

## Renewal pricing – customer questions and answers

### Q. Why are you proposing this now?

A. The proposal reflects insurers' commitment to improving transparency and clarity for customers. For some time we have been considering how greater clarity around renewal pricing can be achieved in a way that takes into account the different ways customers arrange their private motor and home insurance. **When surveyed, 89% of respondents that had received an insurance renewal before said they would find it helpful to have the previous years' price printed on their insurance renewal<sup>1</sup>.**

### Q. When do you expect this proposal to be implemented?

For all customers to benefit, this proposal needs to be properly implemented across the whole market and needs to reflect that customers arrange their motor and home cover in different ways, for example directly from an insurer, through an insurance broker or from their bank. This can only be done by the regulator. It would require major system changes by the many different providers in the market so it will be better to take a holistic approach rather than rolling it out piecemeal with some customers benefitting and others not.

We will be discussing our proposal with the regulator and would anticipate an 18 month implementation following any regulation.

### Q. Why does this only apply private motor and home insurance and not to all annually renewable policies such as travel, pet and commercial insurances?

Motor and home insurance are the most widely held annually renewable policies and the most competitive in terms of prices and number of providers. Businesses usually arrange insurance through an insurance broker, whose job it is to shop around to get them the best deal.

### Q. Why do insurers not do this already?

Motor and home insurance markets are very competitive, with individual firms free to market how they wish. Our proposal, if taken up by the regulator, proposes a minimum

standard that would apply across the market, regardless of how customers arrange their cover. Figures show that only 35% of customers buy directly from their insurer, with two thirds purchasing through intermediaries, banks or other retailers. We would like these proposals to apply to all the ways customers buy insurance which is why we have written to the regulator to make the suggestion.

**Q. If I renew through my insurance broker or bank will this apply?**

The ABI hopes that this proposal will be implemented market wide and would apply to all renewals regardless of the channel used.

**Q. Why won't the current premium shown reflect any mid-term adjustments?**

A We believe that comparison between the price the customer started the year with and the quote provided for the following year will be the easiest understood comparison, especially as the customer may not have any documents showing any mid –year premium adjustment. Insurers will be free to add any information to explain any mid-term premium adjustments, for example where the customer's circumstances have changed.

**Q. By offering introductory discounts for new customers are insurers not giving a bad deal to their existing customers?**

A. Like in any competitive market, motor and home insurers compete on price and want to attract new customers. Competition means that existing customers are free at renewal to shop around to see if they can get a better deal as a new customer with another insurer. **65% of respondents said they were aware that the first-year premium is sometimes an introductory discount<sup>1</sup>**, but by making the position of any introductory discounts or offers clear, the customer will be able to make a better informed choice.

1 - Total sample size was 2586 adults. Fieldwork was undertaken by YouGov Plc between 19th - 28th May 2014. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).