

Motor Accident Insurance Commission

General Motorist and New Car Buyer
Research 2013

Summary Extract

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Background information

MCR was commissioned by MAIC in April 2013 to survey general motorists and new car buyers about Compulsory Third Party (CTP) insurance. Similar studies have been conducted by MCR on behalf of MAIC in 1999, 2007 and 2011. New measures were included in the 2013 study to assess motorists' views on the issue of affordability versus competition and preferred method for paying CTP insurance.

The 2013 study was conducted in two stages, a preliminary qualitative stage (three focus groups) to explore key issues and to help inform questionnaire design for stage two which was a state-wide quantitative online survey. This comprised 300 surveys with registered motor vehicle owners and 200 surveys with people who had purchased a new car between May 2012 and June 2013. The survey fieldwork was conducted between the 28th May and 12th June 2013.

This report details the findings of the quantitative survey and includes qualitative feedback from the focus groups.

All General Motorists

Current CTP knowledge

- 97% of all registered motor vehicle owners are aware of CTP insurance when prompted in 2013, a result consistent with the 2011 survey (97% 2011).
- 68% rate their own understanding of CTP insurance as *good* (15% *very good*, 53% *quite good*) (71% in 2011).
- When prompted with a list of alternatives, 80% of registered motor vehicle owners correctly believe CTP insurance covers *personal injury for third parties*.
 - 56% however incorrectly assume CTP insurance provides coverage for *third party property damage*.
 - Findings in 2013 are in line with those recorded previously (82%, 54% respectively in 2011).

Respondents were asked 'in which of the following instances are people's injuries sure to be covered by CTP?'. The following proportions of registered vehicle owners believe CTP insurance in Queensland covers:

- a pedestrian injured by a motor vehicle where the motor vehicle driver was at fault (77%)
- a driver injured in an accident where the driver of another vehicle was at fault (75%)
- a passenger injured in an accident (75%)
- a driver injured in an accident that they have caused (28%)
- a driver injured in a crash where there is no other car involved (23%).

Findings are in line with those recorded in 2011.

In 2013, 84% of respondents report being aware they have the ability to switch CTP insurer, a decrease from 89% reported in 2011.

42% of all registered drivers believe they can make the switch *only at registration time*, 33% however know they are able to make a change at *any time throughout the year*, while 8% are unsure on this matter. Results are in line with the 2011 findings.

Current CTP behaviour

When prompted with a list of CTP insurers, the following proportions of respondents are aware that the following companies offer CTP insurance in 2013:

- RACQ Insurance (84%)
- Suncorp (83%)
- NRMA (70%)
- AAMI (68%)
- Allianz (59%)
- QBE (41%).

Respondents are most likely to report using Suncorp (31%) or RACQ Insurance (27%) for CTP insurance in 2013. Usage of other brands is reported at 10% or lower. 11% of all respondents are unable to recall their CTP insurer brand in 2013. Findings in 2013 reflect those found in previous surveys.

In 2013, 60% of those aware of their CTP insurer report holding other insurance policies or memberships with their CTP insurer. 37% do not, while 3% are unsure. Results are consistent with those recorded in 2011 (58% have other policies).

The most frequently nominated benefits of holding multiple policies with a single insurer are:

- the convenience / knowing where all policies are held (57%), although the frequency of this mention has decreased since 2011 (66%)
- receiving a discount or cheaper price on other insurances (51%)
- confidence that the company is trustworthy / reputable (41%)
- receiving a discount or cheaper price on all insurances or products (37%).

The average estimated annual price of a CTP premium in 2013 is \$291.16 which is lower than the actual CTP premium (at the time of surveying the price was \$327.60). The majority of respondents (68%) however *don't know* what price they pay for their CTP insurance, a finding consistent with the 2011 result (72%).

52% of motorists in the 2013 survey believe they are paying *about the same price* with their CTP provider as that offered by other CTP insurers (49% in 2011). 16% feel they receive a *cheaper price* (19% in 2011).

Switching CTP insurer

When prompted, the following proportions are aware of the methods by which they can change their CTP provider (results are consistent with 2011 findings):

	At renewal time	At times other than renewal time
Writing, by completing the CTP nomination form on the back of the registration renewal notice (at registration renewal time) or by completing the CTP nomination form or writing to your local Department of Transport and Main Roads branch (at other times)	69%	36%
Online at the Department of Transport and Main Roads website	49%	33%
By phoning the Department of Transport and Main Roads	39%	27%

In 2013, 43% of respondents report they have 'ever' switched their CTP insurance provider, consistent with the result in the 2011 survey (45%).

Among those who have made a switch in the last five years, the reported time that has lapsed since their last switch is 2.8 years (on average) (2.6 years in 2011).

In 2013, the most commonly reported benefits gained from switching CTP insurers, among those who have done so in the last five years, are:

- a cheaper price for CTP insurance (45%)
- a multiple policy discount (32%)
- benefits of convenience due to combining all insurance with one brand (26%)
- better customer service (11%).

Taking sampling error into account findings are largely consistent with 2011 results, however there has been a significant decline in references to being offered a gift as an incentive to switch in 2013 (22% 2011, 7% 2013).

Respondents in the 2013 survey are most likely to report that the following circumstances started them thinking about making a change to their CTP provider:

- Receiving a letter in the mail from the company asking them to switch (22%)
- When paying on the DTMR website they noticed a cheaper price (13%)
- Habitually shopping around at renewal time (13%)
- Visiting the insurance company's website (10%).

Intention to switch in next 12 months

Intention to switch CTP insurers is at its lowest point in six years, with 16% of registered motor vehicle owners reporting they are likely to consider doing this in the next 12 months. In 2011 25% of motorists indicated likelihood to consider switching.

Among those with an intention to switch, *wanting a cheaper price* (71%) is by far the most common reason for considering this in the next 12 months. This is consistent with the 2011 finding (73%). After this, the following are noted as drivers to switching:

- Wanting to combine multiple policies for a discount (25%)
- Wanting to combine multiple policies for convenience (17%)
- To gain at-fault driver protection (15%)
- Wanting to receive a gift (15%).

In 2013, the most appealing of a list of prompted incentives to change CTP insurer are:

- a cheaper price by \$20 (7.06, out of 10 where 10 is extremely appealing)
- a discount on other insurances held with that insurer (6.87)
- a cheaper price by \$10 (5.75)
- a petrol voucher to the value of \$20 (6.00).

Incentives *least likely* to be rated as appealing are:

- going into the draw to win a prize (4.84)
- the insurer making a donation on behalf of the customer (4.90)
- a small gift such as movie tickets (4.83)
- a cheaper price by \$5 (4.84).

Results are consistent with those recorded in 2011.

Preferred communication channels

The following are most likely to be selected by respondents as the best ways to inform them about their ability to choose their CTP provider:

- A flyer inserted with registration renewal (70%)
- Information printed on the registration renewal (62%).

The proportion of registered motorists selecting mass media as their preferred way of being informed has decreased since 2011 {television (22% 2013, 41% 2011), print media (12% 2013, 19% 2011) or radio (9% 2013, 14% 2011)}.

Sub-group differences

Younger motor vehicle owners (17 - 34 years of age) tend to be less informed than those aged over 35 years about CTP insurance, this finding being consistent with the 2011 survey. Motorists aged 55 years or older are the age group best informed about CTP coverage. They are also the most loyal segment, being least likely to consider switching CTP providers in the next 12 months.

There is little difference in the views of those from the South East versus those from regional areas in Queensland. The exception to this is that Allianz (65% SEQ, 49% rest of Qld) and QBE Insurance (45% SEQ, 36% rest of Qld) have developed a stronger profile for CTP insurance in South East Queensland than in regional Queensland (among those surveyed).

Affordability versus competition

One in five (21%) registered motorists claim to be aware that there has been no CTP premium price competition between insurers for Class One vehicles in the past 12 months. 66% state they are not aware of this, while 14% are unsure.

Respondents were invited to consider their response to an increase in the upper price limit of CTP insurance. The description provided in the survey was as follows:

One possible way to encourage greater price competition would be for MAIC to increase the upper price limit. There is no guarantee of what would happen if this change was made. It would be up to each insurer as to where they set their price between the new limits. Insurers may charge the same, more or less than the current CTP premium prices.

62% of registered motor vehicle owners indicate they would prefer to keep the current upper limit in place rather than encourage greater price competition by increasing the upper limit. 13% would like to see the upper limit increased to encourage competition, while 25% of respondents are unable to answer on this issue.

Respondents were asked to rate the importance of various factors in relation to CTP insurance, the following being found to be more important to registered motor vehicle owners:

- Getting an affordable premium (8.40 out of 10 where 1 = not at all important and 10 = extremely important)
- Ensuring all drivers who cause accidents are covered for claims made against them (8.36)
- The ease of dealing with the insurer (8.23)
- Knowing the specific details about what's covered under the CTP insurance policy (8.05).

86% of registered motor vehicle owners report that a CTP scheme that has a focus on affordable premiums for the majority of the community is more important to them than a scheme where the focus is on promoting greater price competition between insurers.

In terms of how CTP insurance is being paid, eight in ten (79%) registered motor vehicle owners would prefer to continue to pay their CTP premium with their motor vehicle registration, 12% would prefer to pay their premium direct to the insurer, while 10% are unable to decide.

Conclusions – general motorists

There has been no change in motorists' level of knowledge and understanding about CTP insurance since the 2011 survey. Suncorp and RACQ Insurance continue to dominate the CTP insurance market in terms of brand awareness. Suncorp and RACQ Insurance are also the brands motorists are most likely to believe they are using for CTP insurance. Market share statistics provided by MAIC however show that Allianz has a greater market share than RACQ Insurance (Suncorp has the greatest share overall).

Awareness of the ability to switch CTP insurers has decreased since 2011 and intention to switch in the next 12 months is at its lowest level in six years. While price is potentially a key motivator to switching, few have an understanding of the actual cost of CTP insurance. Given these indicators, market share is likely to remain static over the next 12 months.

Getting an affordable premium is the key driver for CTP policy holders in 2013, this being rated as significantly more important than price competition. The focus groups found that given the compulsory nature of CTP insurance and the community's desire for everybody to be adequately covered, affordability is deemed essential. The survey finds that only a minority of motorists support the idea of stimulating competition by increasing the upper price limit with focus groups revealing that this was because most are sceptical that insurers would actually set their price below the ceiling in the event of an increase.

There is a clear preference among motorists to continue to pay the CTP premium with the motor vehicle registration.

New car buyers

Awareness of choice and consideration of CTP insurer

Those who purchased a new car between May 2012 and June 2013 were asked if they were aware that all motorists, including new car buyers, were able to select their CTP insurer. The majority (74%) were aware, in line with the 2011 result (79%).

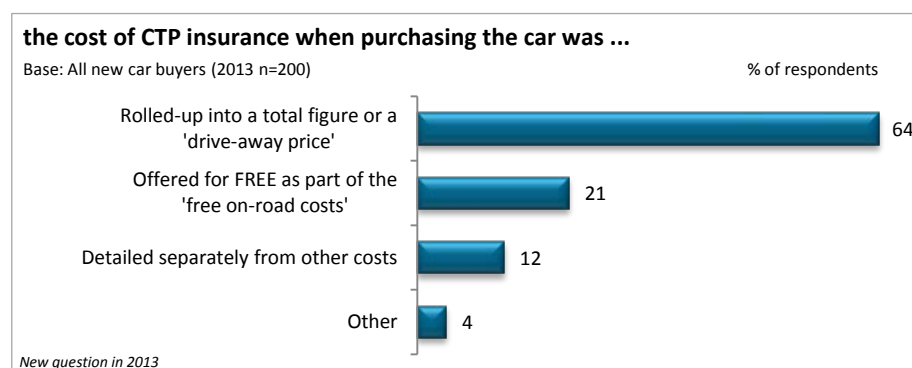
51% of new car buyers reported that in the lead-up to purchasing their new car they did consider which CTP insurer they would select (53% 2011).

Dealer advice about CTP choice

Fewer new car buyers in 2013 compared to 2011 reported that in the process of purchasing their vehicle they were alerted by the dealer of the need to select a CTP insurer (35% 2013, 47% 2011).

Asked whether the dealer gave them advice or information about the prices for each CTP insurers' policy, the majority (74%) advised that the dealer did not (80% in 2011), while a minority (13%) indicated that they did. In 2013, 14% of respondents were found to be unsure on this issue, a significant increase from 2011 (7%).

New car pricing strategies



Around one quarter (26%) of those who paid a drive-away price indicated they were asked by their motor vehicle dealer to choose a particular insurer, with a similar proportion (27%) of those who received "free on-roads" also being asked to do so. The most commonly mentioned insurer in this context was Suncorp.

Pre-filled forms

For new car buyers who were given forms with a CTP insurer pre-filled by their motor vehicle dealer (18% of all new car buyers), 31% indicated the brand was the one they had requested, 28% believed the dealer inserted the brand without their advice, 19% had requested a CTP insurer but some other brand was inserted, while 22% were unsure about what actually happened.

Allianz (53%) and Suncorp (24%) were the brands most commonly inserted without the car buyer's advice.

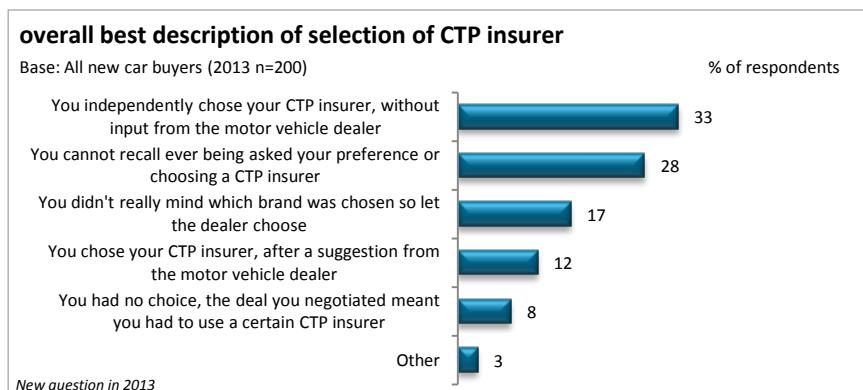
Did dealer persuade consumers to select a certain CTP insurer?

In line with the 2011 survey result (79%), in 2013 the majority of new car buyers (79%) felt their dealer did *not* try to persuade them in any way to select a certain CTP insurer. 9% stated that the dealer *did* attempt to persuade their CTP choice, while 13% were *unsure*.

The vast majority (94%) of new car buyers reported they were not offered an incentive to choose a particular CTP insurer. 5% were offered and accepted an incentive, while 2% were offered an incentive but declined it, choosing some other insurer.

Overall description of how CTP insurer was chosen

The chart below summarises how new car buyers felt the decision on CTP insurance was made when they were buying their new car. 33% felt they independently chose their insurer, while 28% couldn't recall ever being asked their preference or choosing a CTP insurer. Other, less frequently nominated, responses are detailed below.



Importance of being able to independently choose CTP provider

One in two (51%) new car buyers indicated that it is important that motor vehicle dealers let buyers independently choose their CTP provider. 23% were neutral on the matter, while one in five (20%) did not consider this to be important. (This was a new question in 2013).

CTP switching – new car

16% of new car buyers in the 2013 survey reported they have changed their CTP provider since purchasing their new car (a significant increase from 2011 6%). This difference may have been influenced by the length of time since purchase of the new car: in 2011 respondents had purchased a new car in the 10 months prior to the survey, while in 2013 respondents had purchased a new car in the 13 months prior to being surveyed. In 2013 32% of all new car buyers stated they would *consider* changing their CTP insurer the next time their renewal is due, a significant decrease from 42% in 2011. This may be related to the increase in motorists who have already changed their CTP insurer since purchasing their new car.

Conclusions – new car buyers

While the 2013 survey shows that the majority of new car buyers were aware (when prompted in the survey) that they have the right to select their own CTP insurer, most were *not* alerted by the dealer about the need to select an insurer during the purchase process. It is not surprising then that for one in two new car buyers CTP insurance is not top of mind in the new car purchase process.

The low level of consideration of CTP insurer during the purchase phase is potentially impacted by the bundled pricing strategies used by motor vehicle dealers. Only 12% of new car buyers reported that their CTP was separately itemised when purchasing their car.

The majority of new car buyers reported their dealer did not try to persuade them in the choice of CTP insurer although only one third of buyers reported independently choosing their CTP insurer. There is evidence motor vehicle dealers are influencing this choice, with 8% reporting they had *no* choice in the selection of their CTP provider.