurance customers who do this (81% and 85% respectively).

We can hypothesise that negotiation requires a certain level of skill and confidence, as well as time and effort. Some consumers will therefore be locked out of negotiating.

***Base between 50 and 100**

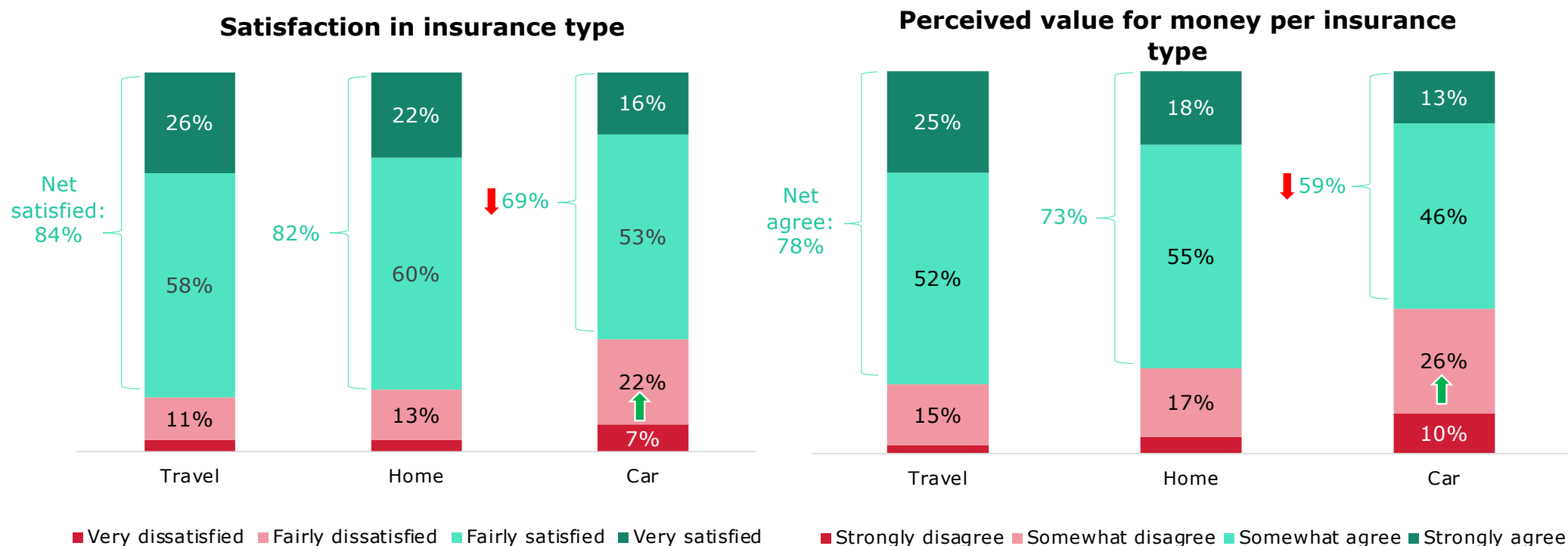
Q30. As a result, was the price of your renewal reduced for your... Base: Any action; Travel (n=174), Home (n=655), Car (n=814). Shopped around; Travel (n=95), Home (n=338), Car (n=426). Changed provider; Travel (n=71), Home (n=256), Car (n=328). Negotiated price; Travel (n=28), Home (n=182), Car (n=234)

↑ Significantly higher than taking 'any action' at 95% confidence level



Consumer satisfaction with the renewal process

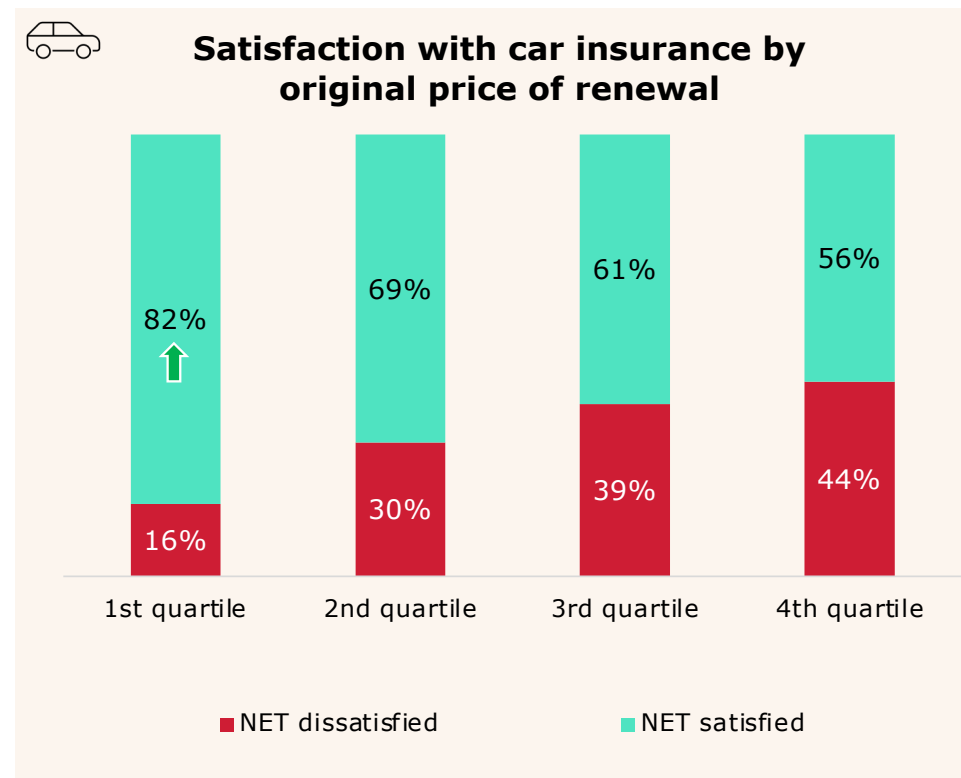
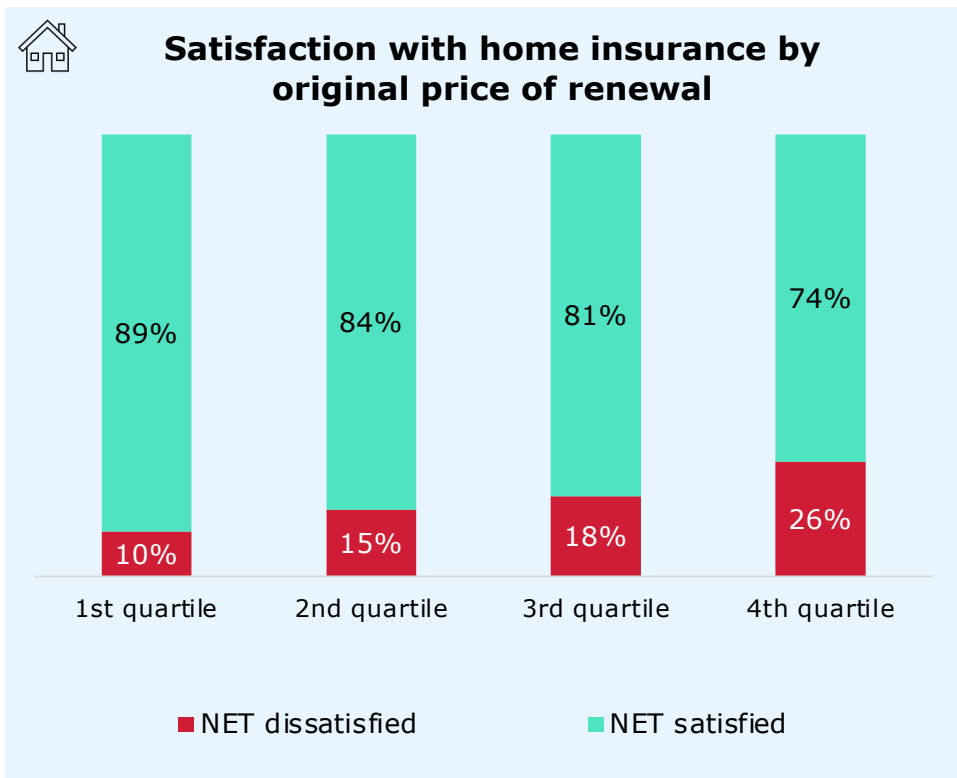
Consumers who have renewed feel satisfied with what they now pay for their insurance



Q31. How satisfied are you with the price you now pay for your... Base: Travel (n=307), Home (n=1026), Car (n=1095)
 Q32. And how much do you agree that the price you pay now is good value for money for your... Base: Travel (n=307), Home (n=1026), Car (n=1095)

↑ ↓ Significantly higher or lower than cohort at 95% confidence level

Levels of satisfaction are lower amongst those who were offered the highest price at renewal



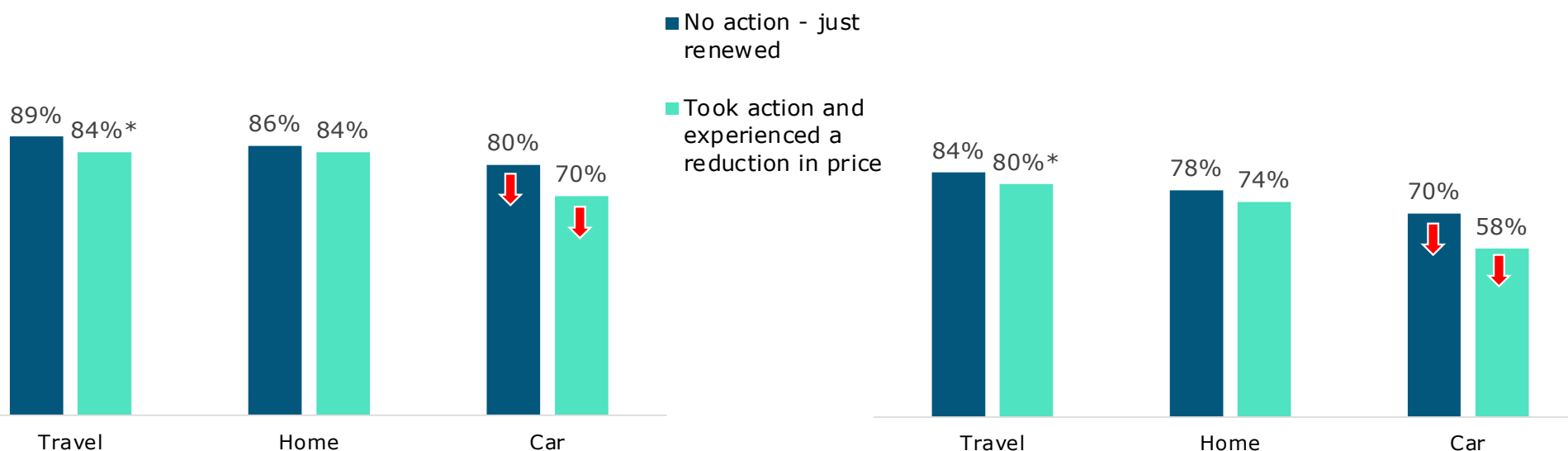
NB: Travel insurance base sizes too small; if columns do not add up to 100%, this is because of 'unsure' responses
 Q31. How satisfied are you with the price you now pay for your...; Q32. And how much do you agree that the price you pay now is good value for money for your...
 Base: Home; 1st quartile (n=187), 2nd quartile (n=153), 3rd quartile (n=164), 4th quartile (n=153). Car insurance; 1st quartile (n=182), 2nd quartile (n=197), 3rd quartile (n=170), 4th quartile (n=184)

↑ ↓ Significantly higher or lower than all other quartiles at 95% confidence level

Those who took action at renewal also feel less satisfied compared with those who did not



Net: satisfied with price



Net: agree it is value for money



- **Satisfaction is higher amongst those who did nothing and just renewed their policy** – this suggests they were happy with the provider/brand and actively decided to renew with them, or didn't know any different.
- **In comparison, satisfaction is lower amongst those whose renewal reduced as a result of taking action** – we can hypothesise that action resulting in a price reduction makes consumers question why it was so high in the first place. Plus, taking action is burdensome, so if consumers don't see the price decrease they'd like, they are likely to feel unsatisfied.

Specifically, consumers who negotiated the price are least likely to feel satisfied

Net: Satisfied		
No action – just renewed	86% ↑	80% ↑
Shopped around for a better deal	81%	65%
Changed to a different provider	84%	69%
Negotiated the price	77%	64%

Net: Value for money		
No action – just renewed	78% ↑	70% ↑
Shopped around for a better deal	72%	54%
Changed to a different provider	73%	60%
Negotiated the price	68%	51%



Our hypothesis:

- Despite negotiation being the action most likely to result in a price reduction at renewal, it has a negative impact on satisfaction and value for money
- We hypothesise this is because price decreases at negotiation reveal how needless the higher prices offered were.
- Consumers may feel that they have had “the wool pulled over their eyes” and question why their provider didn’t just offer them this in the first place.
- They may also feel that the price could be reduced even further, and think that they haven’t managed to get the best deal.



Thank you, for more information

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