

The Price Of Accuracy: Consumer Attitudes To Data And Insurance



An independent research report commissioned
by the Association of British Insurers (ABI)

Contents

- 3** Chapter 01
Executive Summary
- 6** Chapter 02
Introduction
- 10** Chapter 03
Where consumers are starting from on this topic
- 18** Chapter 04
Awareness and perceptions of how insurance is currently priced
- 30** Chapter 05
Levels of comfort with insurers using different types of information

- 45** Chapter 06
Trade-offs when considering the future of consumer data and insurance
- 50** Chapter 07
How trade-offs are made by different groups of consumers
- 62** Chapter 08
Conclusions and implications
- 65** Chapter 09
Appendix

Chapter 01

Executive Summary

Data has always been at the heart of the insurance industry, but is now essential to future innovations in the way insurance is priced, claims are processed, and insurers serve their customers. At the same time, data collection and usage practices are under greater scrutiny than ever, and consumers are becoming increasingly conscious, and in some cases, anxious, about what data they're sharing with whom. The industry risks major reputational damage if data-driven innovations which are dependent on consumers sharing their information begin to outstrip public perceptions of what is and isn't acceptable.

Against this backdrop, the Association of British Insurers (ABI) commissioned independent research agency BritainThinks to understand where consumers are starting from when they think about the use of their data in relation to insurance, how these attitudes might change in response to future developments in the sector, and what would show customers that the insurance industry is using their data in their best interests. To find out, BritainThinks conducted a three-stage research project comprising scoping focus groups, a series of deliberative workshops, and a quantitative survey of more than 2,000 general insurance customers.

This research identified that:

1 Consumers are approaching this topic through a double-layered lens of mistrust.

Both the insurance industry and the 'ecosystem' within which consumer data is collected and shared have suffered recent crises of trust. Despite a general appreciation that both insurance and data sharing offer consumers clear and real benefits, these are two 'worlds' which both feel complex and opaque to the consumer – some believe even deliberately so.

- Workshop participants described frustration with changes to the cost of their insurance during renewal that they felt were 'random' and 'unexplained'. Seven in ten (70%) customers believe

that their insurance premiums go up every year, no matter what they do.

- Close to nine in ten (86%) consumers say that they are concerned about organisations selling or sharing information about them when those organisations don't have permission to do so. More than half (53%) remain uncomfortable with this even when they have given permission for their data to be shared.

Taken together, this means that consumers are primed to feel particularly cautious and sceptical when it comes to their data in the context of insurance (or vice versa). It also means that they are more likely to interpret new developments in relation to their data as designed to work in the industry's best interests (for example as a means of increasing prices and profits) rather than their own.

- Just 13% of general insurance customers select a score of 8-10 for insurance providers when asked to rate the extent to which they trust different sectors and organisations to use their information and data in their best interests on a scale from 0-10 (where 10 is 'trust completely').

2 Consumers are operating with a relatively shallow understanding of how their insurance is priced, and what their insurers know about them.

When asked whether they feel confident that they understand how their insurer calculates their premiums, just three in ten (29%) general insurance customers agree that this is the case. Awareness of the factors which drive prices is largely restricted to a) the information which consumers have prior experience of sharing with insurers at the point of (re-)sale and the point of claim, largely relating to their demographics and their claims history; and b) the factors which feel most logical and intuitive, and which consumers feel might 'explain' why their premiums go up or down. There is particular interest

in seeing this type of explanation, particularly when prices go up, to empower consumers to reduce their levels of risk and secure better deals.

- Not only is understanding low, but there are also a number of misperceptions about how premiums are calculated. For example, 70% of general insurance consumers incorrectly assume that gender is taken into account when pricing insurance.
- Understanding of pricing is further limited by an unwillingness among consumers to see themselves as 'risky' and to speculate on which of their personal characteristics may increase the likelihood of an accident or other unwanted event. This also makes consumers less likely to view existing cross-subsidies as being beneficial to them personally.

3 Consumers judge acceptability of new developments in the sector in relation to their data on the basis of four key factors.

They want to know that they have some **control** in the situation, i.e. that they know that it is happening and that they can opt out if they want to do so. Comfort also increases when consumers feel that they can see the **relevance** of why they are being asked to share certain types of data in particular contexts, i.e. how this information will help their insurers calculate their premium or respond to their claim. Views are also more positive when consumers feel that they can see clear **benefits** of sharing their data, such as cost or time savings, and more negative if they perceive any **harms** of doing so.

Through this 'framework', the future developments which consistently raise the most questions among consumers relate to:

- **Insurers accessing data from third parties** such as data brokers, especially if consumers do not feel that they have given genuinely informed consent for their data to be shared in this way.

- **The use of non-intuitive factors** to assess risk and therefore impact on pricing. This concept is both extremely challenging to communicate to consumers, and at odds with their strong desire to see the industry be more transparent in its calculations and explanations of pricing.

Consumers are comparatively more open to the use of monitoring technologies in the sector, as they feel the potential benefits and relevance of these are relatively clear, and that they have control over the decision about whether or not to agree to their usage.

4 As they start to learn more, a fundamental tension emerges in consumers' priorities for the industry in relation to consumer data.

Most consumers are firmly of the view that customers should be paying for their exact, individual level of risk, rather than cross-subsidies existing across the market, and embrace the idea of greater accuracy in insurance pricing in principle.

- When asked whether they would prefer to see everyone pay for their insurance exactly according to their level of risk, even if it makes insurance unaffordable for some people, just under two thirds (64%) of general insurance customers say that this option best fits their personal opinion.
- However, at 36%, a significant minority of consumers do take the opposing view, i.e. that the cost of insurance should be spread across customers so that it isn't unaffordable for anyone. Younger consumers are more likely than older consumers to be sympathetic towards this latter viewpoint.

Despite this preference for greater accuracy of pricing at 'face value', consumers also express concern about the extent to which insurers are already able to access their information and may be able to do so in the future. In particular, there is concern about

the use of non-intuitive factors to make 'judgements' about consumers that might make their pricing more accurate, but also more challenging to explain and for them to understand.

5 On balance, customers are more likely to say that it is important that the industry moves towards accurate pricing than minimises its access to consumer data. However, this view is far from clear-cut across the whole general insurance customer population.

- General insurance customers are more likely to say that they would prefer to pay for insurance based on their exact level of risk, even if this means sharing more personal data about themselves with their insurance company. Three fifths (59%) of consumers select this statement from a pair of options.
- However, at 41%, a significant minority of customers prefer the alternative of keeping information sharing with their insurer to a minimum, even if it means that their premium might go up because their insurer has a less accurate understanding of their level of risk.

There is also desire to avoid penalising any consumers who are unwilling to share their data, even if this prevents consumers who are more open with their data from realising the benefits of this, and some sympathy towards consumers who may not be able to control which factors increase their risk level. Whatever their own personal views about privacy, consumers are concerned that the industry may start to 'force' these customers into sharing their data.

This report sets out these qualitative and quantitative research findings in full, and ends with some key questions for the insurance industry to consider as this debate continues:

- What can the insurance industry do to get on the 'front foot' on this issue?
- How can the industry put data at the heart of ongoing efforts to improve clarity and transparency in the sector?
- How can the industry utilise and build on the consumer-led 'framework' for judging the acceptability of data-driven developments set out in this report?
- What should the expectations be on the other actors in the data 'ecosystem'?
- What balance should the industry strike between the (slim) majority preference for more accurate pricing, and the appetite for protection of privacy and affordability?
- As the industry moves towards more individualised pricing based on a more accurate understanding of risk, what consumer protections might need to be put in place?

Introduction

Background to this research

Information and data have always been essential for insurers in assessing and modelling risk and, therefore, in determining the prices that their customers pay for their insurance policies. However, recent advances in technology have seen a proliferation in the amount of data that's available about consumers, creating huge potential for innovation in pricing and customer experience across the industry. Data-driven developments being discussed across the industry include the ability for insurers to:

- Price insurance premiums more accurately based on a more precise understanding of a customer's individual risk profile
- Offer discounts to customers with lower risk profiles and, in some cases, 'reward' positive consumer behaviour, such as safe driving
- Reduce the burden on customers having to provide information, both at the point of (re-)sale and when they claim on their insurance

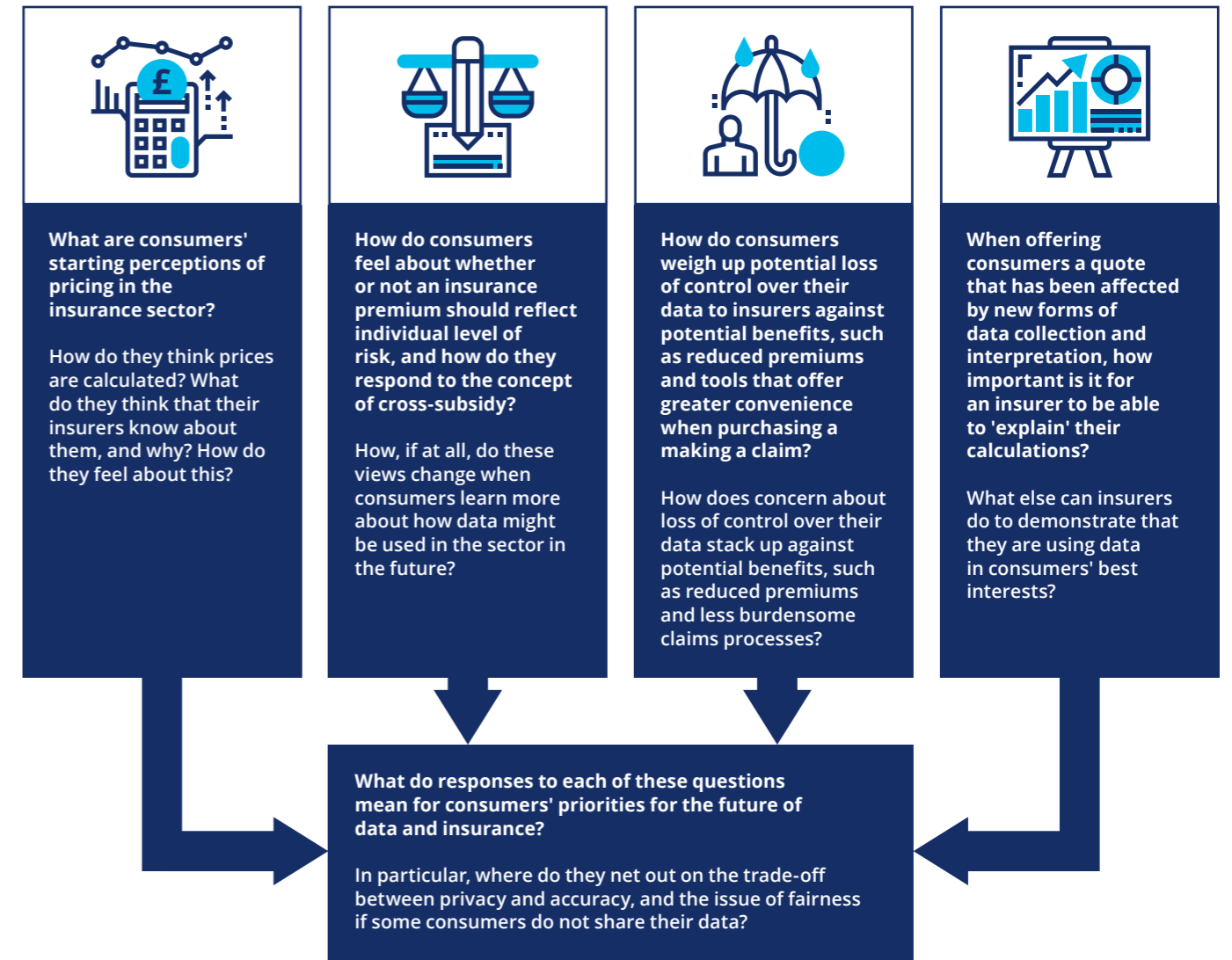
At the same time, discussions about how consumer data is collected and used have risen up the policy agenda and in the public consciousness. 2018 saw one of the biggest ever overhauls of data protection with the implementation of the General Data Protection Regulation (GDPR), and the launch of the new Centre for Data Ethics and Innovation. BritainThinks' research for Which? in the same year highlighted that, while attitudes and behaviours in relation to data sharing vary across the population, and the benefits of sharing data are often more front-of-mind than any potential drawbacks, consumers are more likely to be concerned than unconcerned about how their data is collected. This concern tends to

grow the more customers learn about data collection practices, and there are particularly strong and emotive responses to third parties overall and data brokers specifically.¹

The potential for the pace of innovation in the use of customer data to outstrip public and stakeholder conceptions of what is and isn't acceptable in relation to that data presents a major risk for the insurance industry. Some of the potential benefits of future developments in relation to customer data are dependent on the majority of consumers being willing to share their data. Other changes could see consumers who are less willing to share this data inadvertently penalised, for example by higher prices on the assumption that customers are not sharing this information because they have 'something to hide'. There is also the risk that new data-reliant propositions may not even make it to market if they are deemed a cause for concern by customers, consumer representatives, privacy campaigners, regulators or government.

Research objectives

In response to this challenge, the Association of British Insurers (ABI) commissioned independent research agency BritainThinks to explore how customers feel about current and potential changes to the use of their data in the context of general insurance. In particular, this research sought to understand customer responses to potential 'trade-offs' between the benefits of data sharing, such as convenience and potential cost savings, and any drawbacks, for example any perceived loss of privacy or control, or increases in cost. Specifically, the research aimed to answer the following key questions:



The scope of this research was focused on retail general insurance because many of the new data-driven developments in the industry are concentrated on these products as insurers seek to stand out with competitive prices and compelling customer experience propositions. However, where relevant, the research touched on health and protection

products including private medical insurance and critical illness cover, which may require consumers to share more 'personal' forms of data (e.g. health-related data) and these findings are also included in this report. Pensions were entirely out of scope for the purposes of this research.

Research methodology and sample

To reflect the importance and complexity of this topic, the research comprised 3 distinct phases and drew on several complementary research methods:



*Customers of general insurance were defined as those with any one of the following types of general insurance product: motor, home, travel or pet insurance. Participants were recruited to ensure ownership of a spread of insurance types and past claiming behaviour at each phase. Where relevant, views of data in relation to any additional forms of insurance product, such as private medical insurance, were probed briefly.

**Interviews with customers living in vulnerable circumstances focused on the factors of older age (80+), financial vulnerability, and long-term physical or mental health conditions.

Please see the appendix for further detail on the sampling approach and research materials.

Focus of this report

This report sets out the findings from all three stages of research, organised thematically to cover:

- Where consumers are starting from when they think about the use of their data in the context of general insurance
- How much consumers know about how insurance is currently priced
- Consumer attitudes towards the principle of pricing insurance more accurately (as opposed to cross-subsidies existing in insurance)
- Consumers' levels of comfort with the insurance industry using different types of information about them *in practice*
- Responses to potential trade-offs between the perceived benefits of convenience and cost saving, and potential drawbacks of a loss of privacy and control
- How different consumers fall out on the trade-off between accuracy and privacy
- The implications of the findings from this research for the insurance industry

Where consumers are starting from on this topic

Summary of this chapter

- **There is widespread belief in the value of insurance.** Four in five (82%) customers say that they would feel vulnerable without it, and previous claimants are significantly more likely to feel satisfied with their insurance products than non-claimants.
- **Insurance is a sector which feels especially challenging to understand from a consumer perspective.** As has been documented elsewhere, trust is low in insurers to act in their customers' best interests, and there are particular concerns in relation to clarity and transparency. This is most strongly felt in relation to pricing: seven in ten (70%) customers believe premiums go up every year no matter what.
- **The data 'ecosystem' also feels opaque to consumers.** As with insurance, there is suspicion that organisations are deliberately making it difficult for consumers to understand how their data is being collected and used, despite the many tangible benefits of data sharing.
- **The implication of combining these two 'industries' in consumers' minds is that there is little 'goodwill in the bank' when consumers think about how insurers currently use their data and may do so in the future.** The immediate assumption is that this data is not being used in consumers' best interests (just 13% of general insurance customers believe this), but against them, for example to increase prices.

Starting attitudes towards insurers overall

Previous analysis by KPMG points to a 'trust gap' in the insurance industry, whereby consumer impressions of insurers in the abstract, and particularly their willingness to pay out in the event of a claim, are more negative than positive, yet actual experiences of insurers, including making a claim, tend to be more positive than negative.² This research reinforces this finding and further highlights the complexity and, in some cases, contradictions, in consumers' starting views of the insurance industry.

On the one hand, insurance is often described by consumers as 'essential', not just because it is in some cases mandatory (as with motor insurance), but for the peace of mind and protection that it offers in case the worst happens. In a nationally representative survey of more than 2,000 general insurance customers, for which respondents were screened on the basis that they must own at least one insurance product, half (49%) say that they currently hold more than three policies. Four in five (82%) customers agree that they would feel 'vulnerable' without any insurance products, rising to 89% of those aged 75 and over, and 85% of homeowners.

Qualitatively, workshop participants often related feeling 'protected' by their insurance products as much to the emotional 'cover' that these policies provide by reducing the burden of resolving an accident, event or other damage, as they did to financial protection. However, it is worth noting that the 'deferred promise' inherent in an insurance policy means that this need, while real and important, can feel distant. Participants often found it difficult to conceptualise exactly what they were insuring themselves against. For example, many focussed on higher frequency, smaller impact events such as a scratch to their vehicle rather than a major car accident, and on the certainty that insurance offers them rather than the actual likelihood of something going wrong.³

“Four in five (82%) customers agree that they would feel 'vulnerable' without any insurance products.”

I have been with [my insurer] for 10 years and, although it's expensive, it's very good cover. If I go on holiday and something goes wrong, you just never know, [and] if you have to be brought home it can be very expensive.

General insurance customer aged 80+, depth interview participant, Welshpool

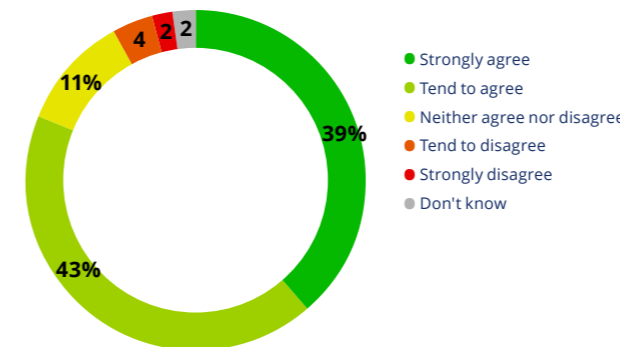
Some of it is mandatory but a lot of it is quality of life, if you [want to] enjoy certain things you need it. I have been in Egypt and my boy had an ear infection, and we can claim back £500.

General insurance customer aged 18-44, workshop participant, Canterbury

I got some insurance for plumbing and drainage issues after my husband passed away. When he was around, he dealt with all those sorts of things so when I heard about this, I thought it might be a good idea.

General insurance customer aged 45+, workshop participant, Welshpool

'I would feel vulnerable if I didn't have any insurance products'



Q9. How far do you agree or disagree with each of the following statements? Base: All respondents (n=2,019)

General insurance customers are also more likely to be satisfied than dissatisfied with their insurance products, and satisfaction tends to increase among past claimants compared to non-claimants. Across motor, home, travel, pet and private medical insurance, around three quarters of customers describe themselves as either 'very' or 'fairly' satisfied with these products. Those who have made a claim on these products are more likely to be satisfied

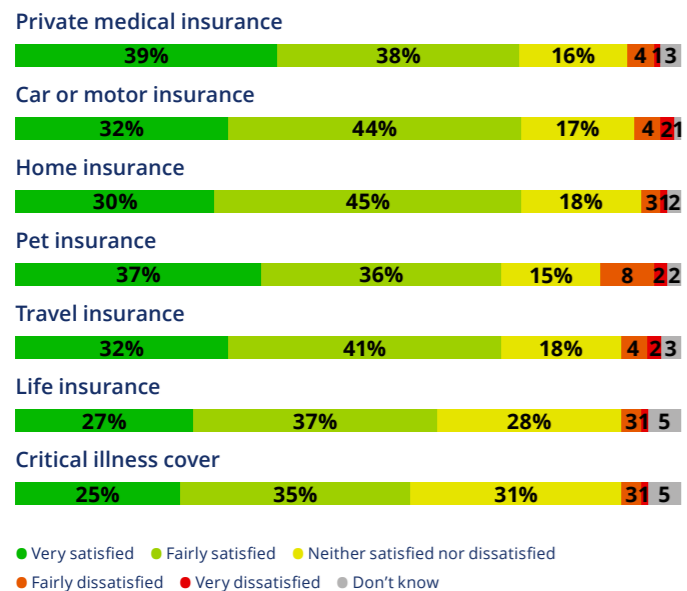
with them than those who have not. In the case of motor, home and pet insurance, customers who have made a claim on the product are 9 percentage points more likely to feel satisfied compared to those who have the product but not made a claim on it; for private medical insurance customers, the difference is even larger at 24 percentage points.

Customers who have claimed on their insurance products are even more likely to feel that insurance is important to them. Insurance claimants (86%) are more likely than non-claimants (71%) to agree that they would feel vulnerable without any insurance products. Qualitatively, workshop participants spontaneously swapped experiences where their expectations of the claims process had been exceeded because of the efficiency or empathy of their insurer, though more negative claims were front-of-mind among the minority who had experienced them.

Active dissatisfaction with insurance products is low, with consumers more likely to feel neutral than dissatisfied. Proportions of consumers expressing a neutral view increases for the insurance products on which they are less likely to have made a claim, such as critical illness cover and life insurance. This

was reinforced during the deliberative workshops, in which some felt they had relatively little basis on which to judge their products, particularly (and unsurprisingly) if they had never made a claim, or if they had purchased insurance indirectly, such as travel or gadget cover as part of a packaged bank account, or boiler or white goods cover purchased through a utility provider.

How satisfied or dissatisfied are you with each of the below product(s)?



Q8. On the whole, how satisfied or dissatisfied are you with each of the below insurance product(s)? Base: All respondents (n=2,019)

We were on holiday when my husband fell ill. If it hadn't been for our travel insurance, we would have never been able to afford to fly him home for medical attention.

General insurance customer aged 45+, workshop participant, Welshpool

I didn't realise that other people didn't have critical illness cover - it was really important to us. We were able to pay off a large chunk of the mortgage and it meant that my wife could also continue to work part-time whilst also looking after our children.

General insurance customer with a long-term health condition, depth interview participant, Welshpool

I have claimed on motor insurance and the experience was horrible. The other party's company didn't give what was promised or stand up to their part of the bargain.

General insurance customer aged 18-44, workshop participant, Leeds

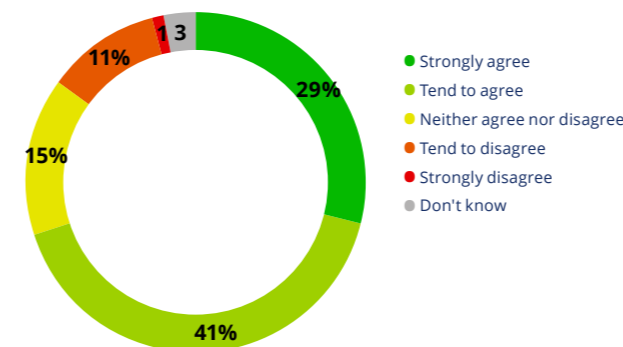
However, despite these relatively high levels of satisfaction, decision-making by the insurance industry is felt to be opaque, particularly at the point of sale. This seems to be both because insurance purchase and renewals are more front of mind (because they happen more often than claims), and because the factors driving pricing feel particularly difficult to work out. Seven in ten (70%) general insurance customers agree that, no matter what they do, their insurance premiums seem to go up every year. This view is particularly strongly held by older customers aged 75 or above (79%), compared to fewer than half (42%) aged 18-24. Past claimants (74%) are more likely than non-claimants (61%) to agree that they feel that their premiums go up every year no matter what they do.

Seven in ten (70%) general insurance customers agree that, no matter what they do, their insurance premiums seem to go up every year.

Qualitatively, participants in deliberative workshops described frustration that, from their perspective, increases in premiums at the point of renewal feel difficult to understand and 'unexplained' by their provider(s). On prompting, customers thought that these increases might partly relate to wider market forces, such as inflation, but that increases often felt too large to be justified by inflation alone. Even recent claimants felt that increases to their premium were often 'random' rather than justified, particularly if they had claimed due to circumstances they saw as outside their control, for example, as a result of an accident that was not their fault.

As a result, few seemed to feel a sense of loyalty to their provider. There was a strong expectation of the need to 'shop around' at the point of renewal to secure the best value deal, even among those who had recently experienced very positive customer service from their existing provider.

'I feel like my insurance premiums go up every year, no matter what I do'



Q9. How far do you agree or disagree with each of the following statements? Base: All respondents (n=2,019)

When I go to renew, my [car insurance] goes up. I've not claimed, my circumstances haven't changed, so why does it go up? How can that be fair?

General insurance customer aged 45+, workshop participant, Birmingham

I had a flood and they said I couldn't use the home insurance to claim for it, that it didn't qualify - but my premium has gone up now anyway!

General insurance customer aged 45+, focus group participant, London

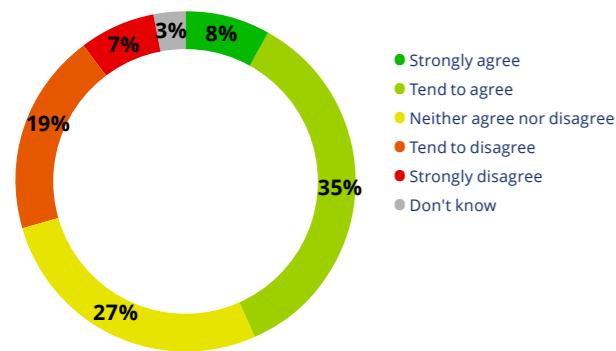
There's no loyalty at all - you have to shop around, and there's no point in staying with the same provider.

General insurance customer aged 18-44, workshop participant, Welshpool

Echoing the perceived lack of transparency at the point of (re-)sale, some do not trust that insurers will act in customers' best interests at the point of making a claim. While a plurality of customers (43%) agree that they would trust their insurance provider to do everything they could to help them if the worst happened, a quarter (26%) disagree. Strikingly, past claimants (44%) are no more likely to agree with this statement than non-claimants (43%). Qualitatively, customers commonly described a perception that the rules and information in

relation to the claims process can be difficult for the consumer to understand (perhaps intentionally so) and that the balance of power therefore lies with the insurer rather than the customer.

'I would trust my insurance provider to do everything they could to help me out if the worst happened'



Q9. How far do you agree or disagree with each of the following statements? Base: All respondents (n=2,019)



Tim was one of the research participants who described this suspicion of insurers. He made a claim on his critical illness cover a few years ago after suffering from a brain injury. Although his claim was successful, he felt the process was very lengthy and that the insurer made him feel 'under the microscope' at a difficult time. He felt that this is a good example of how insurers may be unhelpful or lack empathy when a customer makes a claim.

Please see page 60 for Tim's full case study.

I always just think [when I am claiming that] I am going to be screwed by some small print.

General insurance customer aged 18-44, workshop participant, Canterbury

I suffered a brain abscess and thankfully had critical illness cover [...] it took a while for them to help, I had to 'demonstrate' to them that something had happened. I felt a bit 'under the microscope', something awful had happened and they were questioning it [...] it didn't really surprise me.

General insurance customer with a long-term health condition, aged 18-44 depth interview participant, Welshpool

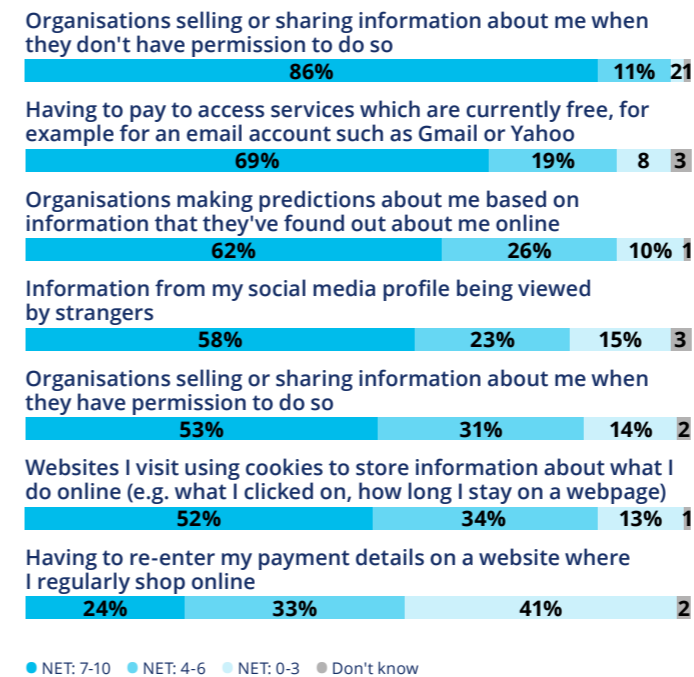
Starting attitudes towards data collection and use

Much like starting attitudes towards the insurance industry overall, past research examining consumers' views of the collection and use of their data has shown that these perceptions are also characterised by low trust, and yet are still highly nuanced and in some instances contradictory. BritainThinks research for Which? found that, while there is variation in starting viewpoints across the population, overall, the more consumers learn about the data sharing 'ecosystem', the more concerned they tend to become about it. But, despite this, many consumers also feel that data sharing can bring them benefits which they are unwilling to forgo, from a means of accessing 'free' public WiFi, to tailored and personalised services.

86% of consumers say that they are concerned about organisations selling or sharing information about them when those organisations don't have permission to do so.

Again, this research has reinforced these findings, in particular the insight that, for many consumers, somewhat like the insurance industry, the data 'ecosystem' feels opaque, is difficult to understand and is seen as featuring a power imbalance between consumers and industry. For example, close to nine in ten (86%) of consumers say that they are concerned about organisations selling or sharing information about them when those organisations don't have permission to do so (or where they don't perceive that they have given permission to do so - see below). More than half (53%) remain uncomfortable with this even when they have given permission for their data to be shared.

How concerned do you feel about the following?



Q8. Below is a list of different statements about personal data and technology. On a scale of 0-10 where 0 is 'not at all concerned' and 10 is 'very concerned', how do you feel about each of the following? Base: All respondents (n=2,019)

Reflecting this, in the deliberative workshops, terms such as 'third parties' continued to attract particularly negative, often emotive, responses unless they were qualified with known brand names. Similarly, there was a continuing perception that the onus is on the consumer to 'opt out' of sharing their data rather than 'opting in', for example by identifying and ticking a box that is (purposefully) 'buried in the small print'. As a result, many consumers feel that organisations with whom they have technically permitted to share information do not have their informed consent. This seems to contribute to a feeling of fatalism that 'the horse has already bolted' because consumers have already shared so much data, knowingly or otherwise, and that there is little that they can do to curtail the flows of information they have set in motion.

Related to this, there is often a tension between what consumers say and do in relation to their data. Just 1% of general insurance customers surveyed say that they do not use or have access to a device that requires some form of data sharing. Three quarters (77%) are using social media, 45% a smart device other than a smartphone (such as a smart TV or smart thermostat), and just under three in ten (28%) an activity tracker or smart watch. There is also little to suggest that consumers are willing to 'give up' the benefits of sharing their data. For example, seven in ten (69%) customers say they would be concerned about having to pay for services that are currently free, such as their free email account.

There's nothing you can do. You could decide to go and live in a wood, I suppose.

General insurance customer aged 18-44, workshop participant, Canterbury

When you just want to get on with it and look at something, you don't think about it, you accept cookies or ignore it.

General insurance customer aged 45+, workshop participant, Welshpool

Even when I unsubscribe [from e-mails], they still contact me and call me – it's impossible.

General insurance customer aged 45+, workshop participant, Birmingham

The impact of 'combining' the topics of insurance and data

Focusing on consumer attitudes towards the use of data in relation to insurance specifically brings together two issues with parallel challenges of low trust, a perceived lack of transparency, and some complexity and contradiction in consumer perspectives. This matters because, taken together, it means that **most consumers are not prepared to give either the insurance sector or the data 'industry' (e.g. data brokers) the benefit of the doubt** when it comes to their data. Responses to new developments in relation to consumer data are often instinctively and strongly negative, particularly before consumers have been given further information to allow them to consider the topic in greater depth.

When asked to rate the extent to which they trust or distrust insurers to use their information and data in their best interests on a scale from 0-10 (where 10 is 'trust completely'), just 13% of general insurance customers select a score from 8-10 for insurance providers. This low score is in line with

trust scores for retailers and credit referencing agencies, but consumers are half as likely to say that they trust insurers to use their information in their best interests compared to 'banks' (for whom 31% selected a score of 8-10). Notably, though, it is the organisations which are most dependent on consumer data for the functioning of the services they provide – social media companies and search engine providers – which are least trusted to use consumers' data in their best interests, with just 4% and 8% of customers rating these types of organisation as 8-10 out of 10 respectively.

Distrust of the sector in relation to data is further exemplified by responses to a set of paired statements as to why insurance companies might be looking for more information about their customers. While just under two in five (36%) say that this is in order to 'calculate premiums more accurately', the majority (64%) select the alternative explanation, i.e. 'in order to increase customers' premiums'.

Younger consumers are particularly likely to express this view, with three quarters (75%) of 18-34 year olds saying that insurers are seeking information in order to increase premiums. Similarly, consumers who are living in circumstances which can be classified as financially vulnerable (70%) are more likely to pick this statement.⁴

I don't feel in control of my data. Particularly [online] shopping habits being taken into account. [...] That's why you get targeted advertising for certain shops and I know it's there in the background. I feel it's intrusive and you should have more control over it.

General insurance customer aged 18-44, workshop participant, Leeds

On a scale from 0-10, where 10 means they 'completely' trust insurers to use data in customers' best interests, just 13% of general insurance customers select a score from 8-10.

How far do you trust or distrust these organisations to use your information and data in your best interests?

Showing % who select 8-10, where 0 is 'do not trust at all' and 10 is 'completely trust'



Q7. How far do you trust or distrust these organisations to use your information and data in your best interests? Base: All respondents (n=2,019)

Any information [insurers] get is to maximise payments from us – it is there to benefit them not to benefit us.

General insurance customer aged 45+, workshop participant, Birmingham

I have heard about Cambridge Analytica and they sell your chats and sell it to advertisers and random things come up, not even just the things you search.

General insurance customer aged 18-44, workshop participant, Canterbury

These insights raise the following key questions for the insurance industry:

- In the context of low trust in both the sector and the data 'ecosystem', what can the industry do to get on the 'front foot' on this issue?
- As the insurance industry has relatively little goodwill 'in the bank', when it comes to customer data, what groundwork does the industry need to lay now to prepare itself for any risks ahead?
- In particular, given the sheer complexity of this topic, are there any concepts that the industry needs to land with customers to ensure that it has permission to speak, and will be heard, on this issue?

Awareness and perceptions of how insurance is currently priced

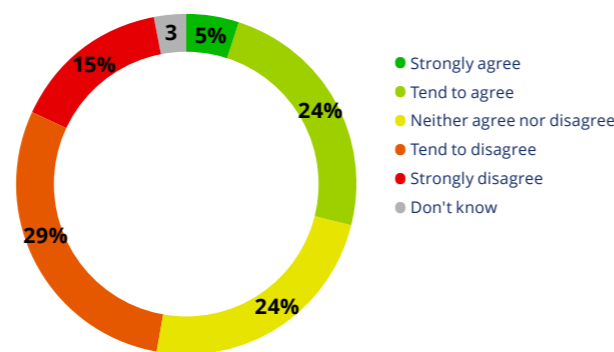
Summary of this chapter

- Consumers tend to have a poor understanding of how their insurance premiums are currently determined. While there is some recognition of this (just 29% say that they feel confident they understand how insurance premiums are calculated), misconceptions are also rife. For example, 70% of general insurance customers mistakenly believe that gender is taken into account when pricing insurance.
- Consumers are more likely to under- than over-estimate their own level of risk. Two thirds (65%) of consumers disagree that their insurer sees them as riskier than other customers, and when customers learn about existing cross-subsidies from lower risk to higher risk customers, the immediate assumption is that they will lose out rather than gain from it personally.
- As a matter of principle, the majority (64%) of consumers take the view that it is fairest for consumers to pay for their individual level of risk, rather than for cross-subsidies to exist. This overall pattern holds true even in the context of scenarios such as customers with pre-existing health conditions paying more for travel insurance.
- A significant minority (36%) of consumers take the opposing view, and support spreading the cost of insurance to ensure affordability. Younger consumers are more likely to feel this way than older customers.

Spontaneous awareness of risk factors determining insurance pricing

When asked whether they feel confident that they understand how their insurer calculates their premiums, just three in ten (29%) general insurance customers agree that this is the case. 44% actively disagree that they feel confident they understand how their insurance premiums are calculated, and a further quarter (24%) say that they neither agree nor disagree with this statement. Notably, consumers who are satisfied with their car, home and travel insurance products are more likely to say that they feel confident that they understand how their premiums are calculated than those who are not satisfied with these products.

'I feel confident that I understand how my insurance provider calculates my premiums (what I pay for my insurance)'



Q9. How far do you agree or disagree with each of the following statements?
Base: All respondents (n=2,019)

“65% of customers disagree with the statement ‘I think that my insurer sees me as riskier than most other customers buying insurance’.

In deliberative workshops, customers tended to relate relatively low levels of confidence in their understanding of how insurance premiums are calculated to their broader perception that decision-making in the industry is opaque, technical, and difficult to understand, as set out in the previous chapter. In particular, while it is understood that prices do depend on a customer’s individual situation (and therefore risk profile), there is confusion about which factors are being taken into account, and how much these ‘drive’ prices compared to other factors such as wider market forces (e.g. inflation and competition).

There is also an unwillingness among consumers to see themselves as ‘risky’ and to speculate on which of their personal characteristics may increase the likelihood of an accident or other unwanted event. During the focus groups, workshops and depth interviews, participants tended to respond to the concept of cross-subsidy (explored further below) on the assumption that they personally represented either an average or low risk to their insurer. Quantitatively, two thirds (65%) of consumers disagree with the statement ‘I think that my insurer sees me as riskier than most other customers buying insurance’. Just one in ten (10%) agree, though this increases to one in five (20%) 18-34 year olds.

This shallow understanding is exacerbated by the relatively ‘transactional’ way in which consumers feel that they are increasingly purchasing their insurance policies. Deliberative workshop participants felt that the streamlined nature of online questionnaires and price comparison websites in particular is positive from a user experience perspective, to help them shop around effectively. However, they also felt that these channels do not necessarily make it clear how their premium is calculated, and what steps they may be able to take to reduce it in future. Rather, they felt that price comparison websites in particular place the emphasis on

[The] costs of everything go up, but if I haven’t claimed and I have the same car, why doesn’t my insurance stay the same? I don’t understand!

General insurance customer aged 18-34, workshop participant, Canterbury

When I changed my car and went on websites to try and find a cheaper insurance, you get a different outcome depending on how you tweak your employment or your wage, which is quite negative really, because it’s like people that are on higher incomes, or have a more professional job get [cheaper] insurance than people on a lower wage, which is quite disturbing.

General insurance customer with financial vulnerability, depth interview participant, London

I think there are far too many things that insurers think make people look risky that are beyond their control.

General insurance customer with a long-term health condition, depth interview London

comparing and choosing between different packages and providers (for example, by choosing whether or not to include ancillary products such as roadside assistance as part of motor insurance).

Only a small number of participants felt that they had been able to relate changes in their insurance premium back to specific factors: most commonly age and health conditions in relation to motor and travel insurance, though a small number of additional factors were mentioned. For example, one participant felt sure that her motor insurance premium had recently increased as a result of a change in her job title because she could not identify any other factors that had changed since she last renewed her insurance. Another described how her husband had challenged their motor insurer to ask them to justify an increased premium, which led to an explanation that this was due to a non-fault claim. Across these examples, some participants described a perception that some of these factors are relatively arbitrary and do not necessarily accurately indicate an enhanced level of risk.

Prompted awareness of and responses to risk factors determining insurance pricing

Despite shallow awareness of how their own premiums are calculated, when prompted to think in more detail about the factors which might be 'driving' insurance premiums, consumers are able to identify a number of data points which they believe insurers are likely to be drawing upon. Consumers' assumptions tend to relate to:

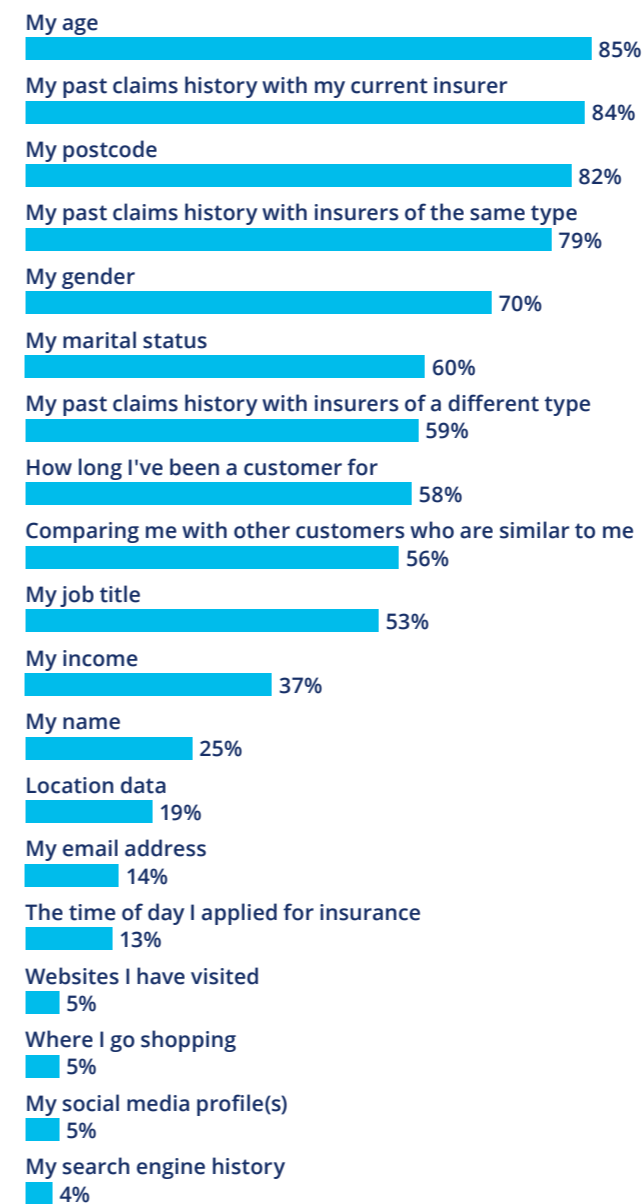
1. **Information they recall having shared with insurers themselves**, for example when submitting information to receive a quote at the point of renewal (e.g. the age and type of their vehicle when purchasing or renewing motor insurance).
2. **Factors which they see as intuitive or somehow relevant to the insurance product**, such as information about their lifestyle and health in the context of health insurance, and their past claims history.

Notably, there are a number of misconceptions in consumers' understanding of what data is and isn't being taken into account to determine their insurance pricing. For example, despite the 2012 European Court of Justice gender directive (which removed the ability of insurers to use gender as a factor in pricing), seven in ten (70%) consumers believe that insurers take gender into account when determining the price of insurance.

Consumers are far less likely to identify forms of 'observed', third party and non-intuitive data as being used to determine insurance pricing. In particular, just one in twenty (5%) general insurance customers believe that insurance providers typically take into account factors such as web activity and social media profiles, and no participants mentioned these types of factors as being used to determine insurance pricing in deliberative workshops. Consumer responses to the potential future use of these types of data by the insurance industry are explored in detail in chapter 5, but in brief, **it is not intuitive to consumers why these forms of data might help insurers to price premiums more accurately.**

This means that consumers often hold contradictory opinions when they first start to learn more about how insurers are using their data and may do so on the future. On the one hand, they tend to feel that it is positive for insurers to be moving in the direction of more personalised, tailored pricing which sees customers pay for their exact level of risk, particularly when they are exposed to information about cross-subsidy (see page 24). But on the other, many consumers also say that insurers should not be collecting and using (more) consumer data if that data is observed, acquired from third parties, or has no intuitive link to risk. The reasons why these two viewpoints are in tension with one another was not always clearly understood until consumers were tasked with considering detailed trade-offs in relation to the future use of data in the insurance industry (see chapter 6).

Which, if any, of these pieces of information do you think that insurance providers typically take into account when calculating your insurance premiums?



Q13. Which, if any, of these pieces of information do you think that insurance providers typically take into account when calculating your insurance premiums? Base: All respondents (n=2,019)

Seven in ten (70%) consumers believe that insurers take gender into account when determining the price of insurance.

Being an underwriter

Customers' ability to 'work out' which intuitive factors might make customers higher risk and therefore influence the price of their insurance was exemplified by their ability to make judgements about which type of customers might be charged more for their motor insurance. In this activity, workshop participants were provided with four different profiles and asked to play the part of an underwriter, using the information provided to decide how much they would charge each customer for their motor insurance.

HARRY



Harry is 19 and has passed his driving test a year ago. He failed the first time, but passed the second with flying colours. He lives in Manchester.

He is working as a shop assistant part-time while training to be a mechanic, as cars are a real passion of his. As he's car mad, he drives everywhere. When he's not driving, he also loves going on holiday to southern Spain with his friends.



He drives a Mitsubishi Lancer, which he bought second hand. He made some modifications to the car himself as part of his training.

He is looking to renew his car insurance for the first time, and hasn't made any claims so far.

CAROL



Carol is 40 and works full time as a florist. She lives with her husband and children in a village.

She uses Facebook a lot, and is always commenting on and 'liking' posts or posting her own content, for fun, and to promote her business. When she isn't working, she loves to watch documentaries.

She drives a five year old VW Polo, which she drives every day and parks on her driveway. Her husband owns and drives a separate car.



She has previously been involved in two car accidents, which were not her fault, and hasn't claimed on her car insurance for 9 years.

JALAL



Jalal is 53 and lives with his wife just outside Bristol. They live on a

busy road and don't have a driveway or a residents' parking place - they just have to find a space wherever they can.

He drives a Ford Mondeo, which he and his wife share. They use it most days, but not every day, as they both try to work from home when they can.

Jalal has claimed on his car insurance in the past, including for a minor accident which was his fault, but he hasn't made any claims for 12 years. He has 3 points on his licence for speeding.



He hurriedly renewed his car insurance over his lunch break after leaving it until the last minute.

TONY



Tony is 71 and lives alone. He retired from his job as a

postman a few years ago and likes playing golf and going to pub lunches.

He recently decided he wanted a smaller car to make it easier to park when he went into his town centre, so treated himself to a brand new Toyota Yaris. He tries not to use the car every day though, walking to the shops instead whenever he can.



Tony has been driving for 50 years, so has made some claims on his insurance over the years, but none in the past 5 years.

He started looking into renewing his car insurance a month before it was up for renewal.

Participants quickly focused on the references to factors including age, location, past claims history, who uses the car and for what reason, any modifications made to the car, on/off street parking and number of points on their driving licence. Furthermore, they tended to conclude that these judgements were broadly 'fair'. While they recognised that some customers may be charged a higher premium than they may 'deserve' (for example, a very safe, but young and newly qualified driver who has not yet built up a no claims history), these assumptions and judgements were felt to be the only way for insurance companies to calculate premiums.

However, it is notable that there were some misconceptions across the workshops about how some of the factors might be used. As outlined above, customers commonly assumed that gender is taken into account and that a female driver would typically be charged less than a male driver. There is a widespread belief - shared by participants who were confident that they had a good understanding of pricing, as well as those who were not - that women have fewer accidents and drive more safely than men, though this was not necessarily felt to be totally accurate or fair.

In addition, there were other risk factors that participants were unsure how to interpret:

- Some participants felt that those living in rural areas should pay less than those living in urban areas, based on assumptions about crime and accident rates. They were surprised to discover that this may not always be the case - for example, that a rural area might be seen as higher risk due to the greater possibility of speeding on quiet roads.
- There was some disagreement about the role of the age of a car. Consumers were split as to whether a new car would be seen as safer and less likely to lead to an accident, or more costly to an insurer based on it being more expensive to repair.
- Participants were often confused by the presence of some non-intuitive risk factors in the profiles they were given (such as information about a customer leaving insurance renewal to the last minute), and tended to ignore these during the exercise.

They look at your age for your driving because they think the younger people crash more.

General insurance customer aged 18-44, workshop participant, Leeds

You know insurance companies wouldn't have some of this information that we have, like social media, so it's just not really relevant.

General insurance customer aged 18-44, workshop participant, Canterbury

Should you assess somebody [based] on their address? I don't think they should. The countryside is much more healthy and in keeping with having a good lifestyle, and I think if you live in it, with all of the problems and things that go on in cities, it's imperative to live in the countryside, it's a better way of life.

General insurance customer aged 80+, depth interview participant, Welshpool

Prompted awareness and responses to cross-subsidising insurance premiums

Unsurprisingly, no qualitative research participants described any spontaneous awareness of the existence of cross-subsidy in the insurance sector. Once they were exposed to the existence of cross-subsidy on the basis that insurers have previously worked with an imperfect and incomplete understanding of risk, most participants initially responded with a mix of confusion and frustration that their premium may, in part, be higher than it 'should' be. Across the workshops, participants were more likely to assume that they would 'lose out' as a result of cross-subsidy rather than personally benefit from it based on their belief that they present a low rather than high risk to their insurer (as noted above).

As a result, and reflecting a widely held view that it is important for people to 'pay their own way', for many consumers, the instinctive reaction is that it is fairer for consumers to pay premiums based on their own, individual levels of risk, rather than for cross-subsidies to exist. This therefore leads most consumers to the view that, in principle, insurers moving towards more accurate pricing of insurance is a positive development for the industry.

The preference for more accurate, individual-level pricing of insurance over more crude pricing is echoed in the data. When asked whether they would prefer to see everyone pay for their insurance exactly according to their level of risk, even if it makes insurance unaffordable for some people, just under two thirds (64%) of general insurance customers say that this option best fits their personal opinion. However, at 36%, a significant minority of consumers do take the opposing view, i.e. that the cost of insurance should be spread across customers so that insurance isn't

unaffordable for anyone. This view is more likely to be expressed by younger people compared to older people, with 48% of 18-24 year olds selecting this statement, and by consumers with a physical or mental health condition (42%), and those who have never claimed on an insurance product (43%).

Please choose the statement which best matches your personal opinion

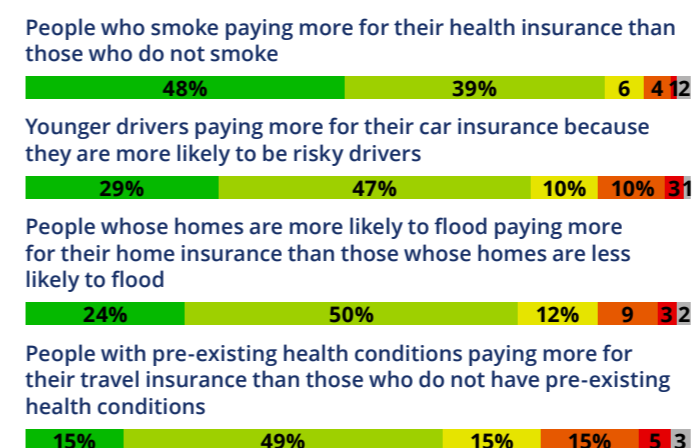


- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people
- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone

Q17. Above there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents (n=2,019)

The survey data also shows that, even when presented with specific 'real-life' scenarios in which cross-subsidy may be seen as more or less appropriate, on balance, the majority of consumers still believe that it is fairer for consumers to pay for their individual level of risk, rather than to cross-subsidise (though small numbers disagree). This is particularly true in the case of unhealthy or risky behaviours such as smoking or unsafe driving. But even in the case of pre-existing medical conditions, which may be outside an individual's control, the majority of consumers take the view that it is fairer for consumers in these circumstances to pay more for their travel insurance as a result of their condition, with 64% saying that this is fair.

Below are a series of scenarios. How fair or unfair do you think each of these are?



- Very fair
- Fair
- Neither fair nor unfair
- Unfair
- Very unfair
- Don't know

Q11. Below are a series of scenarios. How fair or unfair do you think each of these are?

Similarly, and as outlined above, in the deliberative workshops, the consideration that was most likely to 'shift the dial' on views on cross-subsidy related to factors which were felt to be outside consumers' control. Some participants disliked the idea that someone who had acquired a health condition, despite living a very healthy lifestyle, might in some markets be seen as higher risk than other consumers, through no fault of their own. There was also greater sympathy towards premiums being cross-subsidised when participants could think of circumstances in which they had experienced 'bad luck' (such as a car accident which was not their fault) that might have led them to be viewed as higher risk. However, not all participants shared this view, and said that whilst they were sympathetic towards customers in such circumstances, they did not feel that other consumers should be responsible for contributing towards making their peers' insurance cheaper.

Importantly, there was also some disagreement about what factors are in or out of a consumer's control – for example, whether or not the place someone lives constitutes an active choice that they have made. On the one hand, there were comments that those who live in council or social housing (and who participants felt may live in higher crime areas and therefore be at greater risk of burglary) had little control over this decision, and that those who live in areas at risk of flooding may not have been aware of this risk when they moved into their address, or that likelihood may have increased over time. On the other hand, there were participants who felt that consumers living in these circumstances still have the ability to move home, and that it would be unfair to 'penalise' other consumers because of this.



Lisa, a financially vulnerable consumer who took part in this research, felt instinctively negative about the idea that cross-subsidies might be occurring in the insurance market. She was concerned that she might in effect be subsidising the insurance premium of someone less careful than her. However, she was more sympathetic towards the idea that some consumers, for example those with a disability, may find it difficult to control their risk level and could see the case for the existence of cross-subsidies in this instance.

Please see page 56 for Lisa's full case study.

For some consumers, insistence that cross-subsidy is unfair further softened on the proviso that the cross-subsidy may only constitute a very small proportion of the premium. Participants found it challenging to come up with an exact sum but suggested that a figure in the region of a few pounds would be far more acceptable.

I think if you move somewhere, and you know it will flood, you have a choice, you should pay more. If it's on other stuff it feels unfair.

General insurance customer aged 18-44, workshop participant, Canterbury

Thinking about it, it doesn't seem right that if you were born with a disability you should be charged more just because of that, compared to someone else.

General insurance customer aged 18-44, focus group participant, London

When asked whether they would prefer to see everyone pay for their insurance exactly according to their level of risk, even if it makes insurance unaffordable for some people, just under two thirds (64%) of general insurance customers say that this option best fits their personal opinion.

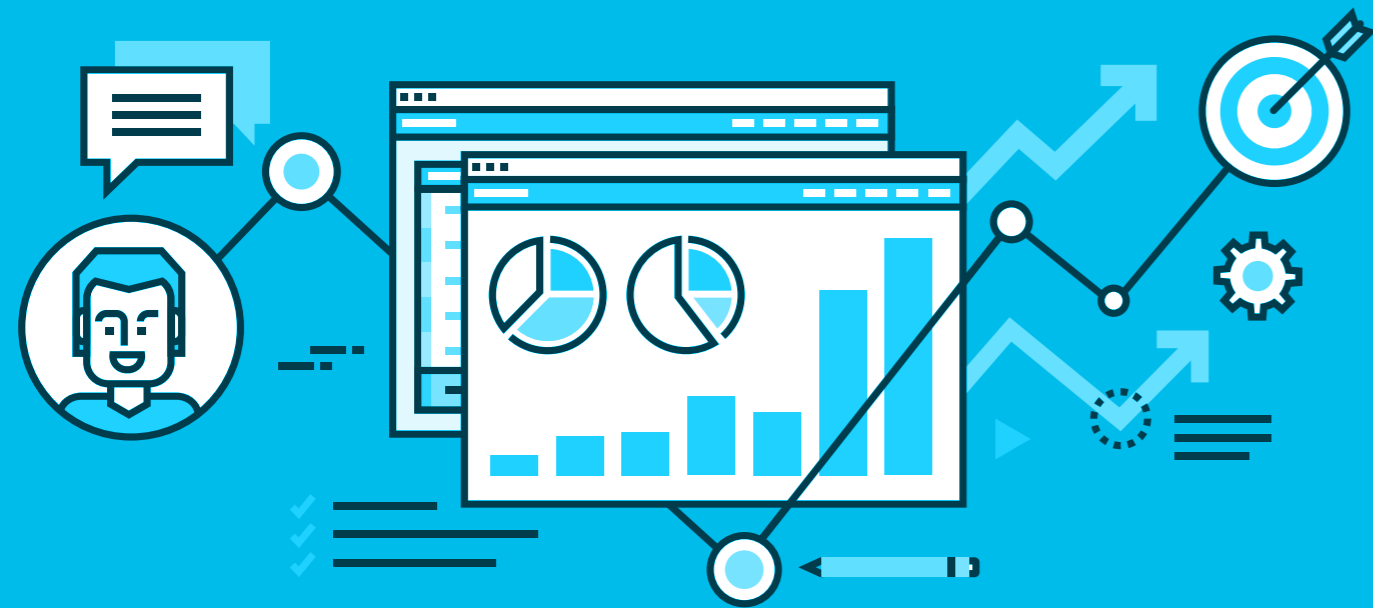
These insights raise the following key questions for the insurance industry:

- Where does data fit into ongoing efforts to improve clarity and transparency in the sector? Transparency of pricing and other information has been a major focus of the industry in recent years, and remains extremely important. This research has emphasised just how little consumers currently know about how their insurance premiums are calculated, and in particular that:
 - There are some misconceptions about how insurance is priced, such as the widespread belief that gender is used in insurance pricing. Do these myths matter, and it is it important for the industry to try to address them?
 - There is an innate tendency for consumers to under- rather than over-estimate their level of risk. Does this risk consumers misjudging how developments in the sector are going to affect them personally (e.g. does this lead to 'false' expectations that they will benefit from more individualised pricing, and lose out as a result of cross-subsidy)?

Workshop Activity

Introducing cross-subsidy

Following discussions about the factors which might influence insurance pricing, workshop participants were given a short presentation about the concept of cross-subsidy, to provide them with a fuller understanding of the implications of pricing insurance based on a crude understanding of risk relative to a highly granular understanding. Examples were given to show how cross-subsidy can manifest in the motor and home insurance markets.



Most participants found the concept of cross-subsidy new and relatively challenging to understand. In particular, the idea that it is difficult to gauge the extent to which cross-subsidy exists in a particular market – because the relevant risks are unknown – is difficult to grasp. Only one participant across the four workshops mentioned the concept as being familiar, relating it to customers belonging to a ‘risk pool’ in which the insurer might make pricing consistent until they have access to more personalised information.

In light of this complexity, initial responses to the concept of cross-subsidy in principle were more negative than positive. Many customers felt that it is ‘unfair’ for customers to pay over or under ‘the odds’ relative to their actual level of risk, and resented the idea that they personally may be subsidising other consumers’ premiums. This view tended to hold firm even with probing, for example, prompting participants to consider that they may in effect be cross-subsidising other people in other areas of their lives, such as



through taxes. It was also influenced by their low starting levels of trust in the insurance industry (see chapter 3): some interpreted the concept as an approach that the industry may have actively pursued in order to purposefully avoid covering additional costs themselves.

However, some participants did express a view that there are some exceptions in which cross-subsidy may be more acceptable or justified, particularly in the context of factors outside certain customers’

control, such as age and long-term health conditions, or increases in risks such as flooding long after the purchase of a property. Some were also honest that their view of the concept depended on whether or not they were personally benefitting or losing out in the situation, though notably some participants with health conditions or who lived in high flood risk areas themselves maintained that it is fairer for consumers to pay for their exact levels of risk.

I don't think it's fair because... why [should] someone who has never had an accident and drives really carefully pay for someone else who is more dangerous?

General insurance customer aged 45+, workshop participant, Birmingham

I suppose it depends on whether I'm subsidising someone else, or if it's the other way around!

General insurance customer aged 45+, workshop participant, Welshpool

I can't decide on cross-subsidy. There needs to be some form of grouping, gender, age, and cross-subsidising that section [of society], then there's where people live and the crime rate. It depends on the risk – there's so much to take into account. But the insurers do need to be out there seeing things [to decide pricing] as opposed to being in an office. That needs to be the future.

General insurance customer aged 18-44, workshop participant, Leeds

Levels of comfort with insurers using different types of information

Summary of this chapter

- **Consumers are generally comfortable with insurers collecting information from them directly.** Three quarters (74%) say that they feel comfortable with insurance providers asking them questions on an application form, and two thirds (66%) with being asked questions by their provider over telephone.
- **Comfort drops significantly when this information is collected indirectly.** Less than half of general insurance customers say that they are comfortable with each form of indirect data collection tested in the survey, including price comparison websites (despite their widespread usage). There is particular concern about third parties.
- **Insurers using monitoring technologies receive similarly mixed responses.** While comfort is greatest with motor telematics (the form of monitoring technology used by insurers with which consumers are typically most familiar), again less than half of consumers say that they are comfortable with a range of different monitoring methods.
- **Comfort is lowest of all with the use of non-intuitive factors to determine insurance premiums.** For example, just 3% of consumers see their search engine history as relevant to their insurer. There is significant discomfort with the notion that the use of non-intuitive factors may mean that insurers can't 'explain' their premiums.
- **Given low levels of starting knowledge that many of these types of data can be used by insurers, consumers judge their acceptability using four factors:**
 - The extent to which they seem to afford them control over their data
 - What relevance they have to the insurance product in question
 - Whether or not they offer them tangible personal benefits
 - Whether or not they cause them harm

Against this framework, insurers accessing data from third parties typically raises concern because consumers do not usually feel that they have given informed consent for their data to be shared in this way. By contrast, when fully introduced and explained, monitoring technologies tend to fare better because there is little sense that these would be used without consumers' consent, and the benefits (largely around reduced premiums) are felt to be more tangible.

Spontaneous awareness of different forms of data collection in relation to insurance

Much as most consumers have a shallow understanding of how their insurance premiums are calculated, many also have a relatively limited understanding of how insurers are accessing information about them.

As set out in chapter 4, **the types of information which were most front-of-mind for participants in the focus groups and deliberative workshops were those which customers submit directly to insurance providers and price comparison websites, for example by completing an online questionnaire, or contacting a provider by telephone to request a quote.** Some participants who had claimed on their insurance also mentioned additional information that they had shared as part of the claims process, and a smaller number still spontaneously mentioned telematics in motor insurance.

Consumers say that they are generally comfortable with insurance companies collecting data directly from them. Three quarters (74%) of general insurance customers say that they are comfortable with insurers asking them questions on an application form, and two thirds (66%) with being asked questions by a provider over the telephone. Comfort with providing information to providers in online application forms drops slightly among older consumers, at 58% of those aged 75 and over, but this likely reflects lower levels of comfort online than with providing information to insurers per se.

By comparison, despite widespread usage, consumers are slightly less likely to say that they feel comfortable with insurers collecting information about them from price comparison sites, at just under half (46%) of general insurance customers. This was reflected in the deliberative workshops and focus groups, in which some participants expressed surprise that information that they share with price comparison websites is shared with individual insurance providers. While this was largely understood on probing, most participants felt that they had been so focused on finding a good quote (and aiming to save money) when using a price comparison website that they had given little thought to the data transfers involved. Some felt that price comparison websites should make the nature of data sharing involved clearer to consumers when they are entering their data into price comparison websites, provide some reassurance around anonymity of their data, and address their concerns about what individual insurers are allowed to do with this data.

I didn't realise that [price comparison sites collect user data] – I thought that was just to give you different prices. I never really thought about it.

General insurance customer aged 45+, focus group participant, London

Is that why I get all of those calls straight after using [price comparison website]? I don't think they make that clear at all!

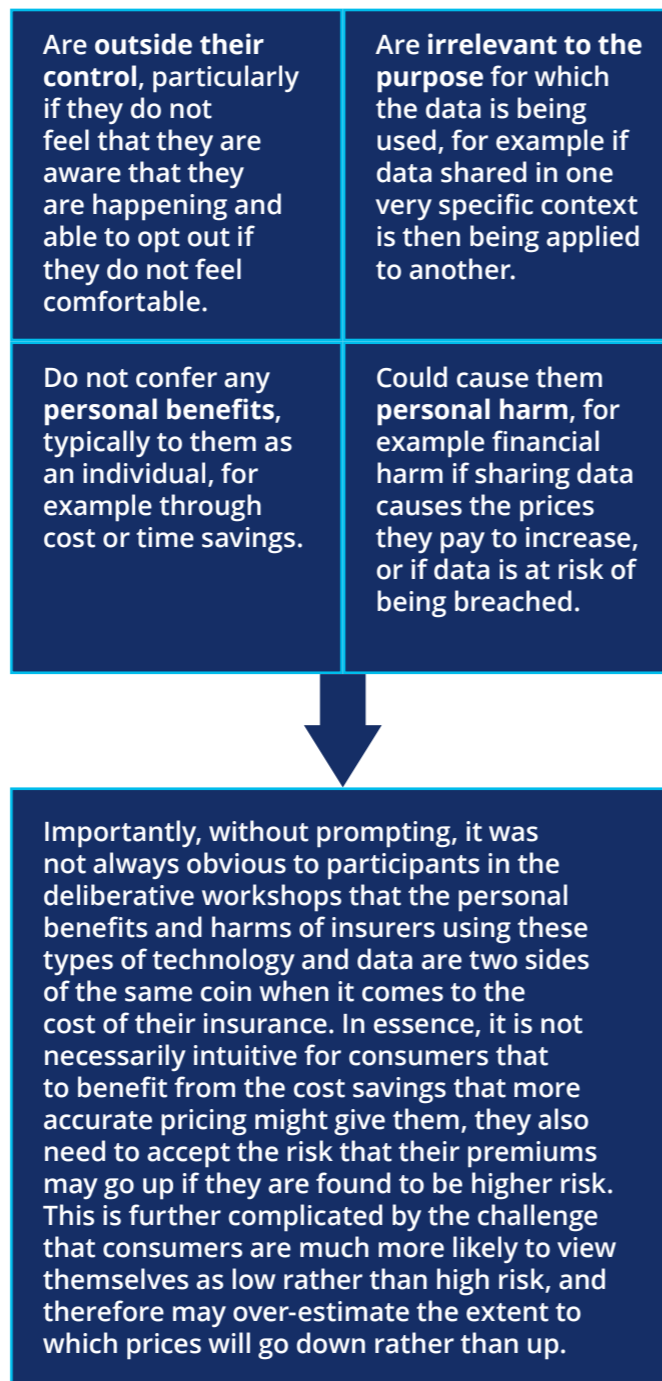
General insurance customer aged 18-44, workshop participant, Canterbury

Prompted awareness of and attitudes towards different forms of data collection in relation to insurance

Having understood customers' current level of understanding of how insurers collect information about consumers in order to determine pricing and to inform the claims process, information was provided to participants to explore their awareness and comfort in relation to insurers:

1. Using monitoring technologies to gather information about their customers, such as black boxes, activity trackers, and connected home devices.
2. Collecting information about customers indirectly, for example from social media accounts or via third parties.
3. Using non-intuitive rating factors to make assessments about customers' individual levels of risk.

As a general rule, and in line with previous BritainThinks research on data sharing and collection conducted for Which?, **consumer concern about how their data is being collected and used by insurers and other relevant parties tended to grow the more they learnt about the data 'ecosystem' in the deliberative workshops.** While there is, of course, significant variation and nuance within this general pattern, consistently, **consumers were more likely to express concern about each form of technology or data if they believe that data collection and interpretation:**



Monitoring technologies

Consumers give mixed views of monitoring technologies including telematics, activity trackers and other smart devices with the ability to share information such as their location. **As a general rule, the more familiar consumers felt with these technologies as part of their day-to-day lives (for example because they are already using them, either in the context of insurance or for other reasons), the more positive they feel about insurers drawing on them as a source of data.** For example, customers who are already using telematics insurance tend to be more comfortable with these types of monitoring technologies, as well as with other monitoring technologies such as activity trackers.⁵ Consistently, younger customers are more likely than older consumers to say that they are comfortable with insurers using each form of monitoring technology, perhaps reflecting higher uptake of these technologies among younger people.

Similarly, **customers are also more likely to feel positive if they believe that they would personally benefit from these types of data collection.** In the quantitative data, general insurance customers are more likely to say that they would feel comfortable with insurers collecting information through each type of monitoring technology if it led their premium to decrease. This was reflected in the deliberative workshops, particularly when it was framed as a 'guarantee' that consumers' premiums would only go down as a result of using these technologies. However, some participants could also see circumstances in which these types of technology would work in their favour, even without this guarantee. For these consumers, it was felt to be intuitive what would constitute positive behaviour (e.g. more steps on an activity tracker), and that succeeding or failing to achieve this tends to be within an individual's control.



Karl was one of the more enthusiastic research participants when he thought about the idea of an insurer collecting data from him using an activity tracker. He felt that if he could clearly show an insurer that he was able to complete the required number of 'steps' a day, then it would make sense for them to lower his premium as this would indicate he was physically fit, and therefore a lower risk to them. However, he was more reluctant about the idea of sharing information about his mental health condition with his insurer, feeling that this was too 'personal' and not relevant.

Please see page 59 for Karl's full case study.

Of each of these types of monitoring technology, **comfort is greatest with telematics insurance**, with half (49%) of general insurance customers saying that they are comfortable with insurers collecting information about their driving habits through this type of technology if it sees their premium decrease. This increases to 55% of younger customers aged 18-24, and to 69% of consumers who currently have telematics, suggesting that some customers are using telematics even when they do not feel entirely comfortable with having their driving habits monitored in this way. By contrast, consumers are least comfortable with insurers using smart devices such as smartphones to collect location data.

These responses were echoed and explored in the deliberative workshops:

Comfort with insurance companies using monitoring technologies

Showing proportions who are comfortable (very or fairly comfortable)

A car insurer collecting information about your driving habits by using telematics



A home emergency insurer collecting information from a monitoring device near water pipes in your home



A health insurer collecting information about you using an activity tracker



A travel insurer collecting information about you by using location data collected on a smartphone or smart watch



- Comfortable with providers collecting information in this way
- Comfortable with providers collecting information in this way if premium decreases


Q15. Different insurers receive information about their customers in many different ways. How comfortable or uncomfortable are you with insurance companies using the following methods to collect information about you? Base: All respondents (n=2,019)
Q16. How comfortable or uncomfortable would you feel about each of these if, by agreeing to have your data collected in this way, your insurance premium went down? Base: All respondents (n=2,019)

“Of each of these types of monitoring technology, comfort is greatest with telematics insurance, with half (49%) of general insurance customers saying that they are comfortable with insurers collecting information about their driving habits through this type of technology if it sees their premium decrease.”



Motor insurers using telematics to collect information about driving habits e.g. black box


CONTROL	RELEVANCE	BENEFITS	HARMS
<p>Consumers tend to feel that it is generally within their control whether or not they choose to take out black box car insurance, and found it challenging to imagine a situation in which this could happen without their knowledge and consent.</p> <p>However, a small number raised the challenge that, for younger drivers, having black box insurance may not feel like a choice if non-telematics insurance is prohibitively expensive.</p> <p>Some also felt that telematics can take away control and agency for the driver, particularly those with curfews and speed limits. For some, there is a perception that some of the factors used to assess safe driving may be relatively arbitrary.</p>	<p>Information about driving habits feels clearly and intuitively relevant to the ultimate purpose of determining risk and therefore pricing of motor insurance.</p> <p>However, there were some concerns about the relevance of the location data being collected by telematics. There was little spontaneous understanding of how this type of data might advance an insurer's knowledge (e.g. about acceleration and braking behaviour, or the likelihood of a customer driving on dangerous roads).</p>	<p>There is felt to be a very clear cost-saving benefit for younger drivers specifically, a cohort which is strongly associated with these types of policies.</p> <p>Among consumers aged 30+, there was a general perception that cost savings would need to be relatively generous (i.e. at least hundreds of pounds) to offset the potential loss of control.</p> <p>A small number of participants more familiar with these policies described awareness of additional potential benefits. For example, one participant with a young adult daughter was particularly impressed by the incorporation of a smart speaker into the black box to act as a roadside assistance 'tool' in the case of an accident, providing reassurance to the (young) driver and explaining what they needed to do.</p>	<p>Most participants could not see any obvious potential harms, beyond a possible loss of control and freedom.</p> <p>However, there were also some concerns about the potential for costs to increase if a black box were to view the customer as a higher risk driver. This was usually articulated as a worry that the technology itself would make an incorrect or 'unfair' judgement about how good someone's driving is: few admitted to being concerned that they personally might not be a safe enough driver to avoid the risk of an increase to their premium.</p> <p>A small number also expressed concern about the potential for their insurer to use this technology to track their location, as well as the safety of their driving, which they saw as less relevant to the insurance policy, and more invasive. Some feared this data could be 'sold on' to third parties.</p>

 **Home insurers using connected home devices to monitor risks around the home e.g. an automatic leak sensor or smart security system**

CONTROL	RELEVANCE	BENEFITS	HARMS
<p>It is felt to be very clearly within the consumer's control whether or not they opt to take up policies incorporating smart, connected home devices such as an automatic leak sensor.</p> <p>However, a small number of consumers were still concerned about a potential lack of control if their own decision-making is totally bypassed by the technology communicating with their insurer. In particular, there was some concern about the ability of an automatic leak sensor to begin the process of contacting an emergency plumber to fix a leak, and a feeling that the insurers' 'choice' of worker or agency might not necessarily represent the best quality or value for money.</p>	<p>These technologies feel clearly relevant to the insurance context, and some participants were particularly positive that they are 'contained' to within the home (rather than on their person, such as with an activity tracker, which for some feels intrinsically more invasive).</p>	<p>With explanation, most consumers were open to the benefits of these technologies in helping to resolve problems quickly (or in some cases, even before an event happens), and to reduce the burden on the consumer during the claims process.</p>	<p>Most participants could not see any obvious harms associated with these technologies, particularly as the data being collected feels relatively 'innocuous' and one which they suspect would be difficult to monetise by selling on to third parties.</p>

 **Health insurers monitoring physical activity using activity trackers**

CONTROL	RELEVANCE	BENEFITS	HARMS
<p>Participants recognised that it's clearly a matter of choice whether they opt in to using these types of technologies.</p>	<p>The data being collected feels clearly relevant to health insurance, and relatively objective (i.e. based on number of steps rather than more subjective judgements on health).</p> <p>For a very small number of participants, the relevance was undermined or complicated by the fact that the rewards are not necessarily positive and could even be harmful to their health (e.g. vouchers for a chain of national coffee shops).</p>	<p>Most participants recognised a clear benefit in insurers rewarding positive behaviours with cost savings or other financial benefits (such as cinema tickets).</p> <p>Some participants who felt that a health insurer might categorise them as 'unhealthy' based on other behaviours, such as smoking, saw this as an opportunity to be able to 'correct' some of these negative assumptions.</p>	<p>For some consumers, the very principle of being physically 'tagged' and tracked feels invasive, and there is particular concern about how insurers might try to monetise health data, for example by selling it on to other interested parties.</p> <p>Consumers did not tend to consider any harms related to not achieving the positive behaviours encouraged by an insurer (e.g. a target number of 'steps' per day in order to receive rewards from a health insurer), or the prospect of being 'punished' for not achieving them.</p>

 **Travel insurers monitoring location data e.g. via smartphone**

CONTROL	RELEVANCE	BENEFITS	HARMS
<p>Of all four types of monitoring technology explored in the workshops and the survey, consumers were least reassured that this form of monitoring would only be undertaken with their consent, on the basis that the vast majority already have smartphones, and that many have heard negative news stories about consumers' location being tracked without their express consent.</p>	<p>Location data does not necessarily feel relevant to the insurance product, and in particular there seems to be some discomfort with the idea that this data could be collected 'out of context', e.g. by travel insurers when consumers are not travelling abroad.</p>	<p>The benefits of this form of monitoring technology felt least apparent for consumers, who did not necessarily see it as burdensome to provide this information to their insurer where relevant.</p>	<p>There is particular concern that this sort of data could be monetised and sold on, for example to targeted advertisers.</p>

The line is how intrusive the technology is. The [automatic leak sensors] or the CCTV or indoor monitoring tech is ok, they're helpful and don't cross the line.

General insurance customer aged 18-44, workshop participant, Leeds

My black box had an app that told me where I was going every day, they have everything about you. This is a concern for me, where does that data go?

General insurance customer aged 18-44, workshop participant, Canterbury

For those people who don't know much about household things, it's a good idea as it helps you - if I find a leak, I call the plumber immediately but if [a sensor] does it for you then I'm all for it.

General insurance customer aged 45+, workshop participant, Birmingham

[Health trackers are] fantastic and lead to people having a better lifestyle, across the board and generations and you should be able to opt out on off days or for when you're on holidays. That should be easy enough too, without that information having a negative impact.

General insurance customer aged 18-44, workshop participant, Leeds

I can see the advantages of black boxes, especially for youngsters. If my premiums were really high, I would consider a black box to bring them down, but as for things that monitor you at home it's a no.

General insurance customer aged 45+, workshop participant, Welshpool

“ Less than half of general insurance customers say that they are comfortable with each form of indirect data gathering tested in the survey.

Indirect methods of gathering data

Consumers give similarly mixed and nuanced responses to insurers drawing on potential indirect methods of gathering customer data, for example to generate quotes or as part of a claim, including price comparison websites and other third parties. Less than half of general insurance customers say that they are comfortable with each form of indirect data gathering tested in the survey. As with monitoring technologies, consumers are more likely to feel more comfortable with the forms of data gathering they are more familiar with (in this instance, price comparison websites), and if sharing their data in this way sees their premium decrease. Again, younger customers are more likely than older customers to say that they feel comfortable with each form of indirect data gathering.

Comfort with insurance companies using online data

Showing proportions who are comfortable (very or fairly comfortable)

Insurers collecting information you enter on a price comparison website



Insurers collecting information about you from third parties who you have agreed to share data with



Insurers collecting data from your social media profile(s) after asking for your permission to do so



Insurers collecting information about you that has been purchased from a data broker



- Comfortable with providers collecting information in this way
- Comfortable with providers collecting information in this way if premium decreases

Q15. Different insurers receive information about their customers in many different ways. How comfortable or uncomfortable are you with insurance companies using the following methods to collect information about you? Base: All respondents (n=2,019)
Q16. How comfortable or uncomfortable would you feel about each of these if, by agreeing to have your data collected in this way, your insurance premium went down? Base: All respondents (n=2,019)

In qualitative discussions, the same four factors of control, relevance, benefit and harm re-emerged as important in shaping how customers responded to each form of indirect data gathering:

CONTROL

The biggest challenge with each of these forms of indirect data gathering seems to be the perceived lack of control for the consumer.

- Across the deliberative workshops there was a very strong perception that data is being collected and shared on by third parties without consumers' *informed* consent (i.e. an individual may technically have given consent by leaving a box in the small print unchecked, but feel they did not necessarily know what they were signing up for).
- This view is not helped by the perceived prevalence of cold calls from Claims Management Companies, which many consumers seem to be misinterpreting as resulting from trusted parties such as hospitals sharing actual data about accidents (rather than speculation or opportunism).
- More generally, there is relatively limited awareness of what constitutes a 'third party', and reactions against this term are particularly strong unless they are qualified with known brand names, such as of major credit referencing agencies. However, learning more about third parties such as data brokers can serve to simply reinforce perceptions that the data 'ecosystem' is (deliberately) complex and opaque.

I'm angry because I have actively tried to be cautious about my data, but they still have my personal information.

General insurance customer aged 45+, workshop participant, Birmingham

RELEVANCE

Indirect forms of data collection also raise some questions for consumers about the relevance of the information that is being taken into account to determine their insurance premiums. In particular, there is some concern about data which was clearly shared in one context being 'misappropriated' in another. The clearest example of this is in relation to social media, which some consumers feel very strongly constitutes data which is shared in the spirit of leisure and fun (and which may often include exaggerations of the truth in order to convey a certain lifestyle), and which they feel would be deeply unfair to see used in 'serious' contexts such as insurance pricing.

If more data is needed, then application forms should be given accordingly, and more information needed then that should be volunteered on the application forms. Let's not go down the route taking things from social media accounts that are irrelevant.

General insurance customer aged 45+, workshop participant, Welshpool

BENEFITS

The benefits of indirect data collection are not always intuitive, particularly given concerns about the relevance of the information being collected. When explained, some consumers are very open to the potential benefits of indirect data collection.

- By far the most compelling reason to see insurers collecting more information indirectly is to reduce customers' premiums, particularly if this constitutes a meaningful saving (e.g. tens or hundreds of pounds).
- Overall, the participants who were most open to information such as their social media data being accessed by their insurers were those who felt confident that their social media accounts would reflect positively on their character and therefore their risk profile.
- Indeed, some had already had to consider the reputational risk of sharing certain forms of information online as a result of their jobs (e.g. teaching), though others argued that this can be outside individuals' control if others share negative or misleading information about them.
- In deliberative workshops participants seemed to be less motivated by the argument that it could save them time if insurers gather more information about them indirectly, rather than relying on customers providing it themselves (e.g. through online questionnaires). This seemed to relate to scepticism that the information insurers could access through third parties would really be complete, accurate and up to date.

I am not surprised about how much information they gather about all of us, but it will get worse in the future, and that worries me. It's a Big Brother attitude, and we will have no more control over it.

General insurance customer aged 45+, workshop participant, Welshpool

HARMS

For some participants, there is significant concern about the potential for insurers to make incorrect assumptions about them as a result of the information that is available from third parties, particularly if consumers are not necessarily 'active' online (e.g. on social media), and if they cannot see, challenge or correct this data. In the context that pricing of insurance already feels confusing, opaque and sometimes arbitrary, for some consumers, there is little confidence that these types of data will be used by insurers in their best interests.

The fact they do use this information makes me feel quite vulnerable. It's intrusive to my personal life. It's not fair that they can just share information like that. It's not that I'm being watched, it's about personal choice, and that choice is being taken away from you. We should be asked rather than the information just being shared.

General insurance customer aged 18-44, workshop participant, Leeds

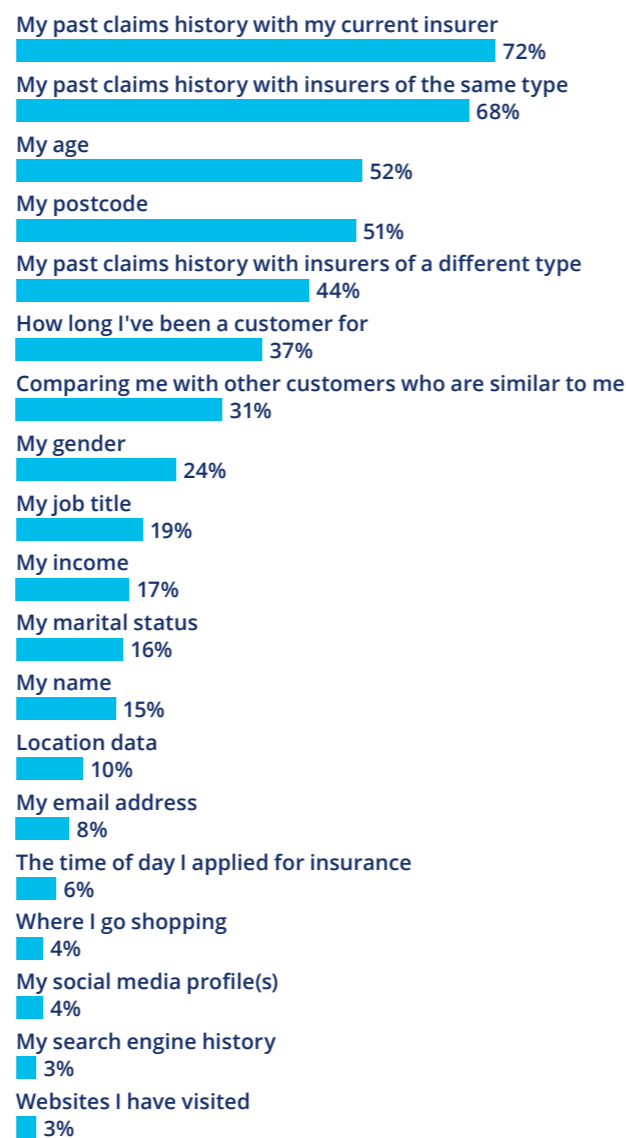
Non-intuitive risk factors

As set out in chapter 4, most consumers feel that they know very little about how their insurance is priced, and, when they do consider this, seek as far as possible to identify factors which they feel might 'explain' reasons for their premium going up or down. In both the deliberative workshops and the quantitative survey, general insurance customers tend to settle on a relatively 'selective' set of factors which they deem to be relevant to their insurance premiums, largely focused around their claims history and broad demographic 'groupings' such as their age band and their postcode area.

By contrast, only a very small proportion of consumers see non-intuitive factors derived from more observational forms of data, such as their web activity, as relevant to insurance providers when calculating their insurance premiums. For example, just 3% of consumers say that they see their search engine history as relevant to their insurance providers when they are calculating insurance premiums. While much of the resistance to these forms of data in the deliberative workshops came from consumers struggling to see the 'logical' relevance of these datasets to their level of risk and therefore to their insurance providers, the quantitative data also points to discomfort with the very precise nature of data typically collected through observational methods. For instance, postcode data is seen as relevant to insurance providers by 51% of customers, while just 10% say the same for location data

How relevant do you think each of the following pieces of information are to your insurance providers when calculating your insurance premiums?

Showing % who select 8-10



Q14. On a scale of 0-10, where 0 means not at all relevant and 10 means very relevant, how relevant do you think each of the following pieces of information are to your insurance providers when they are calculating your insurance premiums? Base: All respondents (n=2,019)

Postcode data is seen as relevant to insurance providers by 51% of customers, while just 10% say the same for location data.

This means that there is very low starting awareness and significant surprise about the potential future importance of non-intuitive risk factors in insurance pricing when consumers learn more about it. Workshop participants' responses can be unpacked by using the same framework of control, relevance, benefits and harms:

CONTROL

In the deliberative workshops, non-intuitive risk factors caused significant concern about the ability to control how data is being used – in particular, the fact that the inclusion of these in insurance pricing may mean that insurance providers cannot necessarily 'explain' why certain factors are causing an individual's insurance to go up or down. In the context that they already felt unclear about how their insurance was priced, and that pricing can be random, arbitrary and unfair, workshop participants felt that this would further damage clarity, transparency and trust in the insurance sector.

- It is significantly more important to general insurance customers that their provider is able to explain why their premium has gone up, rather than down, with more than nine in ten (92%) of consumers agreeing that they would want their insurance provider to be able to explain why their premium had increased. At seven in ten (71%), the majority of consumers would also want their provider to explain why their premium had gone down.
- Consumers who were more price sensitive were particularly concerned about the potential inability to try to positively influence their risk profile and therefore insurance premiums if non-intuitive factors become more important in the future. For some participants, the incentive to be 'responsible' (e.g. by driving safely or exercising) in order to save money was felt to be undermined or complicated by the introduction of non-intuitive factors.

RELEVANCE

The biggest challenge in relation to the use of non-intuitive factors to assess risk is the tendency among consumers to seek to rationalise and explain these factors (even when told that they cannot be easily explained). This leads them to reject most of these factors as irrelevant, arbitrary and unfair in relation to insurance pricing. With the exception of a small number of participants who were more familiar with the concepts of statistical modelling and machine learning, examples of non-intuitive factors such as email addresses or hobbies were simply dismissed out of hand. Any factors which were felt to imply 'judgement' of consumers (for example, of their income and affluence, based on which supermarkets they live nearest to), received particular pushback, even when participants were reminded that these factors are effectively random proxies identifiable only in huge datasets, and that they would only be assessed alongside a wide range of other risk factors.

What email address I have tells you absolutely nothing about what kind of driver I am.

General insurance customer aged 45+, workshop participant, Welshpool

Something completely random can affect your premium? This seems like such a spurious thing.

General insurance customer aged 18-44, workshop participant, Canterbury

BENEFITS

Fundamental barriers to engagement with the concept of non-intuitive factors meant that some workshop participants struggled to believe that they would benefit from the inclusion of these factors in insurance pricing. As below, the assumption is that these types of information will be used as a reason to increase rather than decrease premiums. However, as for monitoring technologies and indirect forms of data collection, consumers are, unsurprisingly, less negative about the concept of non-intuitive factors if told that these factors will be used only to decrease their premiums.

HARMS

Reflecting both low levels of starting trust in the insurance and the data 'industries', and the sheer complexity of the concept of non-intuitive risk factors, many participants were of the assumption that these types of factors would be used against them, to increase their insurance premiums, rather than in their best interests. Most consumers struggled to understand how using these factors would help insurers to price insurance more accurately because they simply do not feel accurate but random and arbitrary. For some participants, there was also concern about the potential for mistakes as decision-making in the industry is increasingly computer- rather than human-driven.

These insights raise the following key questions for the insurance industry:

- How can the industry utilise and build on the consumer-led 'framework' (of control, relevance, benefit and harms) for judging the acceptability of data-driven developments? Is there an opportunity to emphasise these factors when communicating about new developments? Particularly, how can the sector:
 - Help customers feel in **control** of their data in relation to insurance? How can it ensure that consumers are giving real and meaningful informed consent to share their data?
 - Demonstrate the **relevance** of the data that it is collecting to calculating customers' premiums? This has particular implications for how the industry frames the use of non-intuitive factors.
 - Help customers to see that there are **tangible benefits** of sharing their data? Are there opportunities to emphasise improvements to customer experience at the point of claim, and potential cost savings?
 - Mitigate against any potential **harms** associated with data sharing? While the potential for premiums to increase is front of mind, there are also concerns about security of information and data monetisation
- What should the expectations be on the other actors in the data ecosystem? In particular, what standards should the sector expect of data brokers, price comparison websites, and other third parties?

Trade-offs when considering the future of consumer data and insurance

Summary of this chapter

- *On balance, general insurance customers are more likely to say that it is important that the industry moves towards accurate pricing than minimise its access to consumer data.* Three fifths (59%) of consumers take this view.
- *However, this preference is far from clear-cut, and not unanimously shared.* A significant minority of consumers (41%) say that they would prefer to protect their privacy, even if this risks them paying higher premiums.
- *This view is further complicated by a resistance to seeing consumers who are less willing to share their data penalised as a result, even if this prevents consumers who are more open from realising the benefits of this.* Consumers are more likely to be sympathetic than sceptical of other customers who are protective of their data, and are concerned about the potential for the industry to 'force' these customers into sharing their data.

The fundamental trade-off facing consumers in relation to their data and insurance

As briefly foregrounded in chapters 4 and 5, on the face of it, there is a fundamental tension in consumer attitudes towards their data in relation to insurance, in that:

- **When consumers think about the information that they are currently sharing with their insurers, and the data and data sources that insurers may be able to access in the future, responses tend to be much more negative than positive, and most customers are cautious rather than optimistic about potential new developments.** This is particularly true if there is no immediate perceived personal benefit (e.g. a guarantee that their premium will go down rather than up as a result of sharing their data), and in the case of third party data sharing and use of non-intuitive factors to determine insurance pricing.
- **But when consumers are introduced to the idea of cross-subsidy in insurance pricing** (resulting from a historic incomplete understanding of risk), the majority believe it is unfair that consumers who are higher risk should have their premiums (partially) subsidised. Most are firmly of the view that insurance should be based on individual risk profiles, even if this makes insurance more expensive or even unaffordable for some people in society, and say that they want to see pricing become more tailored and accurate.

Because of the sheer complexity of this topic, this tension is not necessarily one that consumers can identify and resolve themselves (in particular, if they push back on the argument that incorporating non-intuitive risk factors may be essential to make insurance pricing more accurate). To unpack this tension, across the quantitative survey and deliberative workshops, research participants considered two key trade-offs:

- 1. The trade-off between privacy of information and accuracy of pricing:** would consumers prefer to share more information about themselves so that their insurer can price their premiums more accurately, or would they prefer to keep information sharing to a minimum, even if this risks their premiums going up?
- 2. The trade-off between realising the personal benefits of data sharing, and cross-subsidising customers who do not share their data:** what do consumers think that insurers should do if only some customers are willing to share their data? Is it fair for the industry to assume that those who don't are higher risk?

Consumer responses to these trade-offs are set out below.

The trade-off between privacy of information and accuracy of pricing

When framed as a direct trade-off between privacy and accuracy, a majority of general insurance customers say that they would prefer to pay for insurance based on their exact level of risk, even if this means sharing more personal data about themselves with their insurance company (such as data from a social media profile). Three fifths (59%) of consumers select this statement from a pair of options, meaning that, at 41%, a significant minority of customers prefer the alternative of keeping information sharing with their insurer to

a minimum, even if it means that their premium might go up because their insurer has a less accurate understanding of their level of risk.

Please choose the statement which best matches your personal opinion



- I would prefer to pay for insurance based on my exact level of risk, even if this means sharing more personal data about myself with my insurance company (such as data from a social media profile)
- I would prefer to keep the amount of personal data I share with my insurance company to a minimum, even if it might mean my insurance premium goes up based on a less accurate understanding of my level of risk

Q18. Above there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents (n=2,019)

Notably, despite slightly higher levels of comfort with potential new developments in relation to their data among younger people, and particularly the use of monitoring devices such as black boxes or activity trackers, in this instance it is older customers who are most likely to say that they would prefer to share more data about themselves so that they can pay for their exact level of risk. Seven in ten (70%) consumers aged 75 or over select this statement, compared to 58% of those aged 18-24. This may reflect the belief among younger consumers, found in both the quantitative survey and deliberative workshops, that they are more likely to be considered to be higher risk by their insurer and are therefore more likely to 'lose out'. In addition, some older participants felt that there was relatively little genuinely 'private' information about themselves available online and that they therefore had less reason to protect this data.⁶

Qualitatively, when engaging with the same fundamental trade-off (though framed in terms of the fairness of insurers continuing to cross-subsidise when they now know much more about their customers), deliberative workshop participants also tended to

Aside from [the] extra amount, [I don't agree with the] principle you are being charged more and penalised for living somewhere safe.

General insurance customer aged 18-44, workshop participant, Canterbury

My son has telematics insurance and it means he doesn't have to pay as much - if they do something similar for [health trackers] and travel insurance, then I don't see why I wouldn't do that.

General insurance customer living with a long-term health condition, depth interview participant, Birmingham

You can't just have everyone's data; people have a right to share what they want to share. It's supposed to be a free world.

General insurance customer aged 45+, workshop participant, Birmingham

Cross-subsidy is a good thing and I know why they do it. They have to get the overall balance. If I was paying a little bit for someone else's [insurance], that's fine, but not if it's a lot.

General insurance customer aged 18-44, workshop participant, Leeds

fall on the side of prioritising accuracy of pricing. Those who were more uncertain or who opted for minimising the amount of data they share with their insurers over greater accuracy often did so as a result of uncertainty that future developments in the sector really will make pricing more accurate and improve transparency for consumers.

Reflecting this, for some participants, there was a belief that, while imperfect, continuing to cross-subsidise insurance premiums may be fairer to insurance customers than a system that relies heavily on data which consumers aren't necessarily aware they have shared, and on non-intuitive factors which insurers cannot easily 'explain' to their customers. Considerations of consumers who are more likely to 'lose out' as a result of insurance pricing becoming more accurate, for example as a result of a disability, long-term health condition or another factor (largely outside consumers' control), were also mentioned, but these concerns tended to be secondary.

The trade-off between realising the personal benefits of data sharing, and cross-subsidising customers who do not share their data

Deliberative workshop participants were asked to consider the challenge that, if consumers are willing to share more data about themselves, and insurers are able to use this information to price insurance more accurately, there may be a consequence in terms of how any consumers who aren't willing to share their information are treated. Is it right for insurers to assume that that the consumers who aren't sharing information are doing so because they have something to hide, which demonstrates an elevated risk, and charge them higher premiums accordingly? If insurers don't make this assumption, is it fair that consumers who are more open to sharing their data may not therefore receive the financial benefits of lower premiums?

Across the workshops, there was a general consensus that, as a matter of principle, **it would not be fair for insurers to assume that consumers who are less willing to share their data are doing so because they are higher risk.** Much like the trade-off between accuracy of pricing and privacy of data, participants' response to this trade-off was coloured by their views of the types of information and methods of collection that may be used by insurance providers in the future. These attitudes, and in particular concern about the use of third party data and non-intuitive factors, meant that **most consumers were generally sympathetic to other customers who might be cautious about sharing their data** with their insurers. In particular, there was discomfort that consumers may feel 'forced' to share more data with their insurers if this is the current trajectory of the industry, and suspicion that the industry could use consumers opting out as an 'excuse' to increase premiums.

There were a few exceptions and complications to this viewpoint. Some participants felt that it may be fair to assume that consumers who opt out are higher risk in instances which are reliant on objective rather than 'subjective' information (which is how they tended to view insurers making assumptions on the basis of non-intuitive factors). Examples included the types of information collected by black boxes and activity trackers, which some felt was purely factual and did not rely on insurers making 'judgements', though some consumers were very negative about the idea of insurers penalising customers who do not accept these types of monitoring devices. A very small number of participants were also open to the fact that they believe that they would personally benefit from sharing more data, and would not want to forgo the potential opportunity to reduce their premiums.

People who are prepared to give their details are not less risky than those who aren't. Not wanting to give someone data is just a privacy issue. In fact, those people could be even more risk averse or aware.

General insurance customer aged 18-44, workshop participant, Leeds

It [riskiness] cannot be assumed about people who don't share data. That feels like blackmail and we are allowed to have our privacy.

General insurance customer living with a long-term health condition, depth interview participant, London

I've not got anything to hide on Facebook [...] anything that can make it cheaper would be helpful, so I don't see why not.

General insurance customer living in financial vulnerability, depth interview participant, Birmingham

Responsibility for future decisions in relation to insurance and data

Across the deliberative workshops, consumers described a strong expectation to see the insurance industry taking responsibility for ensuring that insurers are fair and transparent in how they use consumers' data. Awareness of the potential role of government and regulators was much lower, though some consumers expressed interest in seeing an independent voice as part of this debate, whether from a government body, or from consumers themselves.

It's insurance companies who have responsibility for sorting this out - but the government are less biased maybe, [or] the regulator?

General insurance customer aged 45+, workshop participant, Welshpool

I think [as] customers, we decide, we have a massive say in it.

General insurance customer aged 18-44, workshop participant, Canterbury

These insights raise the following key questions for the insurance industry:

- What does the lack of a clear 'consensus' view on the need for accuracy compared to privacy mean for the development of policy interventions in the sector? Is there a risk of pressure on all sides (i.e. appetite to improve accuracy while also protecting privacy and affordability)? How does the sector need to balance these conflicting priorities?
- What protections need to be put in place for consumers who are not willing to share their data if the industry does move towards more individualised pricing based on a more accurate understanding of risk? How does the sector respond to the concern of these consumers being unfairly penalised and 'forced' to share their data in the future?

How trade-offs are made by different groups of consumers

Summary of this chapter

- Age is the clearest dividing line.
 - Younger customers are more willing than older customers to share their data and in particular for insurers to use monitoring technologies to gain access to their data.
 - However, younger customers are also more likely to recognise that they personally may be seen as high risk by their insurers, and are more sympathetic towards cross-subsidy than older customers.
 - This means that younger consumers 'net out' as less likely than general insurance customers overall to say that they favour greater accuracy in insurance pricing facilitated by greater data sharing.
- There are key differences by affluence.
 - More affluent consumers are more likely than less affluent customers to view pricing according to an individual's personal risk level as fair, and therefore less supportive of cross-subsidy in insurance.
 - But more affluent customers are more concerned about their privacy than less affluent customers, and it is the latter, more price sensitive, customer group that is more willing to share their data to make pricing more accurate.
- There is far less differentiation in consumers' views by other demographic factors such as health, gender and region.

Age

Starting attitudes towards the insurance industry do not vary greatly between younger and older consumers. Participants of all ages in the qualitative research expressed concerns about insurers 'catching them out', for example reviewing claims with the aim of finding reasons to reject them. Despite different levels of experience purchasing and owning insurance, there are recurring, negative views across age groups:

- Older consumers are particularly likely to be frustrated by the perception that insurance represents an outgoing which is ever-increasing: 79% of those aged 75 or above agree that, no matter what they do, their insurance premiums seem to go up every year (nine percentage points higher than customers as a whole, at 70%).
- Younger consumers are especially likely to agree that insurers are seeking information about consumers in order to increase customers' premiums rather than to calculate premiums more accurately. Three quarters (75%) of 18-34 year olds feel this way compared to 64% of customers as a whole.

The key difference between older and younger general insurance customers is that the latter group are more open towards and less concerned about data sharing. Whilst most workshop participants were surprised to learn about the changing nature of data collection and interpretation in the insurance sector, younger participants were more likely to feel a stronger ability to control their data in these new circumstances, with older participants finding it more difficult to understand these changes and how to personally navigate them.

As is explored in chapter 5, younger customers are consistently more likely to be open to insurers using monitoring technologies and gathering data indirectly. By contrast, older customers are more cautious about each of these developments and to how their data is being used in general. For example, customers aged 55+ are particularly concerned about organisations (including insurers) making predictions about them based on information that they've found out about them online.

Concern about data collection and interpretation

Showing % who select 8-10, where 0 is 'not concerned at all' and 10 is 'very concerned'

Information from my social media profile being viewed by strangers



Organisations making predictions about me based on information that they've found out about me online



Websites I visit using cookies to store information about what I do online (e.g. what I click on, how long I stay on a webpage)



- Concern amongst 18-34 year olds
- Concern amongst 35-54 year olds
- Concern amongst 55+

Q5. Below is a list of different statements about personal data and technology. On a scale of 0-10 where 0 is 'not at all concerned' and 10 is 'very concerned', how do you feel about each of the following? Base: All respondents aged 18-34 (n=469); 35-54 (n=798); and 55+ (n=752)

My eighteen-year-old daughter is quite prepared to give her details away but I'm slightly more cautious. Sometimes I just don't want to get adverts about it. The way that technology has influenced the younger generation makes them care much less about their privacy in my opinion.

General insurance customer aged 18 - 44, workshop participant, Leeds

I think you have a generational thing; older people wouldn't want to [give more information to their insurer] because they aren't used to sharing data in the same way.

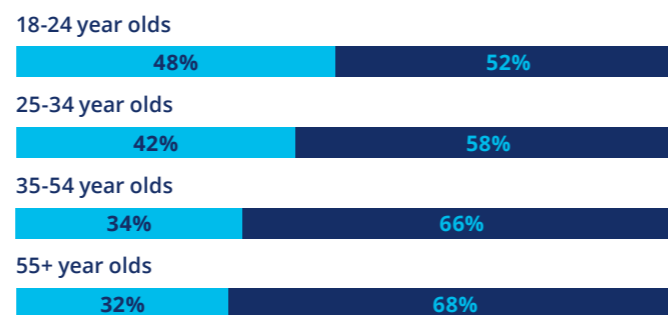
General insurance customer aged 45+, workshop participant, Birmingham

Younger consumers are more likely than older customers to identify situations in which cross-subsidy is fair. While participants in all four deliberative workshops reacted to the concept of cross-subsidy with similarly negative views overall, these were weaker in the two sessions that were held exclusively with consumers aged 18-44. These participants were more likely to think of circumstances in which cross-subsidy might be useful to consumers who are at risk of not being able to afford insurance, such as:

- Individuals with pre-existing medical conditions using travel insurance
- Lower income individuals who live in an area with a higher burglary risk
- Drivers who have been in a car accident that wasn't their fault

This is supported by the quantitative data, which suggests greater concern amongst younger consumers about the potential for them or other consumers to be priced out of the insurance market. As noted in chapter 4, at 36%, a minority of consumers overall feel that the cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone (as opposed to the 64% who agree that they would prefer to see everyone pay for their insurance exactly according to their level of risk). The attitude that the cost of insurance should be spread among customers so that insurance isn't unaffordable for anyone is strongest amongst 18-24 year olds, half (48%) of whom select this statement.

Please choose the statement which best matches your personal opinion



- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone
- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people

Q17. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents aged 18-24 (n= 146); 25-34 (n=323); 35-54 (n=798); and 55+ (n=752)

It would be absolutely fair if cross-subsidy happened less. I think you should assess everyone differently, there are relevant issues that should and shouldn't count.

General insurance customer aged 80+, depth interview participant, Welshpool

If you are helping out unfortunate others who have a condition that means they have higher premiums, then it [cross-subsidy] is definitely helpful.

General insurance customer aged 18-44, workshop participant, Leeds

However, differences across age groups are less pronounced in relation to the trade-off between the accuracy of pricing and privacy of information. Despite their greater willingness to share data in general, younger consumers are not more likely to say that they favour greater accuracy in insurance pricing (facilitated by greater data sharing). In this trade-off, 59% of 18-34 year olds select 'accuracy' over 'privacy', compared to 56% of 35-54 year olds and 62% of those aged 55+.

Please choose the statement which best matches your personal opinion



- I would prefer to keep the amount of personal data I share with my insurance company to a minimum, even if it might mean my insurance premium goes up based on a less accurate understanding of my level of risk
- I would prefer to pay for insurance based on my exact level of risk, even if this means sharing more personal data about myself with my insurance company (such as data from a social media profile)

Q18. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents aged 18-34 (n= 469); 35-54 (n=798); and 55+ (n=752)

In fact, as noted in chapter 6, it is actually older customers who are most likely to say that they would prefer to share more data about themselves so that they can pay for their exact level of risk: seven in ten (70%) consumers aged 75 or over select this statement, compared to 58% of those aged 18-24. This can be explained by the differing nature of the personal data that these audiences might be expecting to share in order for their insurer to provide them with a more accurate price. In deliberative workshops, older consumers were less likely to interpret this as relating to social media data or new forms of data gathering.

Consequently, when deliberative workshop participants were asked about the trade-off between realising the personal benefits of data sharing and cross-subsidising customers who do not share their data, it was older participants who tended to be the most negative about a consumer's decision to not share data being interpreted as a proxy for risk. They were concerned about how this could potentially 'force' them to agree to forms of data collection they are uncomfortable with in order to avoid being priced out of the market. Whilst younger participants also tended to agree that this was unfair, they also felt more personally comfortable with the forms of data collection that this might involve, as well as being more likely to identify these as an opportunity to reduce their premiums.

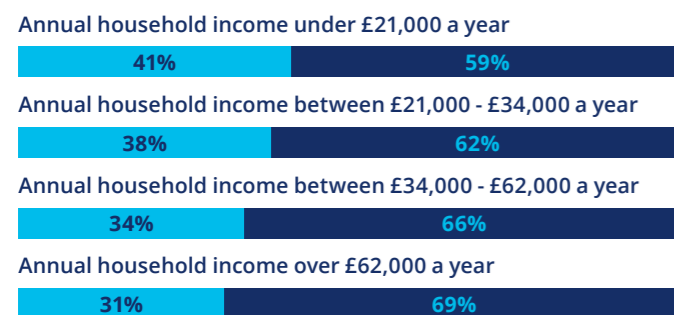
To assume is like blackmail - getting penalised if you do not share your data.

General insurance customer aged 45+, workshop participant, Birmingham

Affluence

Sub-group analysis by income reveals that more affluent consumers are more likely to view pricing according to an individual's personal risk level as fair, while consumers on lower income are more likely to believe it is important that insurance does not become unaffordable for anyone. Support for the view that everyone should pay for their insurance exactly according to their level of risk (as opposed to a preference for seeing the cost of insurance being spread across customers to ensure it is affordable for all) increases amongst audiences with a higher household income:

Please choose the statement which best matches your personal opinion



- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone
- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people

Q17. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents in households earning under £21,000 a year (n=448); between £21,000 - £34,000 a year (n=470); between £34,000 - £62,000 a year (n=542); and over £62,000 a year (n=752)

Cross-subsidy is good for people on low incomes or those who can't move and society's most vulnerable. The government should look after everyone, and this is something that can be in place to make sure the most vulnerable are not penalised.

General insurance customer aged 45+, workshop participant, Welshpool

Cross-subsidy is wrong. My priority is me and my family, and what we have for our food and groceries and things, I try not to worry about the bigger picture because my life is what is important, even if that sounds a bit selfish.

General insurance customer, aged 18-44, workshop participant, Leeds

Similarly, consumers who are financially vulnerable are also more likely to view increasing the affordability of insurance for all as fair, with 55% of those in circumstances which makes them financially vulnerable agreeing that customers should pay for their individual level of risk, compared to 65% of those who are not financially vulnerable. Depth interviews with financially vulnerable consumers, however, illustrated that views of cross-subsidy depended largely on how likely individuals were to consider themselves to be a higher or lower risk consumer – as can be seen in the case study of Lisa below.

This may be influenced in part by higher income participants believing they have more to 'lose' through inaccurate pricing. Unsurprisingly, those with a higher household income are more likely to have a greater number of insurance products: 74% of those with a total annual household income over £62,000 have 4 or more insurance products (compared with just 21% of those earning up to £21,000 a year).

However, more affluent consumers are also less likely to be sympathetic towards groups who are arguably less able to control their level of risk. When presented with scenarios of whether or not it is fair for people whose homes are at risk of flooding and people with pre-existing health conditions to pay more than others for their insurance, higher income consumers are more likely to view this as being fair:

Below are a series of scenarios. How fair or unfair do you think each of these are?

Showing proportion who think these are fair (very fair or fair)

People whose homes are more likely to flood paying more for their home insurance than those whose homes are less likely to flood



People with pre-existing health conditions paying more for their travel insurance than those who do not have pre-existing health conditions



- Annual household income under £21,000 a year
- Annual household income between £21,000 - £34,000 a year
- Annual household income between £34,000 - £62,000 a year
- Annual household income over £62,000 a year

Q11. Below are a series of scenarios. How fair or unfair do you think each of these are? Base: All respondents in households earning under £21,000 a year (n=448); between £21,000 - £34,000 a year (n=470); between £34,000 - £62,000 a year (n=542); and over £62,000 a year (n=752)

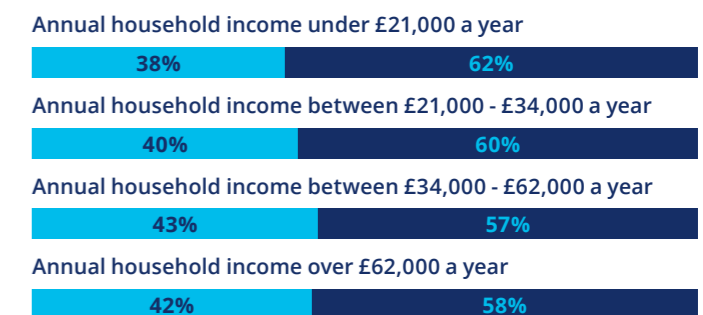
When it comes to the trade-off between accuracy of pricing and sharing more data with insurers, attitudes are more complex. Notably, consumers on lower incomes are less open to sharing data with insurers overall, but slightly more open to sharing their data with insurers than higher income consumers when this is positioned as a means of having more accurately priced insurance. This suggests that for more price sensitive consumers, any perceived 'costs' associated with sharing their data may feel more justifiable if it leads them to save money in the process.

Consumers on the lowest incomes, earning £21,000 or less a year in their household, are least comfortable with insurers using all forms of data gathering tested in the survey. This correlation is

particularly strong in relation to the use of monitoring technologies. For example, consumers earning less than £21,000 a year in their household are 8 percentage points less likely than those earning more than £62,000 a year to say they are comfortable with a home insurer collecting information using a security camera or alarm system in their home. This may reflect a link between affluence and experience of monitoring technologies, with higher income consumers more likely than those on lower incomes to use or own technologies such as activity trackers and smart home devices.

When asked to choose between greater accuracy in insurance pricing (facilitated by greater data sharing) and minimising data sharing (even if this means prices could go up), consumers on lower incomes are slightly more likely to say that they would prefer to pay according to their exact level of risk, even if this means sharing more data about themselves:

Please choose the statement which best matches your personal opinion



- I would prefer to keep the amount of personal data I share with my insurance company to a minimum, even if it might mean my insurance premium goes up based on a less accurate understanding of my level of risk
- I would prefer to pay for insurance based on my exact level of risk, even if this means sharing more personal data about myself with my insurance company (such as data from a social media profile)

Q18. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents in households earning under £21,000 a year (n=448); between £21,000 - £34,000 a year (n=470); between £34,000 - £62,000 a year (n=542); and over £62,000 a year (n=752)

CASE STUDY:

LISA*



Lisa lives alone in Birmingham. She has recently gone through a divorce, and feels that her finances are now more difficult than they used to be. Despite being worried about the cost of insurance, she feels that it is very important: as well as having home and motor insurance, she has life insurance and coverage for some white goods.

“You never know what can happen – like with me and my husband. So I think insurance just helps with that uncertainty, giving you some peace of mind.”

When introduced to the existence of cross-subsidy, Lisa instinctively disliked the possibility that she might be paying more for her insurance in order to support customers who might live a ‘riskier’ lifestyle compared to her. However, she was sympathetic to the idea that customers with disabilities might benefit from cross-subsidy.

When she heard that insurance companies might have access to customer data that they had obtained from third parties, Lisa was worried that insurers may not make their customers aware that this could be happening. However, when asked if she would be comfortable with sharing data with an insurer if there was a prospect (but not necessarily a guarantee) that they might offer a lower premium, she found the idea very appealing.



In particular, Lisa was open to the use of telematics and to sharing her social media data because she believed that both would reveal her to be a lower risk consumer and therefore reduce her premiums.

“I’ve not got anything to hide on Facebook [...] anything that can make it cheaper would be helpful, so I don’t see why not.”



Product ownership and claims history

Despite the fact that claimants are more likely to be viewed by an insurer as risky than non-claimants, claimants as a group are more likely to view cross-subsidy as unfair. This may be explained by the fact that claimants are no more likely to view themselves as high risk than non-claimants, with only 10% of both claimants and non-claimants agreeing that their insurer sees them as riskier than other customers. However, despite these differences in starting attitudes towards cross-subsidy, when presented with the trade-off between cross-subsidy and data sharing, claimants and non-claimants are equally likely to favour greater accuracy in pricing.

Please choose the statement which best matches your personal opinion



- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone
- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people

Q17. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents who have claimed on one of their insurance products before (n=1436); all respondents who have never claimed on any of their insurance products before (n=580)

There are also some noteworthy patterns by product ownership. Customers with a greater number of insurance products are more likely than those with fewer products to take the view that cross-subsidy is unfair. They are also more likely than those with fewer products to say that they are more comfortable sharing personal data in order to increase the accuracy of their insurance pricing. This may be because these customers feel that they have more to gain from greater accuracy of pricing when they think about cumulative cost savings across their portfolio of insurance products.

Please choose the statement which best matches your personal opinion



- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone
- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people

Q17. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents who have 1-3 insurance products (n=1025); all respondents who have 4 or more insurance products (n=994)

Health

As may be expected, customers with a physical or mental health condition are more likely than those without a physical or mental health condition to view cross-subsidy as fair. However, it is notable that the majority of consumers with a physical or mental health condition still take the view that it is fairer for customers to pay according to their individual level of risk, rather than spread the cost of insurance so that it is affordable for everyone.

Please choose the statement which best matches your personal opinion

Living with a health condition



Not living with a health condition



- The cost of insurance should be spread across customers so that insurance isn't unaffordable for anyone
- Everyone should pay for their insurance exactly according to their level of risk even if it makes insurance unaffordable for some people

Q17. Below there are two statements. Please choose the statement which best matches your personal opinion. Base: All respondents who have a longstanding health condition or disability (n=349); all respondents who do not have a longstanding health condition or disability (n=1632)

Depth interviews with individuals who have a physical or mental health condition reflected these divided views on cross-subsidy. One participant who had suffered a brain abscess felt that even though he may be considered a higher risk consumer as a result of his condition, it was fair to be treated as such. Another participant living with cancer also felt it was fair for her to pay for insurance based on her own risk level, but had concerns that others with health conditions with a lower income may be priced out of the market without some form of cross-subsidy.

Those with health conditions are slightly less willing than those without to share personal data in order to have more accurate pricing. Compared to three fifths (60%) of those without health conditions who opt for accuracy of pricing and the two fifths (40%) who prefer to keep data sharing to a minimum, 55% of those with a physical or mental health condition choose 'accuracy' in relation to this trade-off, with 45% choosing 'privacy'. However, it is worth noting that this may also reflect a skew towards older consumers among those who have a physical or mental health condition.

Poor people are already priced out I think – surely that can't be fair. Insurers need to educate these people too about why they need insurance.

General insurance customer with a long-term health condition, aged 45+, depth interview participant, London

CASE STUDY:

KARL*



Karl is in his 50s and lives alone in Birmingham. He has bipolar disorder. He has home insurance but does not drive or travel abroad, so hasn't purchased insurance for a vehicle or for travel.

He feels that information about his mental health condition is extremely private and cannot see how this would be relevant to an insurer. He said that he hasn't ever been asked about his physical or mental health by his home insurer, and is not sure he would feel comfortable sharing such information with a travel insurer, even though he can see greater relevance in this case.



In this respect, Karl felt that it is fair that cross-subsidy occurs in the insurance market. He feels that his health condition is outside his control, and that it is reasonable that other customers in more fortunate circumstances should pay (slightly) more to make his home insurance more affordable.

When told that monitoring technologies – such as activity trackers and connected home devices – may be used by insurers, Karl was interested in the idea that these might lead to his premiums decreasing. Despite his concerns about his privacy, he felt comfortable with doing this assuming that his premiums went down rather than up, and that the level of benefit he received felt meaningful (for example, reducing his premium by 25%).



“My son has telematics insurance and it means he doesn't have to pay as much [...] if they do something similar for [an activity tracker] and travel insurance, then I don't see why I wouldn't do that.”

CASE STUDY:

TIM*



Tim works in the charity sector and lives with his wife and four children in Wales. He says that he and his wife 'have always been risk averse,' and have held a wide range of insurance products for a number of years, including life, motor, home and pet insurance. A few years ago, Tim suffered from an unexpected seizure and developed a brain abscess. He is now in recovery and is able to work part time, but is unable to drive.



At the time, he held mortgage protection insurance and critical illness cover. The former meant that despite his loss in income, he and his wife were able to continue paying for their mortgage, and avoided falling into serious debt.

"I didn't realise that other people didn't have critical illness cover – it was really important to us [...] [with the mortgage protection cover] we were able to pay off a large chunk of the mortgage and it meant that my wife could also continue to work part-time, whilst also looking after our children."



Tim felt conflicted about the concept of cross-subsidy once he was introduced to it. He reacted instinctively by saying it felt 'very unfair'. He feels that he and his wife considered flood and burglary risk when choosing where to live, and dislikes the idea that he may have paid 'over the odds' in order to subsidise someone living in a higher risk area. However, he felt that 'pooling' risk may be fairer when considering the role of unknown health conditions, in which consumers' decisions have less impact on their level of risk.

Other demographic factors

While the quantitative survey results are nationally representative, and qualitative fieldwork was conducted across multiple locations (covering Greater London, Canterbury, Leeds, Birmingham and Welshpool), and included an equal split of male and female participants, there are no clear differences in the findings based on customers' region or gender.

The only notable exception to this rule is that **women are slightly less likely than men to be negative about the existence of cross-subsidy in the general insurance market**, with two fifths (39%) of women saying that the cost of insurance should be spread across customers so that insurance isn't unaffordable to anyone, compared to a third (33%) of men. Differences between men and women are even more pronounced in relation to the occurrence of cross-subsidy regarding factors which are arguably outside an individual's control, such as flood risks and health conditions.

Below are a series of scenarios. How fair or unfair do you think each of these are?

Showing proportion who think these are fair (very fair or fair)

People whose homes are more likely to flood paying more for their home insurance than whose homes are less likely to flood



People with pre-existing health conditions paying more for their travel insurance than those who do not have pre-existing health conditions



● Female respondents
● Male respondents

Q11. Below are a series of scenarios. How fair or unfair do you think each of these are?
Base: All female respondents (n=971); all male respondents (n=1047)

Conclusions and implications

This research sought to bring the consumer perspective to industry debates about the use of data in insurance by understanding: where consumers are starting from on this issue; consumer responses to current and potential future practices in relation to their data; and priorities for insurers to show that they are using data in consumers' best interests. The findings have highlighted a number of challenges for the insurance industry in relation to consumer data, in particular that general insurance customers:

- **Are starting with limited trust** in both insurers and the data 'ecosystem', meaning that they are primed to approach new data-led developments in the sector with caution and cynicism. For many consumers, the immediate assumption is that insurers' main motivation behind these innovations is to increase prices and profits.
- **Find it difficult to understand** how their insurance is currently priced, and how information is used in the general insurance market. There are particular challenges in communicating the concepts of cross-subsidy and non-intuitive rating factors given their complexity. This means that, on top of their instinctively negative starting points, consumers are often reacting to the use of consumer data in insurance based on a partial or shallow understanding of the key issues.
- **Hold complex and often contradictory views** in relation to their priorities for the use of consumer data in the sector. While the majority err towards greater accuracy in insurance pricing, there is resistance to seeing consumers 'forced' into sharing their data, even if this puts the consumers who are more open with their data at a disadvantage. A significant minority of consumers say that they would rather protect their privacy than share more data, even if it means that their premiums increase.

- **Don't necessarily think and behave consistently in relation to their data; attitudes don't always translate into action.** Despite voicing concerns about their control over their data, many consumers are unwilling to give up the benefits they receive as a result of sharing it, such as access to 'free' services or the convenience of shopping around for insurance using price comparison websites. Conversely, uptake of products requiring certain data sharing behaviours such as telematics does not necessarily mean that consumers feel fully comfortable with these practices.

The findings from this research also highlight a number of potential opportunities and raise some key questions as the industry debate in relation to the use of consumer data continues:

- **What can the insurance industry do to get on the 'front foot' in the context of consumer data?** 2018 in particular saw several unanticipated 'scandals' for data-driven organisations who had previously operated with a very limited public profile, denting trust in social media firms especially, and drawing attention to a potential lack of transparency around consumer data.
 - As the insurance industry has relatively little goodwill 'in the bank' when it comes to customer data, what groundwork does the industry need to lay now to prepare itself for any risks ahead?
 - In particular, given their sheer complexity, are there any concepts that the industry needs to land with customers to ensure that it has permission to speak, and will be heard, on this issue?

- **How can the industry put data at the heart of ongoing efforts to improve clarity and transparency in the sector?** Transparency of pricing and other information has been a major focus of the industry in recent years, and remains extremely important in the context of recent regulatory interventions. The findings of this research reinforce the paramount importance of transparency to consumers, both when they think about insurers overall, and how insurers are using their data.
 - What opportunities are there to bring together industry debates about transparency and about data?
 - Could the industry harness existing channels through which insurers engage with consumers, such as renewal notices, to provide clarity on the data they hold and how this is being used?
 - Which aspects of data collection and interpretation will be particularly challenging to communicate? This research has shown that information about non-intuitive factors is negatively received and challenging to understand. How should the sector account for this when thinking about transparency?
 - Would attempting to 'myth-bust' some of consumers' assumptions about pricing (e.g. highlighting that gender is *not* a risk factor in insurance pricing) help to increase understanding and improve transparency?

- **How can the industry utilise and build on the consumer-led 'framework' for judging the acceptability of data-driven developments set out in this report?** This and previous research suggest that, from a consumer perspective, organisations which are using data in their best interests are those which:
 - Afford them some degree of **control** over how they are sharing their data, for example by ensuring that consumers have had the opportunity to give real, meaningful and informed consent when they opt in, and that they can opt out.
 - Ensure that the data they are collecting or using feels **relevant** to the context. This has particular implications for how the industry frames the use of non-intuitive factors, which by definition feel random and unrelated to risk.
 - Provide some clear benefit to the consumer as part of a clear value exchange. The most compelling **benefit** in the context of insurance seems to be cost savings, but consumers also express some interest in convenience.
 - Mitigate against any potential **harms** associated with sharing that data, from threats to the security of that information to the risk that consumer data is shared and monetised without their consent.

“The findings of this research reinforce the paramount importance of transparency to consumers.”

- **What should the expectations be on the other actors in the data ecosystem?** While consumer trust in insurers to use data in their best interests is relatively low (particularly compared to banks), it still sits some way above trust in the organisations that are most dependent on consumers sharing their information, such as social media companies and search engines. Some of consumers’ strongest concerns about the use of data in the insurance industry actually relate less to how insurers are collecting data, and more to the other actors in the data ecosystem, particularly third parties and data brokers. This points to a need for the insurance industry to work collaboratively with its data partners, and to put in place clear expectations for ethics, clarity and transparency in relation to consumer data.
- **What balance should the industry strike between the (slim) majority preference for more accurate pricing, and the appetite for protection of privacy and affordability?** There is a fundamental tension between these priorities, and there is a risk that policies that the industry might choose to pursue from a reputational or policy perspective – i.e. to pool risk to ensure affordability – go counter to the majority consumer preference for accuracy. On the other hand, taking this preference at ‘face value’, to move away from cross-subsidy, also represents a risk, particularly as consumers may be misjudging the extent to which they will personally benefit based on their tendency to under-estimate their own level of risk.
- **If the industry does move towards more individualised pricing based on a more accurate understanding of risk, what consumer protections might need to be put in place?** As has been noted in the context of discussions about flood risks in the home insurance market, there are certain groups of consumers for whom home insurance might be unaffordable without the existence of cross-subsidy in the market.⁷ It was a desire to maintain affordability amidst unwinding cross-subsidy that saw a policy decision taken to implement Flood Re.
- **If the advent of more accurate pricing sees the end of cross-subsidy in other parts of the insurance market, what are the likely effects on affordability, and who is most likely to be affected?**
- **Reflecting some consumers’ belief that the concept of the cross-subsidy is fair in the context of consumers with higher levels of risk due to factors outside their control, are there some groups in society which should be prioritised?**

Chapter 09

Appendix

Further detail on the qualitative research sample at each stage

Scoping focus groups: 2 groups, each with 8 participants and lasting 90 minutes, both conducted in London

Gender: Each group included a minimum of 3 men and 3 women

Age: Groups were split by age, as follows:

- **Group 1:** all aged 18-44
- **Group 2:** all aged 45+

Ethnicity: Each group included a minimum of 3 BAME participants

SEG: All participants were from socioeconomic grade C1/C2/D

Insurance:

- All participants were general insurance customers with at least one of the following products: home insurance (contents and/or buildings), pet insurance, motor insurance, travel insurance
- A mix of insurance product types was achieved across each group
- All were solely or jointly responsible for choosing, buying, renewing and paying for at least one of these insurance products in their household

Education skewed towards middling to lower levels of education to ensure that research materials were tested for comprehension and accessibility:

- Each group included a minimum of 3 per group educated to GCSE level
- Each group included a maximum of 3 per group educated to A level
- No participants were university educated or equivalent

Deliberative workshops: 4 workshops, each with 16 participants and lasting 3-4 hours, conducted in Canterbury, Leeds, Birmingham and Welshpool

Gender: Each workshop included an equal split of male and female participants

SEG: Participants were from a mix of socioeconomic grades B/C1/C2/D

Age: Workshops were split by age as follows:

- **Canterbury and Leeds:** all participants were aged between 18-44
- **Birmingham and Welshpool:** all participants were aged between 45-80

Ethnicity: BAME participants made up a fifth of the sample across the locations

Attitudes towards data collection: Participants were recruited to ensure a mix of positive and negative starting attitudes at each workshop

Insurance:

- All participants were general insurance customers with at least one of the following products: home insurance (contents and/or buildings), pet insurance, motor insurance, travel insurance
- A mix of insurance product types was achieved across each group
- All were solely or jointly responsible for choosing, buying, renewing and paying for at least one of these insurance products in their household

Depth interviews: 9 interviews conducted in-home, each lasting 90 minute

All participants were in vulnerable circumstances as follows:

- 3 participants were aged 80+
- 3 participants were living with a long-term health and wellbeing vulnerability (physical or mental health condition)
- 3 financially vulnerable participants (recruited on the basis of one or more of the following: earning under £17,000 a year; in housing arrears; receiving benefits not relating to health)

Gender: Mix of male and female participants achieved across the sample

Insurance: All were general insurance customers as above

Outline research content for deliberative workshops

SESSION	OUTLINE
Attitudes towards insurance and how insurance works	Participants discussed the insurance products they have, their experiences and what personal information they think is relevant when calculating insurance premiums
	A presentation was given about how insurance can be calculated, setting out that insurance pricing is affected by likelihood of an event happening or the cost of an event happening
	Participants completed an exercise in which they were tasked to do the job of an underwriter, calculating different premiums for motor insurance for a range of drivers based on pen portraits
What is cross-subsidy?	A presentation was given to explain cross-subsidy and why it has historically existed in the insurance industry
	Participants discussed their responses to learning about cross-subsidy in the insurance industry
Observed data in the insurance industry	A presentation was given explaining how insurance companies gather information about their customers. This includes information about different monitoring technologies e.g. telematics and automatic leak sensors
	Participants discussed the pros and cons of using these technologies, and whether they personally would use them
Third party data in the insurance industry	A presentation was given explaining how insurance companies use third party data, including from data brokers
	Participants discussed their responses to information about the role of third parties
Pub quiz	Participants took part in a 'pub quiz' to ensure understanding of key concepts introduced in the earlier sessions of the workshop
The role of non-intuitive data	A presentation was given to explain how computer-driven interpretation of large volumes of data has led to more inferences being made about risk in the insurance sector
	Participants discussed their responses to the use non-intuitive (or non-logical) risk factors, and whether they would share their social media profiles (or equivalent) with their insurers
Trade-offs	Participants debated two key trade-offs to capture consumer priorities for the future of customer data and insurance, and how consumers feel this can be made fair for consumers

References

¹ BritainThinks, 'Ctrl, Alt or Delete? Consumer research on attitudes to data collection and use,' June 2018: <https://britainthinks.com/pdfs/Consumer-Data-Research-report.pdf>

² Adrian Clamp, ABI 'Re-establishing trust is job #1 for insurers', February 2019: <https://www.abi.org.uk/news/blog-articles/2019/02/re-establishing-trust-is-job-1-for-insurers/>

³ The impact of cognitive biases and psychological tendencies (such as risk aversion) on consumer behaviour in relation to financial products, including insurance, is well documented.

⁴ In the survey, financially vulnerable respondents were identified on the basis of agreeing or disagreeing with a set of statements (e.g. about experience of claiming benefits, ability to save money, to pay bills) concerning their financial circumstances.

⁵ However, it is interesting to note that at 69% of telematics customers saying that they feel comfortable with technologies such as black boxes, it does seem that some customers are adopting these technologies without necessarily being fully comfortable with them.

⁶ It should be noted that, by nature, captured as an online survey, the quantitative data represents the views of older people who are online only. Two of the four deliberative workshops were conducted with consumers aged 45+ and comprised a good spread of ages, including some older people who were less confident online. Depth interviews with vulnerable customers also included sessions with older people aged 80 and over, most of whom were more likely to err towards wanting to protect their privacy.

⁷ See Matt Cullen, ABI 'Sharing Risk or Smoothing Bad Luck – What is Insurance Really All About?' 2015: <https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2015/a-brave-new-world/a-brave-new-world.pdf> and John O'Neill and Martin O'Neill 'Social justice and the future of flood insurance', 2012: <https://www.jrf.org.uk/file/41870/download?token=0cmPo2LX&filetype=viewpoint>

For more information

Cordelia Hay
chay@britainthinks.com

+44 (0)207 845 5880

BritainThinks
West Wing
Somerset House
Strand
WC2R 1LA

Matt Cullen
Matthew.Cullen@abi.org.uk

+44 (0) 207 216 7513

Association of British Insurers
One America Square
17 Crosswall
London
EC3N 2LB