



## A Conceptual Study on Consumer Attitude Towards Car Insurance

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### ABSTRACT

There appears to be little or no relationship between consumers and car insurance providers and many consumers were quick to explain why: the lack of any reward or incentive for loyalty; the spiralling cost of car insurance, the lack of transparency in the way insurance is presented and sold; the tendency for providers to increase premiums but then later match a lower quote; and the purchase process becoming dominated by selling extras and making more money for the insurer/intermediary rather than providing the appropriate cover, service or advice for individual consumer needs. Many also admitted they did not feel they knew how car insurance worked in general or what would happen if they needed to make a claim. There was an assumption among consumers that in the event of an accident, car insurance would simply cover them. On reflection, however, many expressed concerns that their car insurance might not do what they thought it should, or that they wouldn't necessarily have the right cover for their needs, and that this would only become clear in the event of making a claim. Many described car insurance as a 'grey area', with too many caveats, variables and a general lack of clarity or transparency

### KEYWORDS

consumer attitude, car insurance, buying behavior

### Introduction

Consumer attitudes towards car insurance were very mixed and many stated that while they understood what car insurance should do, they lacked confidence that it would deliver on their expectations. The assumption was that they would be covered in the event of an incident involving their car, but beyond this, few felt they understood precisely how car insurance works, what the exclusions or limitations on their policy might be or what they would find if they did ever need to make a claim. Many also expressed concerns that they might lack the correct cover for their needs, but would be unlikely to know this until it is too late, and when they need to make a claim.

### The relationship with car insurance providers

The underlying feelings of uncertainty expressed by consumers in the research are due in part to the way they are treated by car insurance providers. Many also felt this had eroded any sense of trust and resulted in little or no relationship between the consumer and car insurance provider. Specifically, consumers cited a number of reasons for these feelings of antipathy. There are no rewards for loyalty and consumers have discovered to their cost that there are penalties for remaining loyal to a car insurance provider, with higher premiums compared to those available elsewhere or via comparison websites, which in turn has cemented the role of the comparison sites. Many had also become aware that if they acquired a lower quote elsewhere, their current provider would often match it. This compounded the belief that car insurance premiums are artificially inflated, and further undermined the relationship between consumer and insurance provider;

The cost of car insurance is felt to have spiralled in recent years. Those who took part in the research were unsure of the reasons for this, and by default felt the car insurance industry was simply over-charging drivers. The increase in cost has also presented an ongoing challenge for consumers who find they have to try and keep the premium down by deciding which features are a priority. In doing so, some were worried that this could result in the wrong cover, or not being covered for the things they need. Consumers felt the purchase pro-

cess and car insurance in general were unnecessarily complex, lacking clarity and transparency, and with hidden catches that could trip up the unwary. This effect was cemented by policy documents which were felt to be hard to understand and full of small print and 'legal speak', which many interpreted as financial service providers hiding the truth from consumers.

The process of taking up car insurance was felt to have changed in recent years, now being more about selling extras than about offering consumers useful information or advice to help them select the right type of insurance cover for their needs. Many felt that this left them in a vulnerable situation, having to make snap decisions about cover options and features with little information or time to consider them. There was also a perception that the adviser would be heavily biased, being incentivised to sell extras, irrespective of whether consumers need them.

### consumers research and purchase car insurance

The research and purchase process tended to be concentrated into a short period of time and had become habitual, following a predictable path. Action was often triggered by the renewal letter, at which point many visited their preferred comparison website to look for the lowest cost car insurance. There were some exceptions, with younger drivers having an on-going interest in car insurance costs, and often discussing it with friends and peers outside the renewal period. This was a function of the large costs they face for car insurance, and the degree of pre-occupation that results. While consumers declared that they seek out the lowest price car insurance, actual behaviour suggests otherwise. Many rejected the cheapest premium and opted for a combination of lowest cost but from a recognised brand, demonstrating that quality and cost are factors in decision making, and that consumers also look for a degree of reassurance from brand recognition.

The final stage of the research and purchase process can produce a number of results. Some committed to purchase online through the comparison website, but many preferred to go direct to the insurance provider, either online or via the telephone, often believing that they would be able to negotiate

a better price or that they would acquire a more accurate premium quote. Some went back to their current provider with the quote to request a price match. This was evidence of a preference among consumers to stay with their current provider, believing that: it was easier; they would have their details; they would 'know us' as customers; and this was a safer bet and the route of least resistance.

A small number of respondents saw the whole process as a challenge or a game of wits, pitting themselves against the car insurance providers, looking for all the 'tricks of the trade' and actively selecting options that reduced costs, or 'haggling' with the insurers to achieve the lowest possible cost.

### **The role of cost in the research and purchase process**

The insurance premium dominated the research process and consumers were focused on getting this as low as possible. The aim of the research and purchase process was to find a premium lower or the same as the previous year, and this became the measure of success. The way information is presented on comparison websites contributes to this, with the search functionality of the comparison websites focusing consumers on identifying lowest cost options. It was evident that for many, cost is easy to understand and compare, and this works for consumers who can say to themselves, 'I don't know much about car insurance, but I do know paying less is better.' This is partly because the quality or features of the product felt much harder to gauge, being less transparent, often being different in terms of level of cover, and therefore harder to directly compare. Many were also aware, however, that the headline cost was not necessarily what they would end up paying once they looked more closely at what was included or excluded in the policy. This was likened by some to purchasing a flight, where taxes and additions add a significant cost to the initial headline cost. While there was a degree of acceptance that this is the case, it was still considered to be a 'catch', and contributed to the sense of uncertainty and insecurity about car insurance. Many expressed a desire for more easily comparable car insurance policies, feeling that it would be almost impossible to fully interrogate and compare all the different attributes and features as things stand. Consumer reactions showed that the reference point they use in researching car insurance is often the cost of the insurance premium for the previous year, and they set out to 'match' this for the current year. Paying more than the previous year can feel like a 'loss' and many seek to avoid this at the exclusion of other factors such as the quality or range of cover. In many cases, consumers also reference the lowest cost that appears following the comparison website search, and use this when assessing the cost of other premiums.

### **Conclusion**

Cost dominates the purchase process, being easy for consumers to understand and compare, but this is not the whole story. Many searched for the lowest cost but disregarded the quotes from an unknown provider in favour of a more recognised brand. This challenges a common assumption, that consumers will claim they always shop on price and buy the cheapest. Actual behaviour demonstrates a preference to pay more for the support the attitude of the customer towards car insurance.

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