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Increased insurance premiums since COVID19 not enough to cause consumer switch

Insurance premiums have increased since the onset of COVID19 across home, motor and health, but one in two insurance consumers neither switched nor considered switching providers according to a recent study by DBM Consultants.

According to DBM, it typically takes a bill 25-50 per cent higher than usual to push consumers into action. Switching consideration is likely to be highest in the health insurance space.

The DBM 'consumer lifecycle' study looked at the impacts of the pandemic on consumer lifecycles attitudes, expectations and behaviours across the services sector, specifically for insurance (home, motor and health). One of these was the impact of working from home on bill increases and thus switching.

The marked increase in working from home during 2020, likely to be maintained to some extent through 2021, has changed the way consumers interact with their service providers. At the time the study was conducted, 46 per cent of consumers were working from home to some extent, with 16 per cent doing so more now than they did before.

Across the board, consumers were likely to have seen an increase in their bills and premiums during COVID-19, with the greatest impact seen in health insurance which saw a 34 per cent spike, followed by home insurance (15 per cent) and motor insurance (8 per cent).

Health insurance providers were the most likely to have offered COVID assistance, where home insurance providers were the least likely to offer bill support during the COVID crisis.

The average provider tenure for home, motor and health insurance is 6, 5 and 7 years respectively. The main reason consumers consider switching providers is to look for a better deal. Health insurance is the only category where value for money outranks outright price, indicating that inclusions are vital to consumers when selecting health insurance.

Household members tended to mostly use the same insurance provider with the view that consistency will result in the best price. The majority have their home and motor insurance with the same insurer. Bundled pricing (46 per cent) is the most common reason for combining. Those who go with different providers tend to do so because they are looking for the best individual deals (44 per cent).

"Factors driving customer switching are price, value of for money and product or service reliability and quality," said Tony Williams, Executive Director. "However, trust also plays a key role in driving loyalty to insurance providers."

Consumers are careful to choose a brand they trust for insurance, particularly health insurance and home insurance. Trust is less important for motor insurance which may suggest consumers will consider a broader range of providers for this type of insurance.

Home (42 per cent) and motor insurance (43 per cent) are most likely to be reviewed at renewal time. Health insurance is currently more likely to be reviewed at any time (32 per cent), likely driven by a lack of a 'renewal' point in health insurance policies.

"Consumers are more likely to consider looking around for insurance, rather than for utilities or telecommunications, likely due to less perceived risk of service interruption or fees related to breaking a contract," said Williams.

Founded in 1992 by Dhruva Gupta, DBM Consultants is one of Australia's leading market research companies and now part of the Illuminera Group. A specialist research and insights consultancy with over 25 years' experience, the agency advises the biggest names in financial services, and works with a number of clients in utilities, telecommunications, education and government.

**Consumer Services Journey Lifecycle December 2020, sample size 2,516.*

For all media inquiries, please contact:

Noha Ahmed, Communications & Content Manager
nahmed@dbmcons.com.au
+61 405383190