



HELPTHEAGED WE WILL[®]

Insurance and Age

Exploring behaviour, attitudes and discrimination

A summary report from
Age Concern and Help the Aged

March 2007

Research undertaken by:



Introduction

Older people are just as keen to stay mobile as the young. For many, a car is the key to maintaining their independence, and travel an interest that they at last have the time and money to indulge. The 65+ market therefore represents considerable opportunities for the insurance industry. However, the difficulty of obtaining the right insurance cover at a reasonable price – or, indeed, obtaining cover at all – is a barrier that makes it difficult or even impossible for a significant number of older people to do what they want to do.

'Now you've got the chance to travel, which we never had much before – you get penalised!' (Man, 70s, London)

This report provides a summary of the key findings of research commissioned by Help the Aged and Age Concern England. The research aimed to measure the extent and nature of age discrimination experienced by older people when accessing motor insurance, travel insurance and car hire; and to explore the wider attitudes and experiences of older people in relation to these products. A sample of 229 individuals aged 65+, together with 115 30–49 year-olds, was recruited to take part in a quotation exercise and quantitative interview survey. A total of 636 quotations were attempted; respondents having been asked to obtain two quotations for one of the three products (motor insurance, insurance for travel overseas, car hire), using two of three channels (face-to-face, telephone, internet). A qualitative phase was also undertaken.

Both phases required participants who were willing and able to carry out the different tasks. The sample therefore included a high percentage of drivers and people who were prepared to use the internet (50 per cent of the 65+ respondents were home internet users). A representative sub-sample of older people with different impairments and health problems was recruited. Although strenuous efforts were made to fairly represent all those aged over 65, inevitably the very old and more vulnerable did not volunteer to take part and are therefore under-represented. As a result, this research over-represents able-bodied, computer-literate older people and therefore understates the problems experienced by all older people.

The research shows that people aged 65 and over are disadvantaged in a number of ways when buying motor and travel insurance. A significant number of insurers either refuse to provide cover at all for people above a certain age or offer cover only at much higher premiums. Companies also indirectly penalise older people – who are less likely to use the internet than their younger counterparts – by making many of their most competitive deals available exclusively online. As a result, many older people believe that the insurance industry discriminates against them.

'They refused me a quote because of my age and made me feel a freak.'
(Respondent, 70s)

The first section of the report looks at opportunities for the insurance industry. The second explores the challenges and barriers older people currently face in accessing motor and travel insurance. We then look at how and why older people feel insurers are discriminating against them, and at their perceptions of the insurance industry as a whole. The report also includes a set of recommendations for Government and insurance providers.

See page 34 for more information about the research sample and methodology. The full report is available on our websites: www.helptheaged.org.uk and www.ageconcern.org.uk

Older people's experience of obtaining insurance

- 31 per cent of those aged 80+ felt discriminated against when trying to obtain quotations for motor insurance/travel insurance/car hire, compared with 2 per cent of those aged 30–49
- 29 per cent of quotation attempts by those aged 75+ were unsuccessful, compared with 3 per cent of those by people aged 30–49
- 13 per cent of people aged 80+ have been put off travelling either because of the cost of insurance or the difficulty in accessing it.

Opportunities for the insurance industry

- The number of people in their 70s who drive is growing fast, and the number of those aged 70+ with a driving licence is set to increase from 4 million to 10 million by 2050
- People aged 65–74 holiday at least as often as those aged 30–49 and 28 per cent of those aged 75+ had taken at least three holidays in the last year.

Driving

Older people like driving. The GfK NOP data commissioned as part of our research shows that a higher proportion of adults in their 70s have motor insurance than do those aged 20–24 (Table 1). Forty five per cent of people aged 70+ hold a driving licence – the proportion has grown from 15 per cent 30 years ago and is forecast to increase by around 150 per cent in the next 50 years¹. The ABI points to increased leisure time and cuts in rural public transport as key reasons for more older people driving.

¹ Older drivers and the insurance market, Association of British Insurers (ABI), May 2006

Table 1

Proportion with motor insurance by age group		
Source: GfK/NOP, 2006	Sample base	Proportion with motor insurance
Total adults:	30,850	
Age group:		
16–19	1,615	16%
20–24	2,783	32%
25–29	2,443	48%
30–34	2,708	60%
35–39	2,928	62%
40–44	2,965	65%
45–49	2,591	64%
50–54	2,299	62%
55–59	2,469	60%
60–64	1,913	59%
65–69	1,701	56%
70–74	1,626	46%
75–79	1,388	40%
80–84	921	29%
85–89	378	24%
90+	122	12%

Older people in our discussion groups confirmed the importance of using a car for activities and outings, keeping in touch with friends and family and helping out other people. For many, driving is the key to maintaining their independence.

'A car gives you your independence, which you still need when you're this age.'
(Woman, 70s, London)

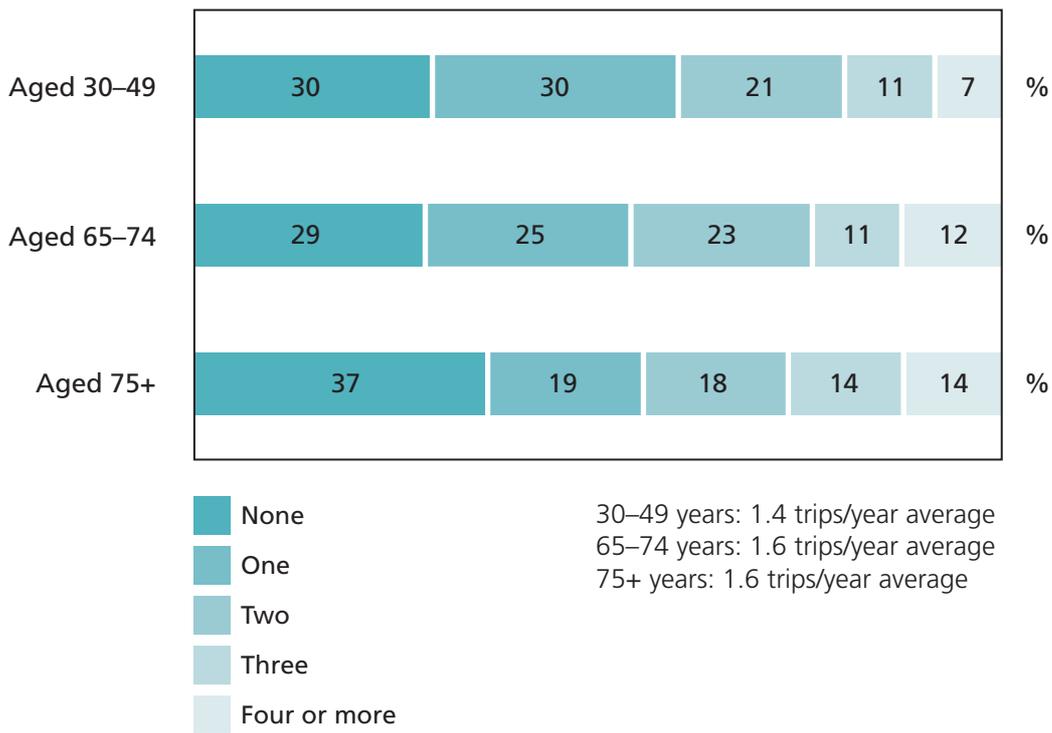
Because driving is so important, the cost of running a car – of which insurance often accounted for a significant proportion – was something some older people were prepared to put up with.

'My 77-year-old husband pays over £400. I've suggested getting rid of the car, but he doesn't want to give up that final symbol of his freedom.' (Woman, 70, south)

Travel

People aged 65–74 holiday at least as often as those aged 30–49. Our survey showed that this figure falls slightly among those aged 75+; but even among this older group, 28 per cent had holidayed at least three times in the past year compared with 18 per cent of those aged 30–49 (Chart 1).

Chart 1
How frequently did different age groups take holidays in the last year?



Our qualitative data confirm that older people are keen to travel, respondents giving a number of reasons for valuing travel. Some felt that the opportunity to travel was one of the major benefits of being relatively ‘time rich’. Many made frequent trips abroad. Some regularly returned to favourite countries, while others were keen to discover new places. Visiting offspring, siblings or friends who had emigrated was another major reason for going abroad, often to the US, Australia or New Zealand.

Holidays and city breaks in Europe, and travel in the UK were common. Several mentioned cruises. Some travelled in order to pursue an interest: one keen birdwatcher in his late 60s visited remote spots all over the world; one 77-year-old went on regular trips with the Ramblers Association in the UK and abroad; and one 86-year-old had been on a war heroes’ trip to Italy.

Most couples travelled together. Women who were widowed or single tended to travel with a close friend or sister. One older widowed man travelled with a friend he’d met on a coach trip. However, having a travelling companion meant that that person’s insurance issues could sometimes have a bearing on their own trips.

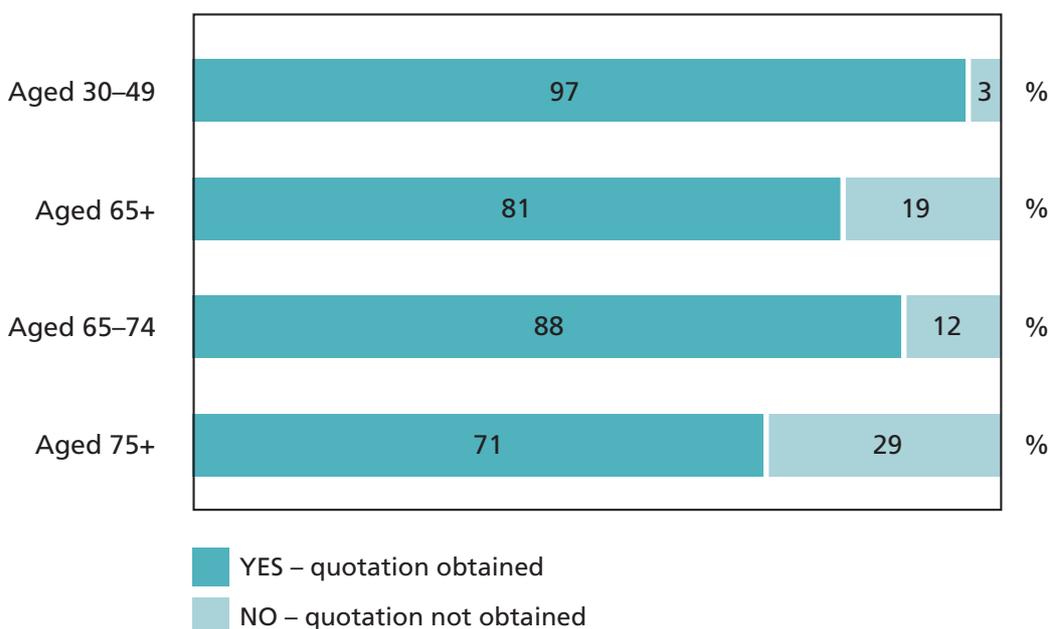
Challenges and barriers

- One in five older people were unsuccessful in getting quotations for motor insurance/travel insurance/car hire
- The cost of insurance rises steeply when older people reach certain ages
- Older people are less likely to shop around than younger people, making them less likely to get the best insurance deals.

Access

Obtaining a quotation for motor insurance/travel insurance/car hire became more difficult the older the respondent (Chart 2). Nearly one in five of those aged 65+ trying to obtain a new quotation were unsuccessful, compared with only 3 per cent of those aged 30–49. The oldest respondents (those aged 75+) were particularly frustrated, the proportion being unable to get a quotation rising to 29 per cent. This made them nine times more likely to be refused cover than those aged 30–49.

Chart 2
Was a quotation for cover/hire obtained as requested?



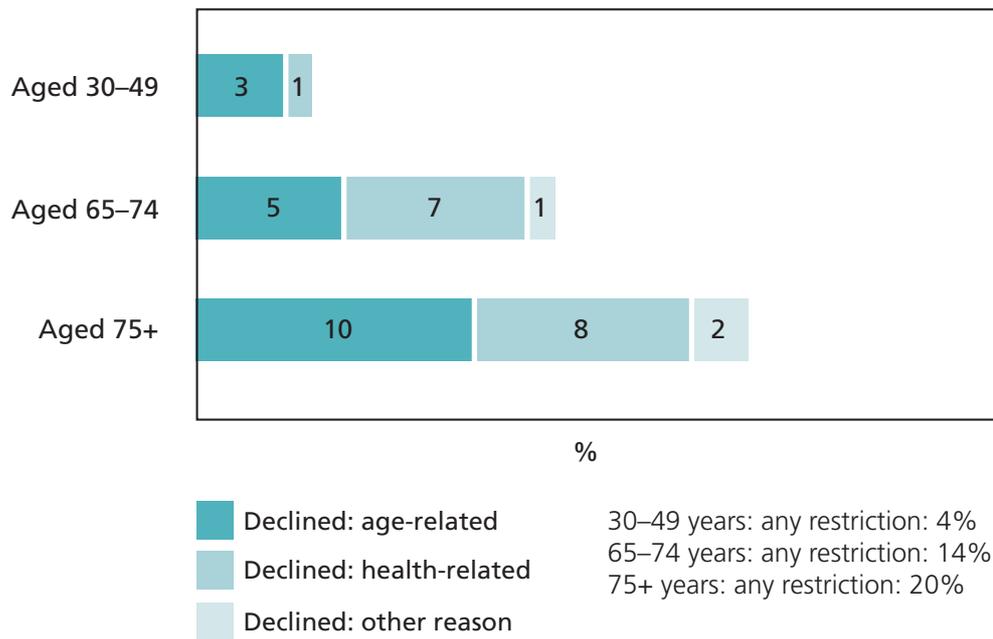
Our qualitative findings showed that older people find accessing insurance progressively more difficult as they reached certain age thresholds: typically, 65, 70, 75 and 80. Seventy seemed to be a particularly significant threshold, with those aged 70+ generally having fewer choices and paying higher premiums than those in their 60s. There was concern that these access restrictions and premium increases were based on age alone, rather than on a calculation of the actual risk posed by the individual seeking cover.

Travel insurance

Our respondents reported that insurers often scrutinised their health extremely closely but some reported that even medical conditions which are being successfully controlled by medication lead to significant increases in premiums. There is a strong feeling that this is unfair.

Our quantitative findings show that 20 per cent of travellers aged 75+ have been refused an insurance policy or had restrictions imposed on their cover, compared with 4 per cent of travellers aged 30–49 (Chart 3).

Chart 3
Proportion having travel insurance declined or health-related restrictions imposed



Our findings confirm that older people are keen to take out travel insurance, and are less likely than younger people to travel without it (Chart 4, page 9). However, from the age of 75 upwards, there is a significant increase in the proportion of people who have been put off travelling due either to the difficulty of accessing insurance, cost of insurance or fears about the cost of insurance (Chart 5, page 9).

Chart 4
How often do people travel with insurance?

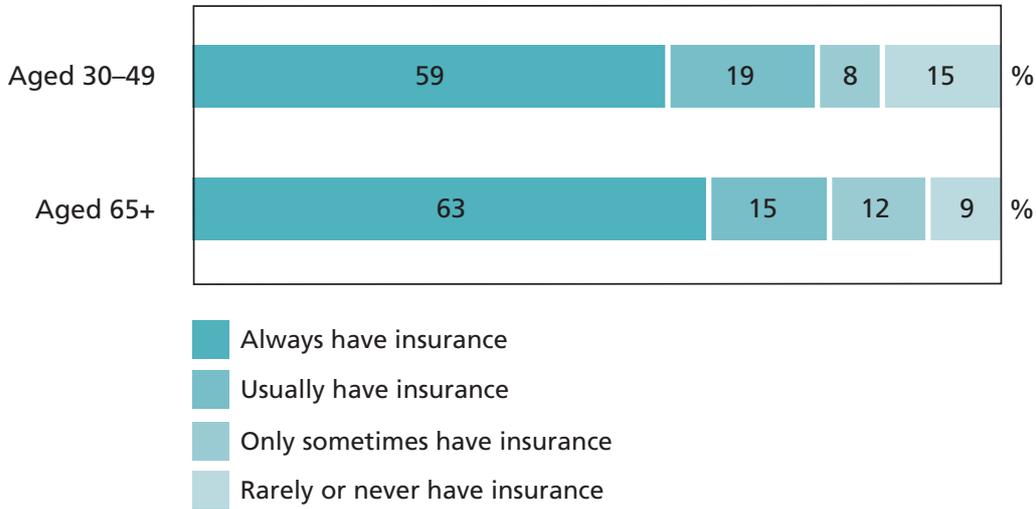
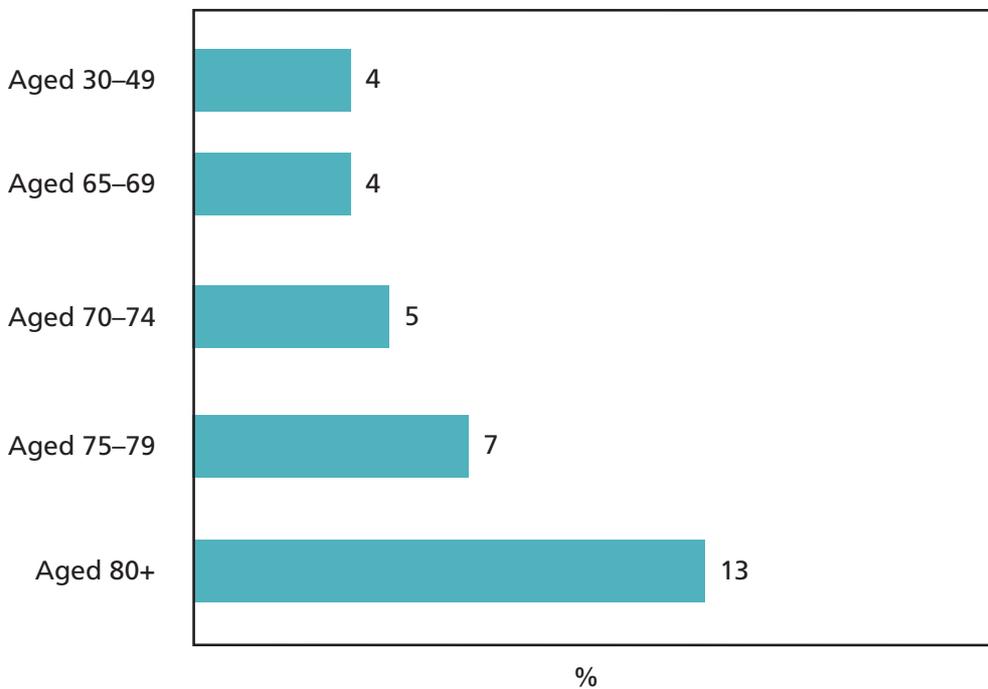


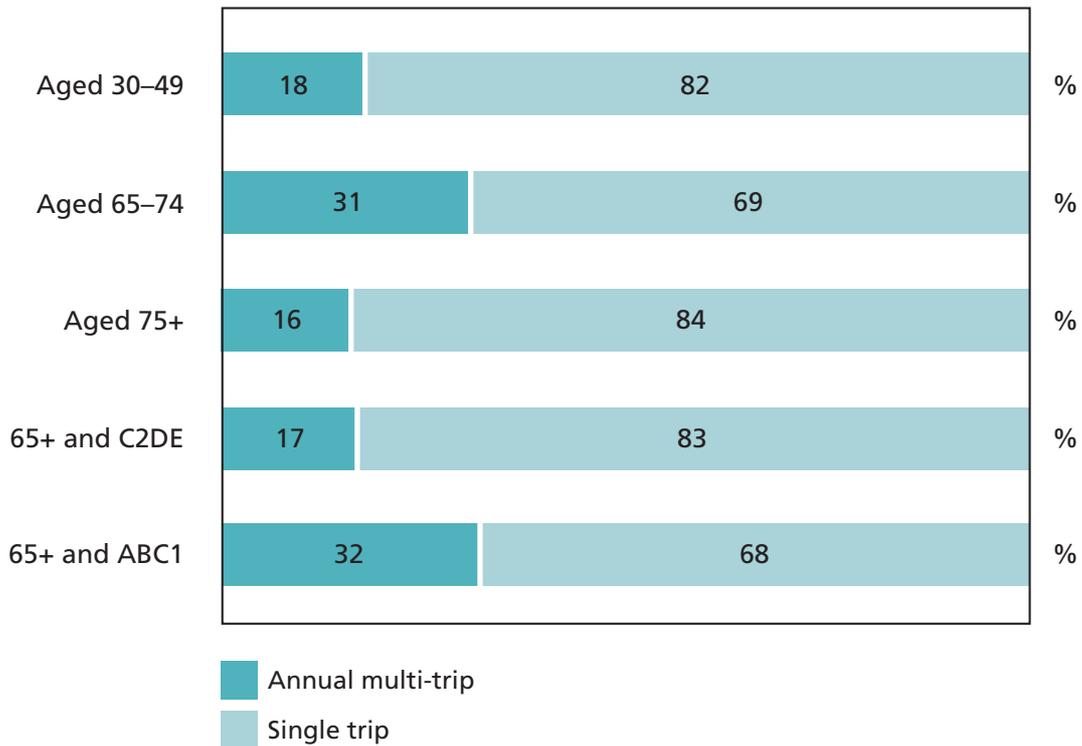
Chart 5
Proportion who have been put off travelling due to insurance access, cost of insurance or fears about insurance cost



Significant numbers of older people travel three or more times a year and the great majority want to continue to take out insurance and travel (Charts 1 and 4, pages 6 and 9). However, the proportion of older respondents buying annual multi-trip policies falls significantly with age (Chart 6, page 10). We also found that those aged 65+ from C2DE households are far less likely to have an annual multi-trip policy compared to those in ABC1 households.

The over-representation of 'savvy, internet-using' older people in our sample means that the issue of accessing multi-trip policies by older people is understated. Certainly the proportion of those aged 60+ purchasing annual multi-trip travel insurance is significantly lower in the GfK NOP data (falling from 18 per cent for the 60–64 age group to 2 per cent for those aged 80+).

Chart 6
Types of travel insurance people usually have

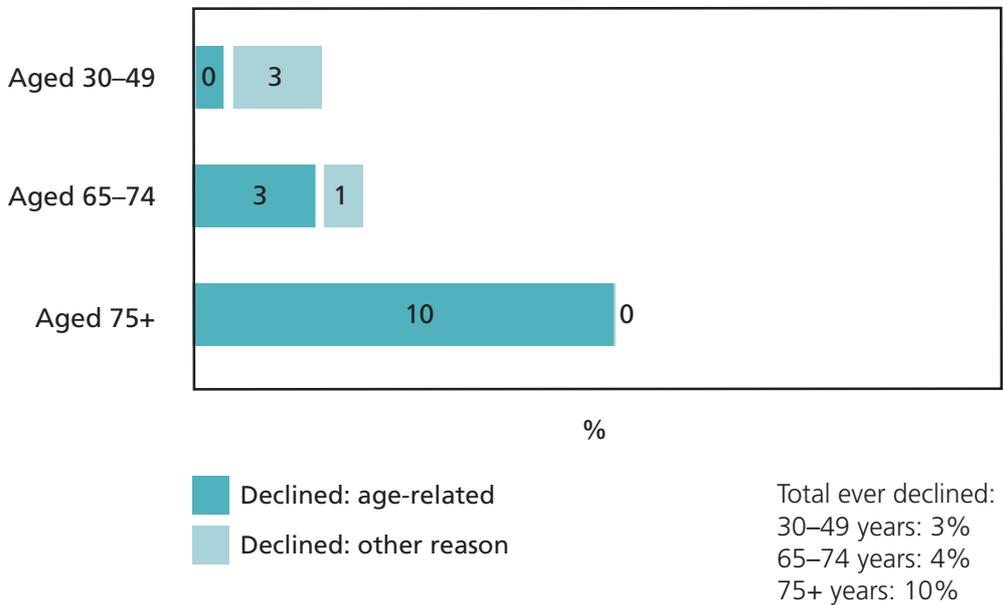


Our qualitative findings also suggest that older people are keen to take out annual policies, but find them hard to access, particularly where one half of a couple either has health problems or has passed a certain age threshold. The over-80s found it almost impossible to buy annual cover.

Motor insurance

In practice, the degree to which the market allows older drivers to shop around is limited. The May 2006 ABI report¹ suggests that while most insurers will continue insuring older customers provided they are still fit to drive, there are age-related cut-offs for new business. Our survey suggests that access to motor insurance becomes a significant issue from the age of 75 (Chart 7, page 11).

Chart 7
Proportion of drivers declined motor insurance



Cost

There is evidence that the cost of insurance rises significantly with age, although older people do not necessarily believe that they are getting poor value for money. Most respondents believe that their current travel and motor insurance policies offer at least 'fairly good value'. Perceptions of poor value do increase with age but our research suggests that access is likely to be a more significant issue than cost. Few respondents would buy insurance from a company simply because it was the cheapest. Brand recognition and customer service were important factors in motivating older people to stay with an insurance company.

Motor insurance

For motor insurance, perceptions of value for money dipped only among the (very small sample of) drivers interviewed aged 80+. Restricted access and the rising cost of motor insurance were nevertheless a source of considerable irritation among our qualitative respondents. Some reacted by shopping around; others were resigned. Those in the latter category either didn't think to challenge the higher premium or felt helpless to do anything about it.

"When I turned 75, the premium went up considerably. I asked about it and they said it was because of my age, but I haven't had an accident and I've got a full 60 per cent no-claims bonus." (Man, 75, London)

"My husband's premium has shot up by £400. Our car was vandalised in the park and we've lost our no-claims bonus because it wasn't protected. I don't know if it's because my husband is over 80. They didn't explain the reason for the increase and we didn't ask. He opened the envelope and said, "Oh my God!" (Woman, 71, south)

A few saw some justification for raising premiums in line with age, on the grounds that older people tended to have slower reaction times and declining eyesight. However, most felt that chronological age alone was not a valid indicator of health, fitness or driving capability. They felt there were other reasons why older drivers could be seen as presenting less of a risk: they tended to use the road less, avoid peak times and drive at lower speeds.

'I'm more conscious of driving now than I used to be – and more careful.'
(Man, 60s, north)

Some respondents also argued that, since the value of their car was decreasing each year, their premiums should also be reduced.

'Your car gets older, but your premiums still go up!' (Man, London)

Respondents felt that premiums were sometimes calculated in an arbitrary way. Some had been asked what their current premium was, then were either offered a quotation which undercut it by a small amount or put on hold while the sales operator consulted a supervisor, giving the impression that they were calculating the premium on the spot.

'I rang [one company] and she said, "When you get your quote, ring and we'll see if we can better it." That isn't the right way to do business.' (Woman, 65, London)

Travel insurance

Most older travellers felt that their current or most recent travel insurance policy offered at least 'fair value for money'. On average, those aged 65–74 were as happy with policy value as younger adults. However, twice as many of those aged 75+ considered their travel insurance policy 'poor value' compared with those aged 30–49.

However, qualitative respondents did report significant age-related premium increases. Premiums – and excesses – tend to increase as customers reach specific age thresholds, typically 65, 70 and 80 (although evidence for this last threshold was limited due to the small number of people aged 80+ in our qualitative sample).

Respondents gave some specific examples. One insurer charged £157 for an annual travel insurance policy for a couple in their 60s compared with £300 for a couple over that threshold. Another charged £50 for two weeks' worldwide cover for a 64-year-old and £192 for a 65-year-old.

People aged 65+ were often seriously taken aback to find themselves in a 'new' (and significantly more expensive) category as a result of reaching an apparently arbitrary age limit.

'We used to get family cover for £50, then as soon as my husband turned 65 it went up to £130. From one day to the other he's no less fit!' (Woman, 65, south)

'Last year mine was the same as everyone else's. This year, now I'm 66, my insurance was more than my companion's who's not yet 60.' (Woman, 66, south)

A couple of respondents also mentioned that very high excesses (e.g. £500) had been applied to their policies as they got older.

Another issue highlighted was the significant variation in quotations, for what appear to be arbitrary reasons. Respondents of all ages cited this as a major reason for their negative perceptions of the insurance industry. A number of people reported huge disparities in the quotations obtained for the same person/people going on the same trip. Those using the internet were particularly aware of the disparities, as some websites provide comparative quotations from a number of different insurers.

Examples of disparities found included:

- An 80-year-old man with a heart problem, going to Singapore for two weeks, was quoted £500, or £100 if he paid an excess of £1,000 for any heart-related care. He then found an excess-free quotation of £90 for the same trip.
- A 65-year-old woman was quoted £60 for two weeks' cover in Europe. She then obtained a quotation of £33, excluding loss of luggage, which was covered by her household insurance.
- A couple in their late 60s where the man was on statins were 'turned down flat' by two companies but then offered joint annual cover for trips of up to 60 days for £110.
- A 67-year-old man searching online for cover for two weeks in the US obtained quotations of £37, £58, £111 and £192.

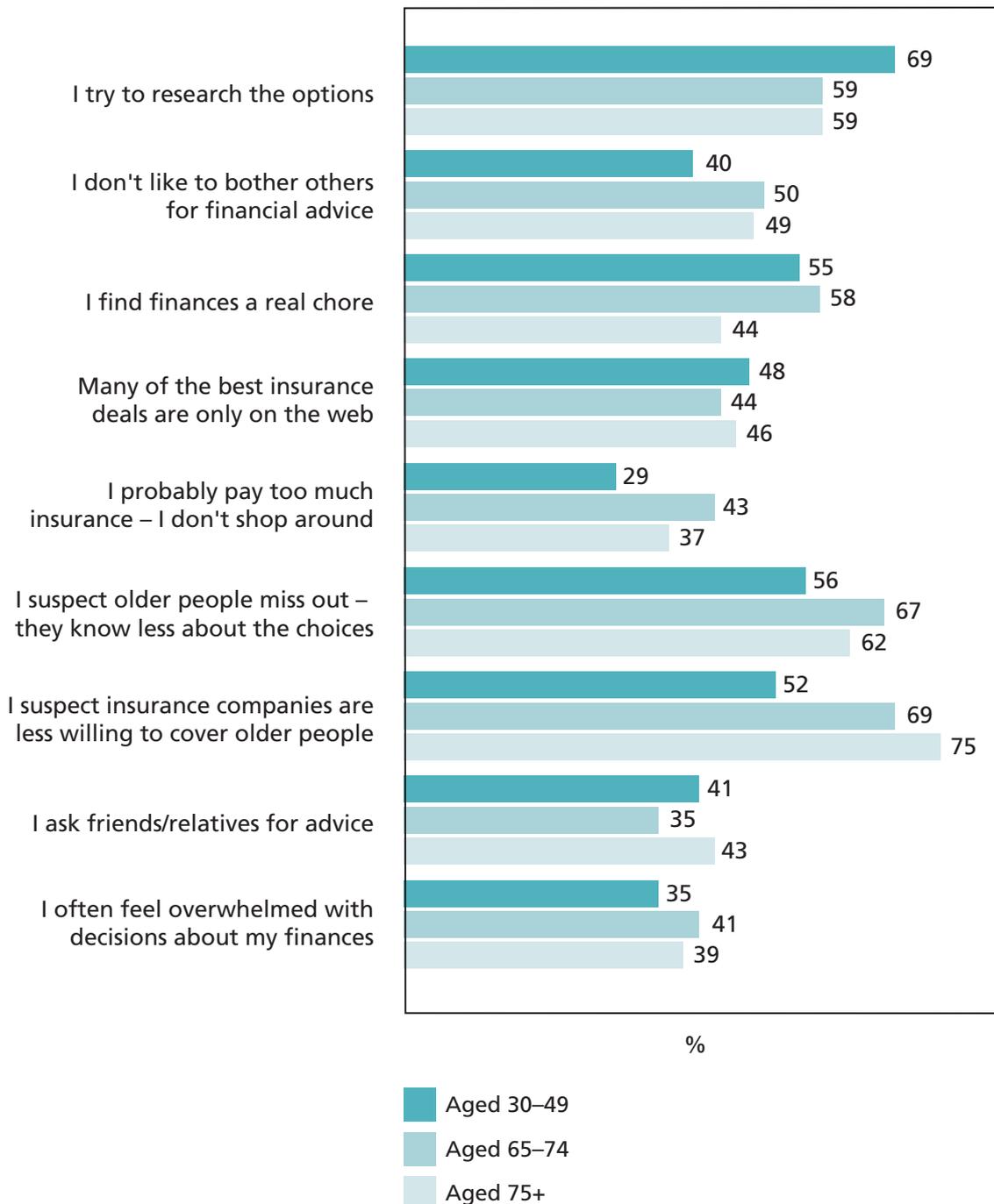
Respondents suggested that they felt they were being penalised on the basis of what their physical condition looked like on paper, rather than assessed according to their actual condition.

'They overrule your consultant. One of them asked, "Can you walk up the stairs?" They must have thought I was in a wheelchair or something!' (Man, 67, north)

Shopping around

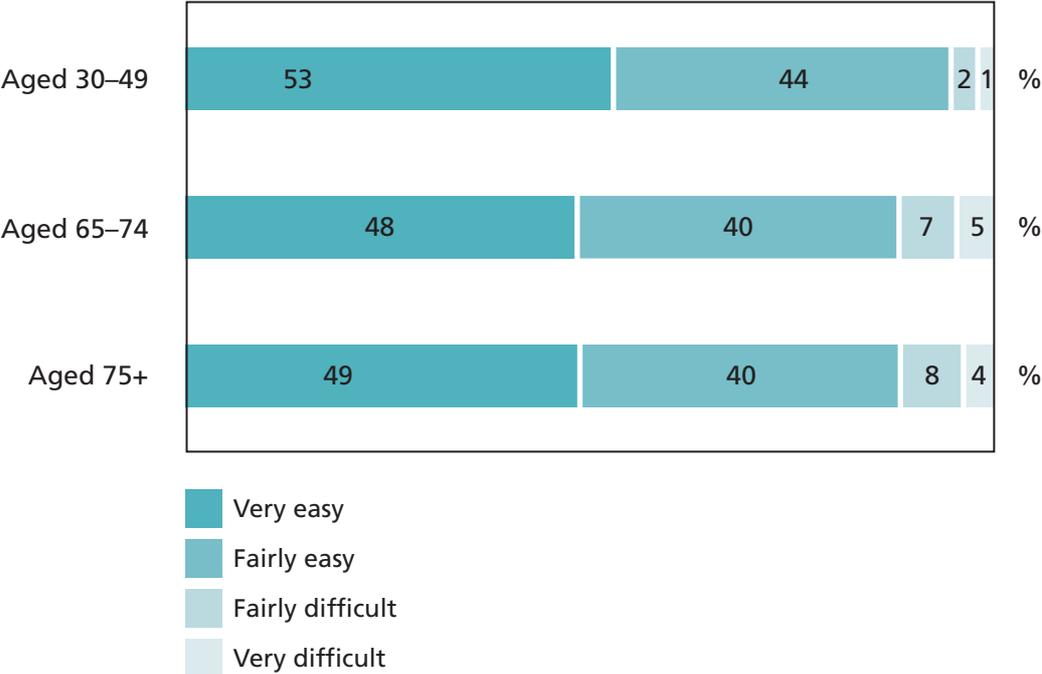
While most older people shop around for insurance quotations, they are less likely to do so than younger people (Chart 8).

Chart 8
General attitudes towards personal finances (% who agree at all with each statement)



While our research does not clearly identify reasons why older people are less likely to shop around for their motor/travel insurance; the quotation exercise showed that people aged 65+ do find it more difficult to obtain quotations (Chart 9). Older people in our sample knew they would have to obtain quotations when they volunteered to take part, so it is reasonable to assume that older people in general would find the process even more difficult than our sample.

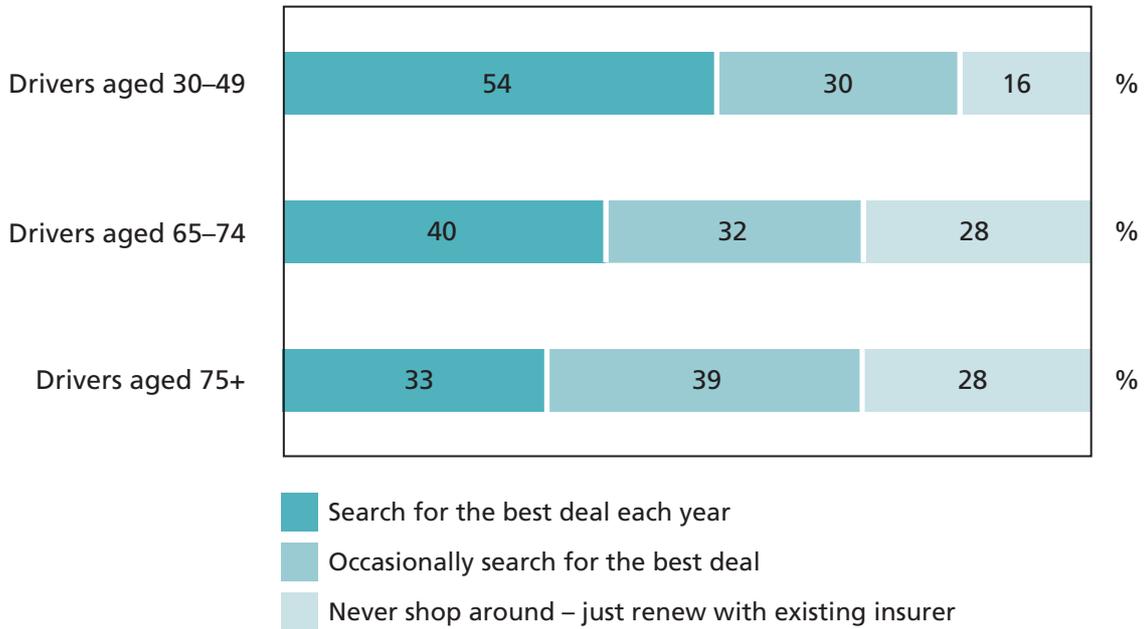
Chart 9
How easy were the quotation enquiries to make



Motor insurance

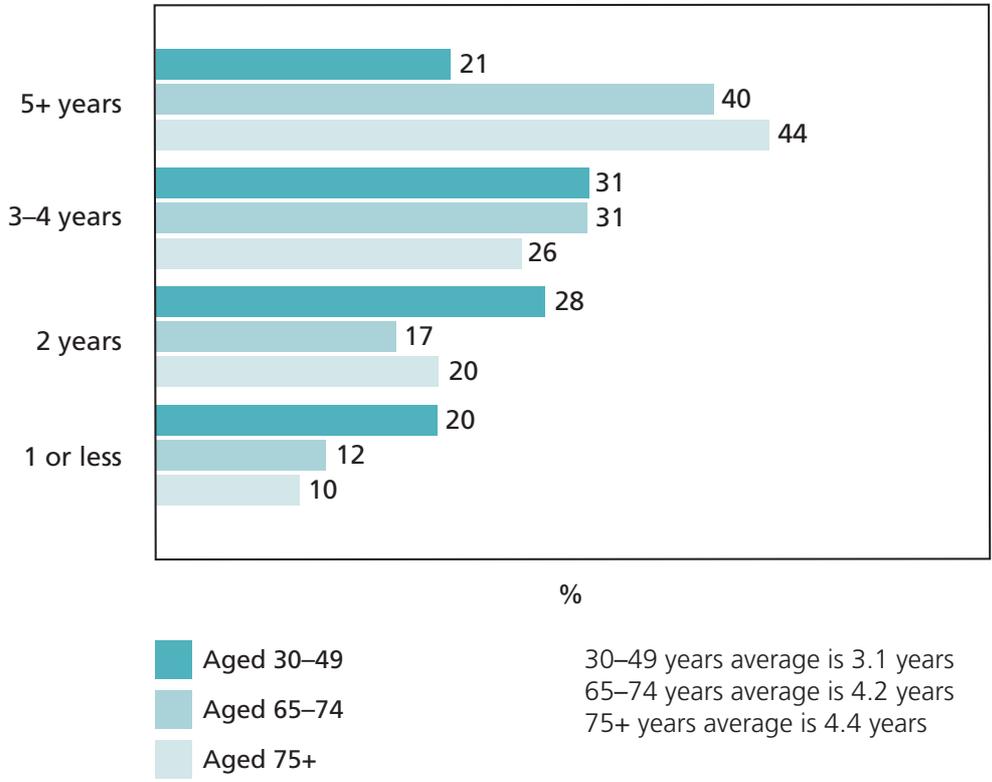
Thirty seven per cent of drivers aged 65+ claim to search for the best motor insurance deal each year compared with 54 per cent of those aged 30-49 (Chart 10, page 16). Our survey also shows that older drivers in lower socio-economic groups are less likely to shop around: 42 per cent of those aged 65+ in ABC1 households shop around compared with 31 per cent of C2DEs.

Chart 10
How often do drivers shop around for motor insurance?



While a significant minority of older drivers shop around for motor insurance each year, older drivers are likely to stay with one insurer for longer than their younger counterparts. This may be the result of a stronger tendency towards loyalty as well as access restrictions. The most significant difference can be seen when comparing the proportions staying with the same insurer for five years or more: 21 per cent of younger adults compared with over 40 per cent of those aged 65+ (Chart 11, page 17).

Chart 11
Number of years with the same motor insurer



From the qualitative discussions it emerged that the following groups of people were least likely to shop around for motor insurance:

- the more vulnerable (i.e. those less able to cope with the demands of everyday life, for example because of disability, illness or bereavement, and/or a general loss of confidence);
- the very old;
- those who had had very good customer service from their insurance company.

It is not surprising that the oldest and the most vulnerable preferred to stick with a company they knew and trusted. Some spoke of wanting a 'quiet life', while others – widowed women in particular – did not feel able to cope with the demands of getting alternative quotations and changing companies. This was especially likely to be the case when the deceased husband had always dealt with the household finances.

'I'm not a man; I'm not so technical that I can absorb it into my mind. It's easier in the end for me to settle with the devil I know.' (Woman, 70s, London)

'I find that the age I am, you lose a bit of your self-confidence, so I'm apt to take what they say.' (Woman, 70s, London)

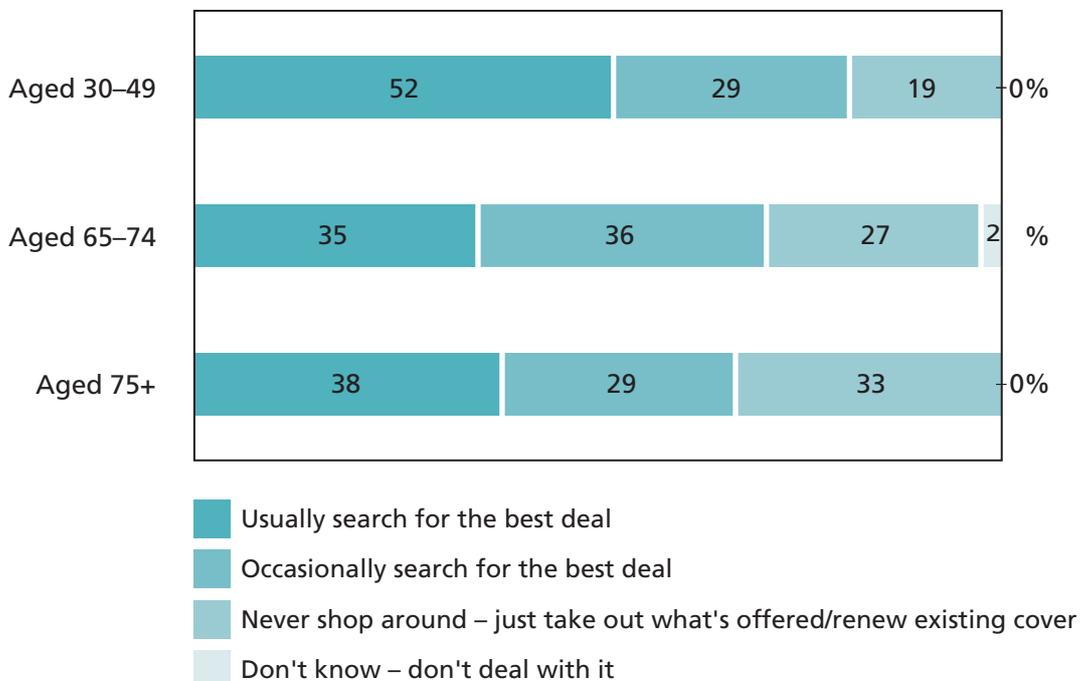
The process of obtaining quotations was complicated by the variations in what different insurance companies included and excluded from their policies. Respondents also worried about not having all the information they needed: for example, if they didn't know the current value of their car, they felt inadequate and vulnerable as the insurance company representative would then have to judge the value on their behalf.

Knowing which company to contact was also a problem. Insurance companies which set upper age limits were unable to recommend companies that might take respondents on. Furthermore, some felt that companies that supposedly catered for older people often offered higher premiums.

Travel insurance

Most travellers shop around for travel insurance, but as people get older they are progressively more likely to stay with an insurer if they are happy with the arrangement. Significantly fewer older travellers 'usually search for the best deal' when arranging a trip: the proportion drops from 52 per cent of those aged 30–49 to only 36 per cent of those aged 65+ (Chart 12). Of the older group, women are less likely to shop around for travel insurance than men: 33 per cent compared with 40 per cent.

Chart 12
How often do people shop around for travel insurance?



Preferred channels

People in all age groups use a wide variety of channels to get information about motor and travel insurance (Charts 13 and 14, pages 19 and 20). All respondents are more likely to use the internet to get information about products than to purchase (Charts 15 and 16, pages 21 and 22). The use of the internet for information-gathering and purchasing is significantly lower for the older age groups.

Our qualitative results highlighted that many older people do not know where to turn when they are refused cover. There is no established source of information about specialist insurers. The May 2006 ABI report¹ addressed this issue with regard to motor insurance, and recommended '(providing) impartial advice to customers on insurers/brokers active in this (older niche) market'.

Charts 13
How drivers went about their last search for alternative motor insurers

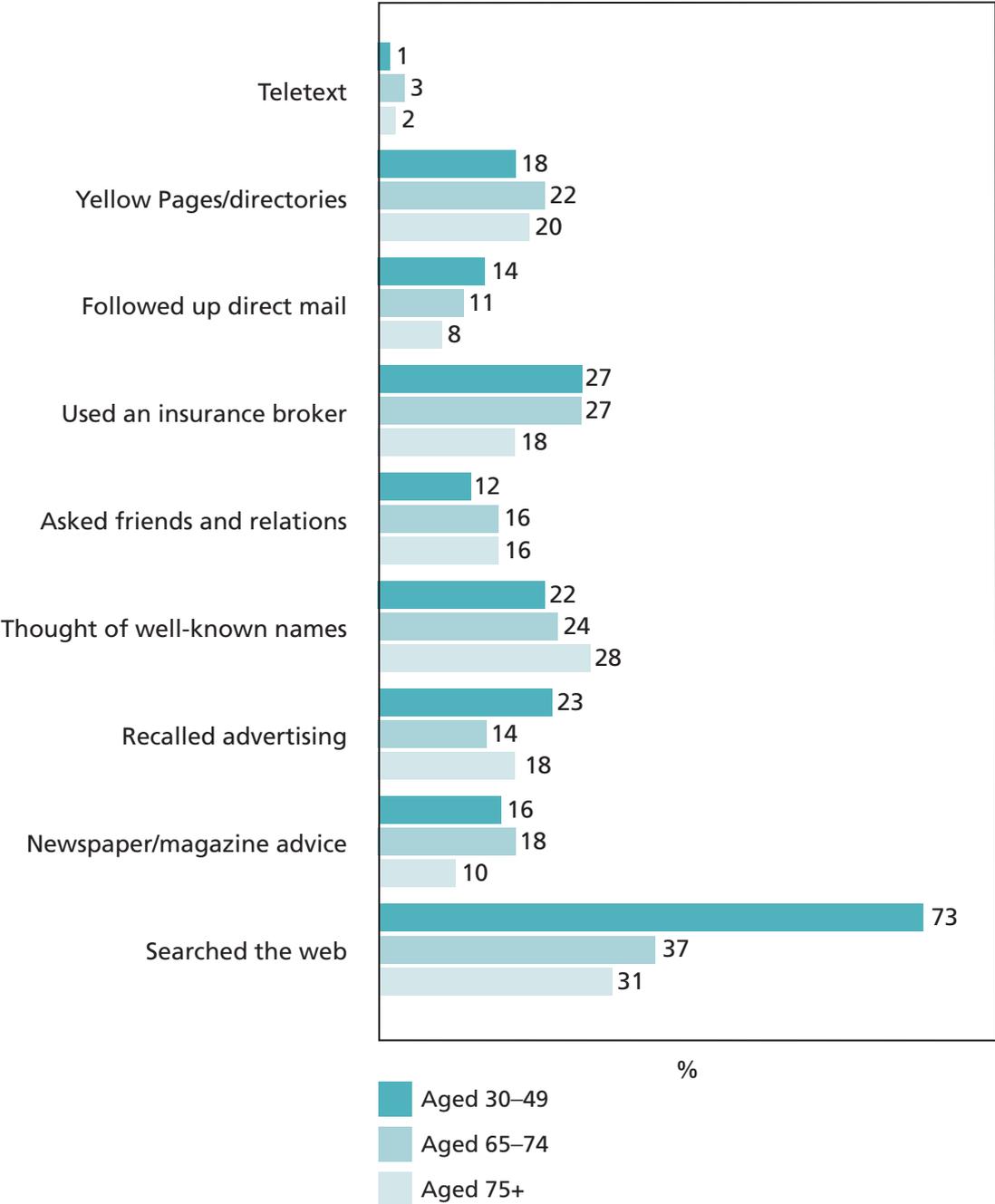
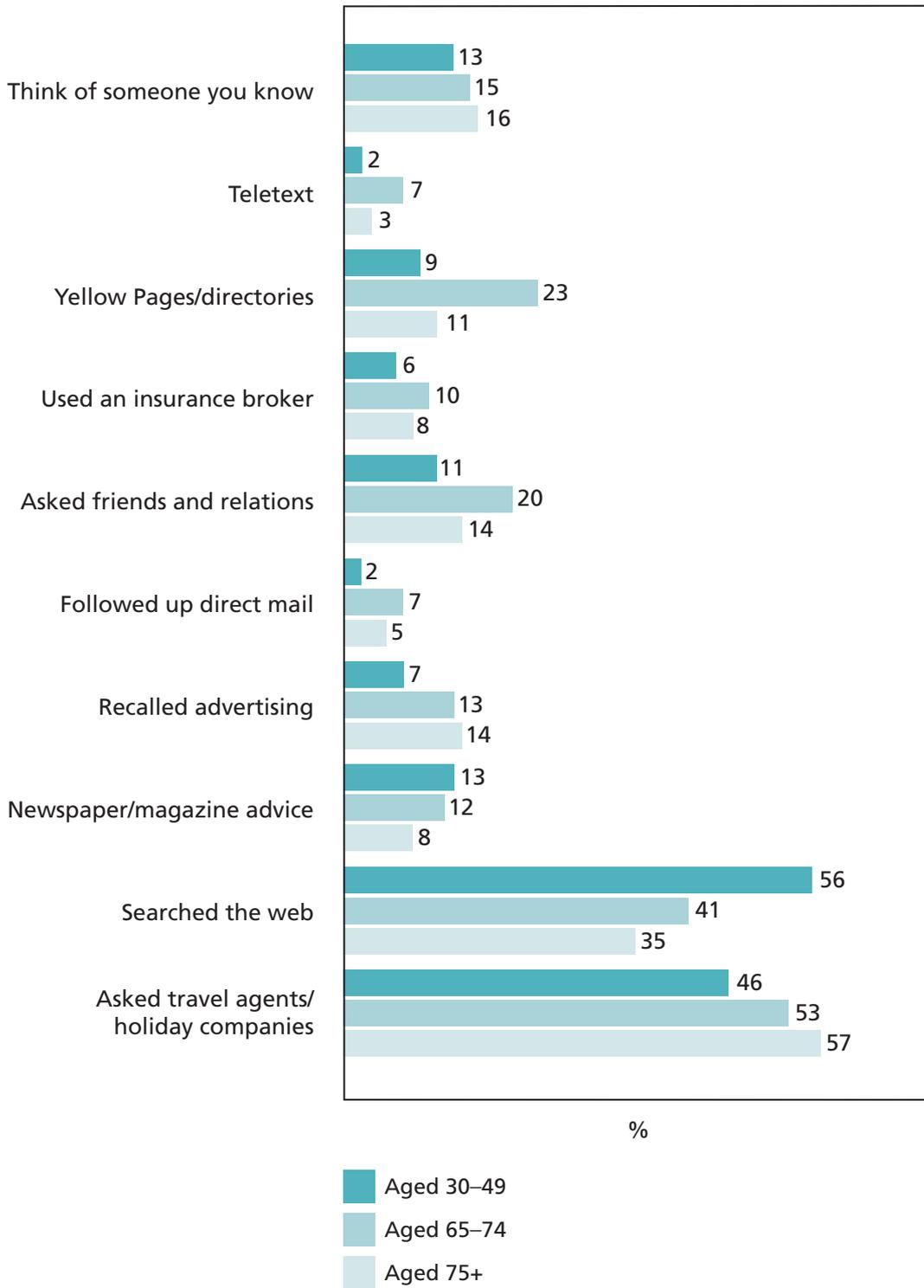


Chart 14
How people find out about travel insurance offers



When it comes to actually purchasing motor or travel insurance, older people prefer to use the telephone (Charts 15 and 16).

Charts 15
Preferred channel for purchasing motor insurance

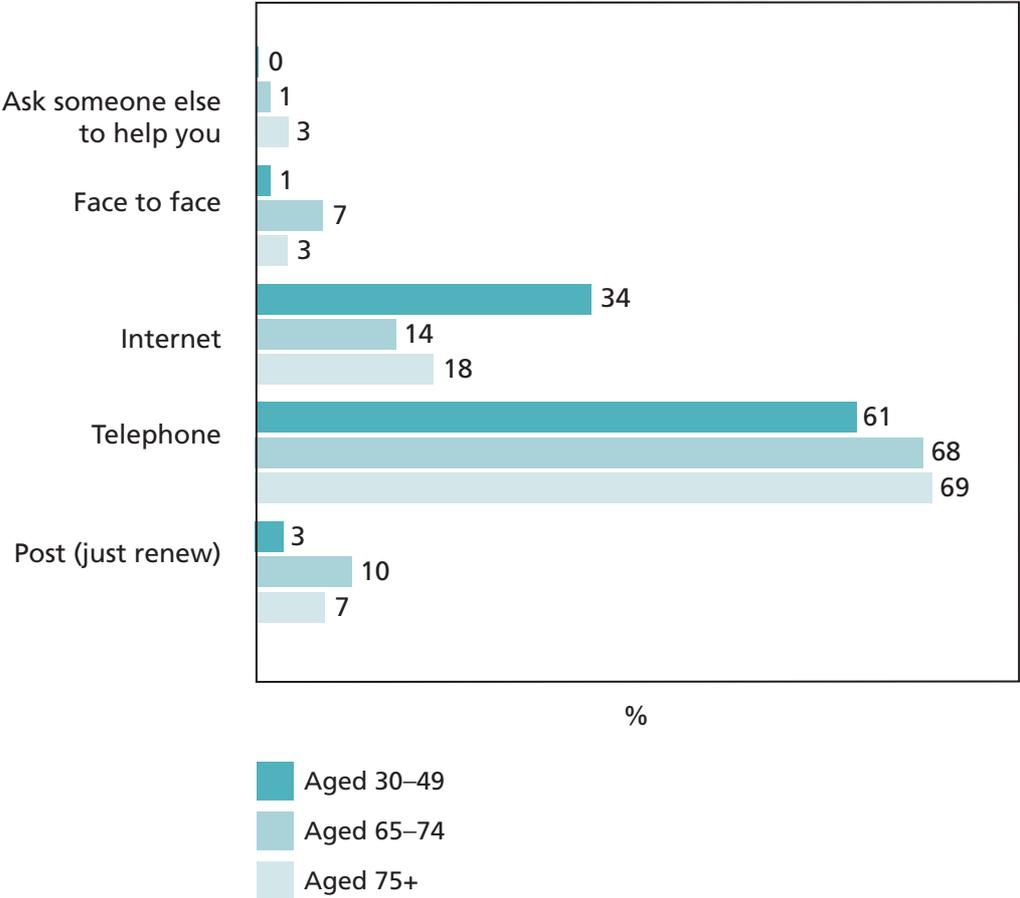
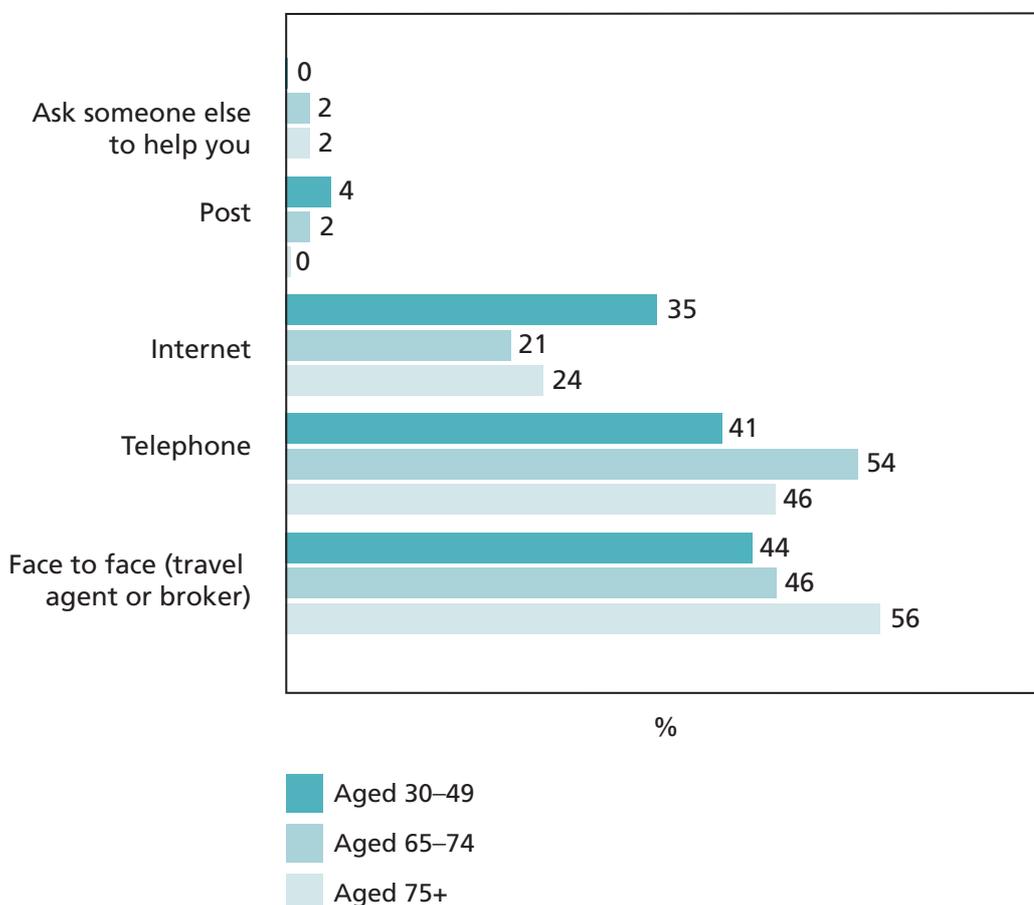


Chart 16
Preferred channel for purchasing travel insurance



Respondents saw the telephone as easy, convenient and quick. Some of those with internet access at home nevertheless preferred to use the phone, noting that they generally got straight through to someone who could answer their questions and explain details of the cover to them. Some felt more secure and confident when arranging cover by phone rather than online.

'With the internet you have to tick a box and sometimes you wonder if it's the right box, because there isn't a box for what you've got – and you go away, and you might not be covered [for travel] – that's the danger. That's why I'd stick to the telephone – you can't take risks.' (Man, north)

However, there were also difficulties and irritations associated with using the phone. Some respondents reported finding it difficult to understand the person on the other end of the phone, either due to their own deafness or the operator not speaking loudly and clearly enough. This often meant asking for things to be repeated several times. Some didn't mind this, but the older and more vulnerable felt flustered and out of control.

'The young lady herself was very nice, but had an extremely broad accent and I had to ask her to keep repeating herself. It makes you seem foolish.' (Man, 70, south)

The importance of personal contact was also borne out by those respondents who used independent insurance brokers. Another benefit of going through a broker was that they did the 'donkey work' of getting quotations and making comparisons. People tended to trust their brokers to find the best deal.

'If it seems dear, I ask him to find another quote and he's happy to. That's how I keep my premiums down.' (Man, 70, London)

The broker was also the first port of call when making a claim. It was reassuring to ring someone familiar when upset or worried after an accident.

'I use the broker – then if I have a bump, I can ring him; you couldn't if you did it on the internet.' (Man, north)

Older people and the internet

Some older respondents – typically confident, experienced internet users – enjoyed searching for information and obtaining quotations online. They talked of being able to proceed at their own pace, not having to talk to anyone and not feeling pressurised to buy. However, for many, lack of experience in using the internet restricts their ability to access the best deals. Poor website design exacerbates the problem.

'The font should be larger, especially as it's [a company run for people aged 60+].' (80+)

'Website layout unclear, confusing.' (65–69)

The 2004 GfK NOP data confirm that internet usage among those in their 60s is far lower than among those aged 16–59. In the previous month 72 per cent of adults aged 16–59 had used the internet compared with around 35 per cent of those in their 60s and 10 per cent of those in their late 70s. Few adults aged 80+ had used the internet. As a result, older people are likely to be less confident than younger adults about information gathering and/or shopping online.

The older people taking part in our quotation exercise were more likely to encounter problems when looking for quotations online (Chart 17, page 24). Those aged 75+ in particular were less likely to give positive ratings for 'how it made me feel as a customer', 'the speed of the whole process' and 'clarity and layout' when looking for policies online. Our respondents also reported that some insurers impose more stringent upper age limits for online policies.

'Too much information was asked before being refused because I was too old. No explanation given.' (80+)

'It took so long and was so difficult as I am a novice internet user.' (70–79)

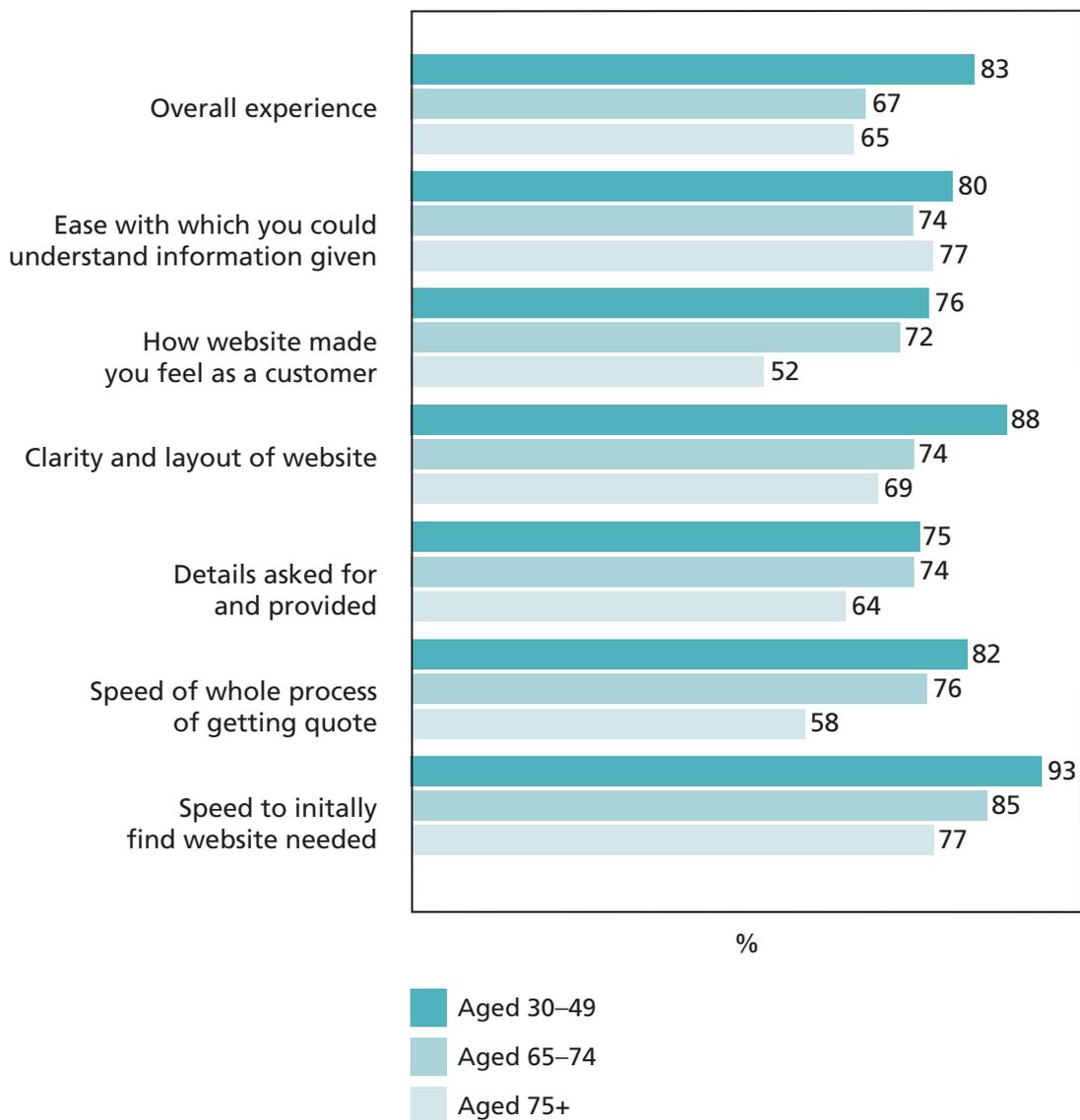
'Asked for non-relevant information.' (65–69)

Some were concerned about bogus online companies and credit card fraud. These people preferred to use the internet for information-gathering only.

'I use the internet for research – then I telephone. I've found they'll honour the price [quoted on the internet].' (Man, north)

The lack of human interaction was another source of concern. Respondents were worried about giving incorrect information or failing to complete the transaction properly. Some were also concerned about the lack of flexibility. If their answer was 'Yes, but...' rather than a straight 'Yes', would they end up with the wrong type of cover?

Chart 17
How people rated their quotation experiences – internet
(chart shows % giving an excellent or good rating)

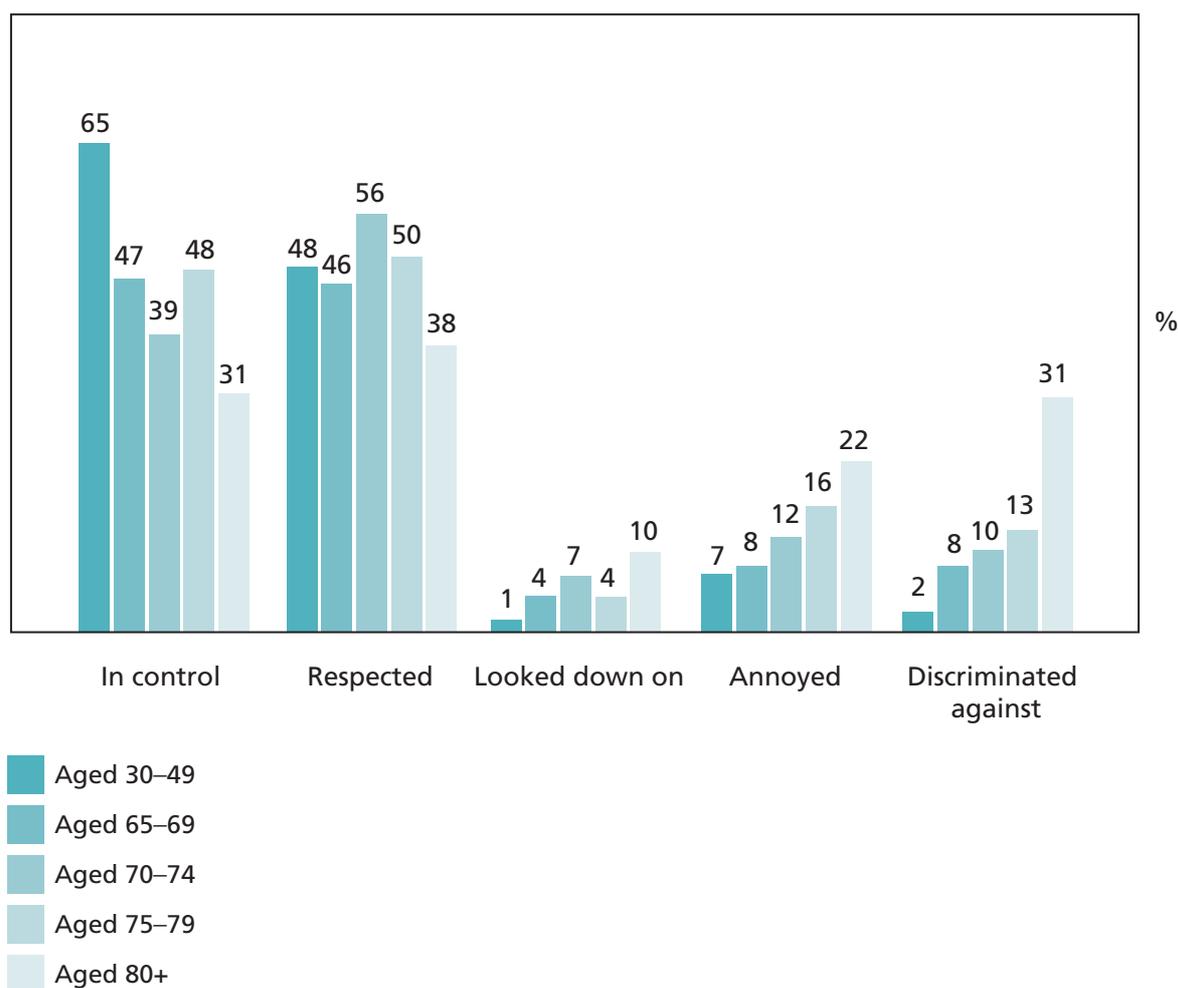


Perceptions of discrimination

- Thirty one per cent of people aged 80+ felt discriminated against when obtaining quotations for motor insurance/travel insurance/car hire, compared with 2 per cent of people aged 30–49
- 75 per cent of those aged 75+ believe the insurance industry is less willing to insure older people

We asked respondents taking part in the quotation exercise to choose from a list of adjectives those that best described their feelings when obtaining quotations. Thirty-one per cent of respondents aged 80+ and 13 per cent of those aged 75–79 felt 'discriminated against' when obtaining quotations, compared with only 2 per cent of those aged 30–49 (Chart 18). The proportion feeling 'discriminated against', 'annoyed' and 'looked down upon' increases with age.

Chart 18
How respondents felt when obtaining quotations



Further analysis of the data for those aged 65+ by channel, product, and by gender highlighted:

- Channel: those aged 65+ felt significantly more 'in control' but less 'respected' when making online enquiries. The greater respect felt when using face-to-face and telephone routes may be a reflection of the personal contact offered by these channels.
- Product: perceived discrimination is higher for those seeking travel insurance than for motor insurance or car hire. Older people were also less likely to feel 'respected' and more likely to feel 'looked down on' when seeking travel insurance quotations.
- Gender: older women gave more negative (or less generous) ratings than older men, most obviously for 'respect' and feeling 'discriminated against'.

In addition, three-quarters of those aged 75+ and 69 per cent of those aged 65–74 – as against 52 per cent of those aged 30–49 – 'suspect insurance companies are less willing to cover older people' (Chart 8, page 14).

Our qualitative data provided clear anecdotal evidence that respondents felt they were being discriminated against, particularly in relation to age-related cut-off points and premium increases. They were surprised to find that cover was unavailable, prohibitively priced and/or subject to restrictions. Respondents were upset and affronted to find themselves in a new 'problematic' age category.

'It's just not having been this age before...and this is the cut-off age – suddenly, it strikes you.' (Woman, 65, north)

Perceptions of the insurance industry

- Older people see insurance companies as being preoccupied with money, and more interested in attracting new customers than serving existing ones
- Respondents talked of picking their way through an 'insurance minefield' of arbitrary charges and false promises
- Settling claims can be a stressful and time-consuming process.

Generally, older people's perceptions of the insurance industry are negative. Chart 18 (page 25) highlights the extent to which older people felt discriminated against in the quotation exercise, and this was reflected in the qualitative research. Insurance companies were seen as impersonal organisations out to take your money.

'It's all about money – grab, grab, grab.' (Man, 70s, south)

'Sheer profiteering – it's a racket.' (Man, 86, south)

'When people retire, they may have a few pounds to travel – a nest egg and a pension. They're not daft, they play on it.' (Man, 81, south)

The views expressed by our older respondents are likely to be shared by younger people. Older participants talked for example of petty charges, such as £20 for changing an address. Another reported that their motor insurance premium had increased following an accident caused by a third party, even though they had not made a claim. In a small number of cases, insurers had decided to write off vehicles rather than pay for repairs, leaving their customers struggling to replace their vehicle. Some respondents felt that premiums were calculated in an arbitrary way, leading them to feel they were picking their way through an 'insurance minefield'.

Some respondents felt bombarded by advertising. There was also a feeling that companies of all kinds now seemed to offer insurance, regardless of whether they had any expertise in the area.

'There are too many in it now – I mean, what do supermarkets know about insurance?' (Man, 70s, London)

Many companies appeared to promise cheaper deals but in fact could not honour the promise when contacted for a quotation.

'You get lots of leaflets promising this, that or the other – but the quote they give you ends up higher....' (Man, 60s, north)

'I tried six to eight people last October. They're crafty, they say they can give you a cheaper rate and you go through all the rigmarole, but it ends up the same.' (Man, London)

However, respondents also acknowledged that having more companies offering insurance meant greater competition and, theoretically at least, the possibility of getting a cheaper quotation. But, as the above comments suggest, the theory often failed to translate into practice.

A frequent comment was that customer loyalty counted for nothing and that companies seemed to focus their efforts on attracting new customers rather than rewarding old ones.

'You're not rewarded for carefulness – after the six years [for maximum no-claims bonus]... My wife's been driving for 40 years with not a claim....' (Man, 60s, north)

Others expressed the view that companies (particularly those offering motor insurance) offered tempting introductory rates to draw customers in, only for premiums to increase dramatically in the second year.

'The trouble is all insurances drop for the first year, then go up in the second year.' (Man, 70, London)

Respondents also talked of motor insurance policies being linked to other incentives such as breakdown cover, making direct comparisons difficult. The onus was on the customer to know exactly what they wanted covered and what excess they were prepared to pay before phoning for a quotation. The more vulnerable and less confident found this process complicated and worrying.

Overall, there were mixed reports on settlements. Some had had claims settled quickly and easily which, in some cases, led them to feel a degree of loyalty towards the company concerned. However, others spoke of:

- Insurance companies being unwilling to settle until the policy holder complained or adopted a more aggressive stance.
- Long-drawn-out settlement processes, with companies asking for more and more information.
- Being offered only part-payment for no apparent reason.
- Apparently arbitrary decisions taken to write off cars, sometimes for paltry amounts of money.

These kinds of cases were a source of significant stress and anxiety for older people. One 86-year-old had to cancel a trip to the Dolomites due to a stomach upset and put in a claim for £140. He got extremely frustrated by the reaction of the insurance company:

'I said I'm an 85-year-old widower, please will you settle one way or the other, it's becoming stressful. I don't care if you send me £140 or not, just stop sending me letters. Within 48 hours I had a cheque but they push you to the limit, obviously.' (Man, 86, south)

Conclusions and recommendations

Opportunities

Older people value driving and travel, and recognise the contribution these make to the quality of their lives. A higher proportion of adults in their 70s have motor insurance than do those aged 20–24. Overall, 38 per cent of those aged 70+ and 26 per cent of those aged 80+ have motor insurance, and one in eight people in their 90s has motor insurance.

The GfK NOP data confirm that people in their 60s are more likely to have been on holiday in the last year than adults aged 18–59, and that 29 per cent of those aged 80+ had gone away in the last year. This was backed by our own findings.

Recommendations

1. The ABI should promote the extent and nature of the business opportunities an ageing population gives to the insurance industry.
2. Insurance companies should work together to consider how they can develop, and market effectively, insurance products to meet the growing needs and aspirations of an older population.

Challenges

There is significant evidence that the motor and travel insurance industries disadvantage older people in a number of ways. As people grow older, fewer insurers are willing to offer cover and insurance becomes increasingly expensive.

The research findings present a number of challenges for Government and insurance providers:

A. Age discrimination and access

Our quantitative findings showed that 2 per cent of 30–49-year-olds felt discriminated against when trying to obtain quotations for motor insurance/travel insurance/car hire, compared with 31 per cent of those aged 80+. Twenty-nine per cent of attempts to obtain a quotation made by those aged 75+ were unsuccessful, compared with 3 per cent of those made by people aged 30–49. This implies a market failure, particularly for those aged 75+. Similarly, the wide variation in the premiums quoted implies the market may not be as competitive as is sometimes suggested.

For both motor and travel insurance, certain age thresholds clearly prompt automatic and significant increases in premiums and, in some cases, determine whether insurance is offered at all. Indeed, the insurance industry uses age brackets as a significant input to risk calculation (this is confirmed in the May 2006 ABI report on older drivers¹).

Furthermore, three-quarters of older people agreed that insurers were ‘less willing to cover older people’, a view shared by only half of those aged 30–49; this may reflect personal experience.

Most older people do manage to find motor/travel insurance, but are aware they may be missing out on the best options due to lack of information about their choices. Older people’s more limited access to the internet is a key issue here.

Recommendations

3. Upper age limits are unnecessary, discriminatory and often arbitrary. The ABI should encourage its members not to impose age barriers which prevent older people from accessing insurance. Where people of different ages represent different risks, this should be managed through pricing policies based on firm evidence rather than blanket exclusions.
4. The Government should introduce effective age discrimination legislation which covers access to goods, facilities and services, including financial services.
5. The Financial Services Authority should consider whether the imposition of arbitrary age limits is consistent with its requirement that 'A firm must pay due regard to the interests of its customers and treat them fairly' (FSA Principle 6).
6. Until effective age discrimination legislation is introduced, the insurance industry should introduce measures to ensure older people have access to insurance, including:
 - developing new insurance products and enhancing existing ones to meet the needs and aspirations of older people. For example, 'pay as you go' motor insurance products could be more affordable for some older people than a set-price annual policy and would particularly benefit those older people who drive infrequently.
 - ensuring the availability of clear and accessible information. This should include an ABI code of practice/industry guidelines to ensure that any age limits, or other factors that could hinder access for older customers, are clearly disclosed in marketing literature and on websites.
7. The Financial Services Authority should amend its rules to require insurance companies to disclose any age limits in policy summaries.

B. Cost

Older people face considerable disparities in quoted premiums for both travel and, to a slightly lesser extent, motor insurance. This is a particular cause for concern given that older people are less likely to shop around. It also leads to negative perceptions of the insurance industry as a whole.

Recommendations

8. The insurance industry should ensure that the quotation systems for motor and travel insurance are more transparent, that older people are told why they may have to pay more (or less) to access insurance than other age groups and, where they are refused cover, given better information about the reasons.
9. Providers of travel insurance should consider introducing discounts for multiple trips in cases where older people are refused an annual policy, so that the total amount paid over the year does not exceed the cost of an annual policy.

C. Shopping around

In the case of both motor and travel insurance it is clear that shopping around and questioning premiums can bring benefits. However, older people are less likely to shop around for the best deal. Fifty-four per cent of the younger drivers surveyed searched for the best motor insurance deal each year, compared with only 37 per cent of drivers aged 65+. For travel insurance, the figures were 52 and 36 per cent respectively.

For older adults, price is not always the most important consideration: some are concerned about customer service, others about brand recognition. More assertive and confident older people, prepared to put in time and effort, are able to secure better deals. However, some (particularly those aged 75+ and lone women) find shopping around very stressful and may decide to take the 'easiest' option, even if that means paying a higher premium.

The GfK NOP data show that less than 30 per cent of those aged 60+ have ever used the internet. Not having access to the internet limits the opportunities for older people to shop around and to access information about insurance.

In this research, older people encountered more problems obtaining quotations via the internet. They were frustrated by the failure of websites to explain why they had been refused a quotation, and felt that many websites were unhelpful to older customers. Many websites do not state clearly whether cover has an age limit.

Recommendations

10. The Government, the financial services industry and the FSA should consider ways of facilitating shopping around among older people, including financial education initiatives, and help and advice to encourage internet usage. Such initiatives would give older people (particularly those in lower socio-economic groups) greater confidence in dealing with financial matters in general and enable them to shop around for better deals.
11. The Government should review its strategy for digital inclusion and use the Comprehensive Spending Review to invest in adult education and media literacy.
12. The Government should use the analogue-digital switchover to deliver new, better, and more accessible information services to older people
13. The ABI should encourage the insurance industry to strive for best practice in website design.

D. Perceptions of the insurance industry

Overall perceptions of the insurance sector were fairly negative among both younger and older age groups. Insurance companies were seen as large, impersonal organisations that were out to get customers' money and did not reward loyalty.

Making a claim could be a stressful experience for older people. Some felt that insurance companies put obstacles in the path of speedy settlements; others reported that claims were settled only once they complained or adopted a more aggressive stance. More vulnerable (typically the very old) or less confident people coped poorly.

Older respondents argued that those with illnesses and medical conditions tended to visit their doctor regularly and that their conditions were managed and controlled, often with proven medication such as statins. It was felt that a controlled condition was less risky than an unknown/uncontrolled one. Yet, paradoxically, the travel insurance industry appears to treat as a higher risk, older people who are taking medication to reduce risk.

We found several cases where individuals had not understood the need for them to disclose 'material' information that could affect the cost of their premium or were unclear about what to disclose; in some cases, this was because the information concerned health problems that they managed successfully in their everyday lives. This contributed to negative perceptions of the industry.

Recommendations

14. The ABI should work with insurers:

- to ensure that claims processes are transparent, speedy and fair and that claimants with special needs are adequately supported.
- to address the perception that older people seeking travel insurance pose a higher risk if they take medication, such as statins, to maintain their health than if they don't.

15. As part of its review of general insurance regulation, the FSA should investigate whether the duty to disclose material information is adequately explained, and whether insurers are relying on it to an unfair extent in rejecting claims.

E. Specialist companies

Finding specialist companies that genuinely offer older people a better deal is a challenge. Those who had tried such companies did not always obtain competitive premiums. Some were advised by other insurers to 'find a specialist company', but not told how to go about doing this. Our qualitative results suggest there is a lack of effective and visible marketing by companies specialising in offering good insurance deals to older people; and a lack of clear, accessible information about them.

Recommendations

16. Specialist companies providing insurance for older people, including Help the Aged and Age Concern, should continue to offer these products. In addition, they should seek to communicate more effectively with their target audience and with travel agents and other insurance companies so they can refer older customers on.

17. The ABI should encourage insurers who are unable to provide an insurance quote for older people to refer customers to a range of specialist providers. To support this, the Association should create a list of specialist providers and provide a central telephone number which older people can call for information on the specialist insurance companies.

F. Car hire

We continue to receive many anecdotal reports of older people encountering problems in the car hire market, most of which relate to local car hire companies (which are likely to have more restrictive fleet insurance policies and therefore apply age limits).

The research sample was too small to give a clear picture of the extent to which older people are disadvantaged. Our quotation exercise included relatively few people aged 75+ who were drivers and willing to obtain quotations and these individuals were probably more able and confident than the majority of people aged 75+.

Our qualitative research found that older adults who want to hire cars (mainly people in their 60s and a few in their early 70s) are not often asked to give their age or answer detailed questions about their health, and tend to find the process straightforward. Most respondents aged over 70 said that they would not need or want to hire a car, especially abroad. The few who have done so do not seem to have been penalised in relation to their age. This is surprising in the light of the May 2006 ABI report¹ which highlighted that 'some car hire companies compete for low-risk drivers by not taking on young, inexperienced drivers or drivers above a certain age'.

Recommendations

18. Given that older people continue to complain to Help the Aged and Age Concern about problems with car hire:
 - the ABI should ensure that older drivers with existing motor insurance policies are told whether they can request that their existing policy is extended to cover the hire car.
 - the ABI should work with key associations in the car hire market to create and publicise a list of car hire companies willing to serve older drivers.
 - further research should be undertaken to identify the extent/nature of issues in relation to car hire for older people.

About the research

Background

Help the Aged and Age Concern England receive a large number of complaints from older people about general insurance, the vast majority of which relate to age discrimination in travel and motor insurance. Typically, older people report being unable to change their motor insurance or buy travel insurance once they reach a certain age. Older people complain that insurance discriminates on the basis of age in two main ways: cost and access.

In April 2006, Help the Aged and Age Concern England commissioned two phases of consumer research, designed to measure the extent and nature of age discrimination experienced by older people, to identify the barriers to older people accessing insurance products, and to explore the wider attitudes and experiences of older people to motor insurance, travel insurance and car hire.

Overview of the sample and methodology

Quantitative phase

344 adults were recruited: 229 aged 65+, together with a younger control group of 115 30–49-year-olds. Participants took part in an initial interview (to collect detailed data on attitudes, experiences and behaviour); a quotation exercise; and a final follow-up interview to get feedback on the quotation exercise. The quotation exercise involved respondents obtaining two quotations for one of the three products (motor insurance, travel insurance, car hire), using two of three channels (face-to-face, telephone, internet).

Qualitative phase

Six focus groups were held, each containing six to seven men/women aged 65–80, and eight in-depth interviews (four with people aged 80+ and four with respondents aged 65–80 from social group DE). Participants were asked to complete a short insurance purchasing task before the group sessions.

The quantitative phase was conducted by Andrew Smith Research and the qualitative phase by CM Insight. Additional data analysis was commissioned from GfK NOP using its 2004–6 financial surveys.

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