

Consumers' Perceptions and Purchasing Behaviour of Sustainable Insurance Products

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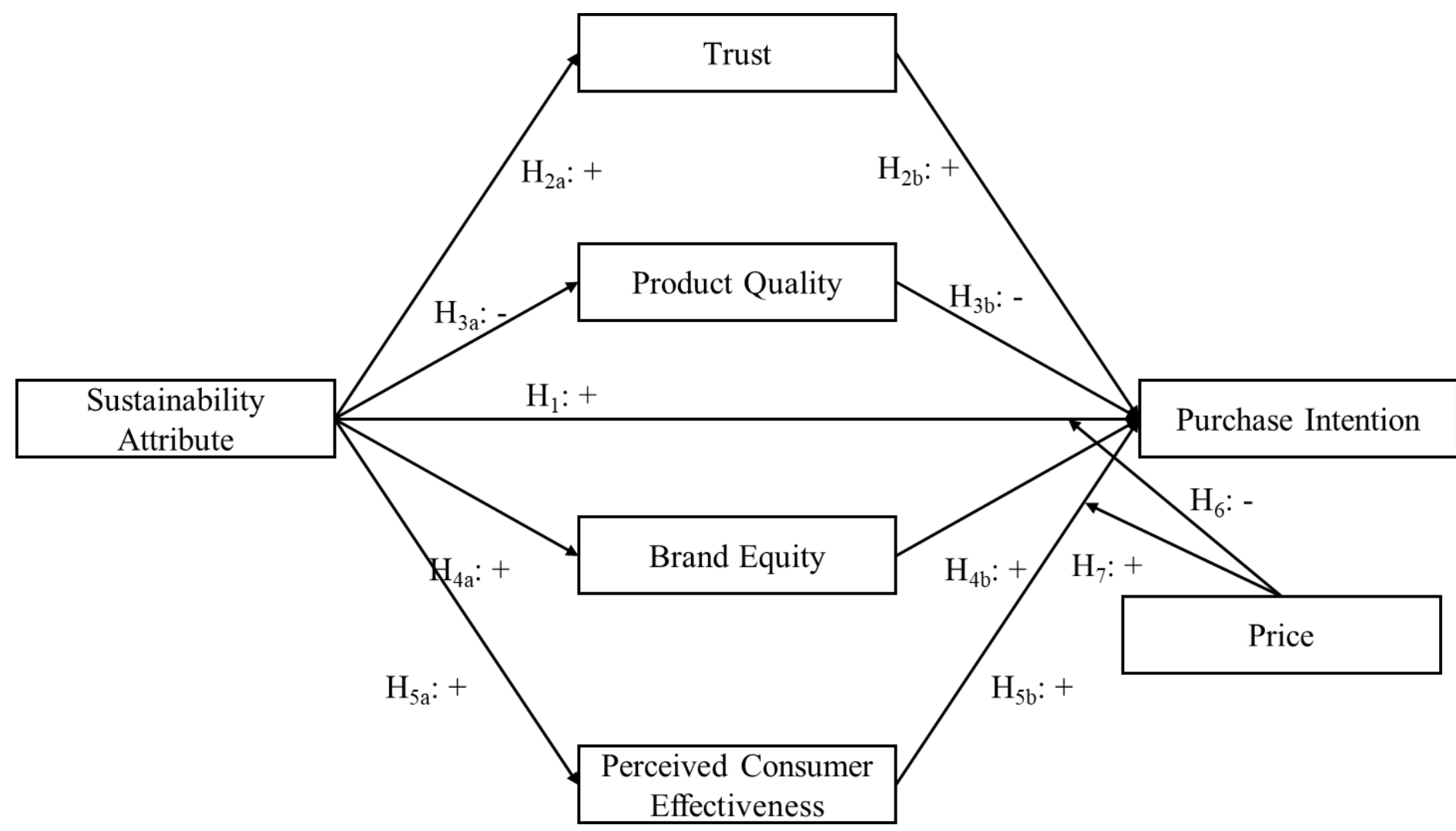
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Motivation and Research Question

- Insurances are particularly affected by the impacts of climate change and have, therefore, a strong intrinsic motivation to stop climate change. Further, they have various means and levers to engage in this topic
- Research has shown that the introduction of sustainable products can have opposite effects on consumer behavior, depending on the company or purchasing situation. Likely the industry/product category also has an influence in this matter
- Because consumer behavior regarding sustainable attributes has never been assessed in the insurance industry, we would like to find out what the impact of sustainable attributes are on the purchasing behavior of insurance consumers?
- We analyze whether customers choose a sustainable over a non-sustainable insurance product and whether trust, perceived quality, brand equity, and perceived consumer effectiveness (PCE) mediating factors for the effect of the sustainability attribute on the purchase intention (PI)

Conceptual Model



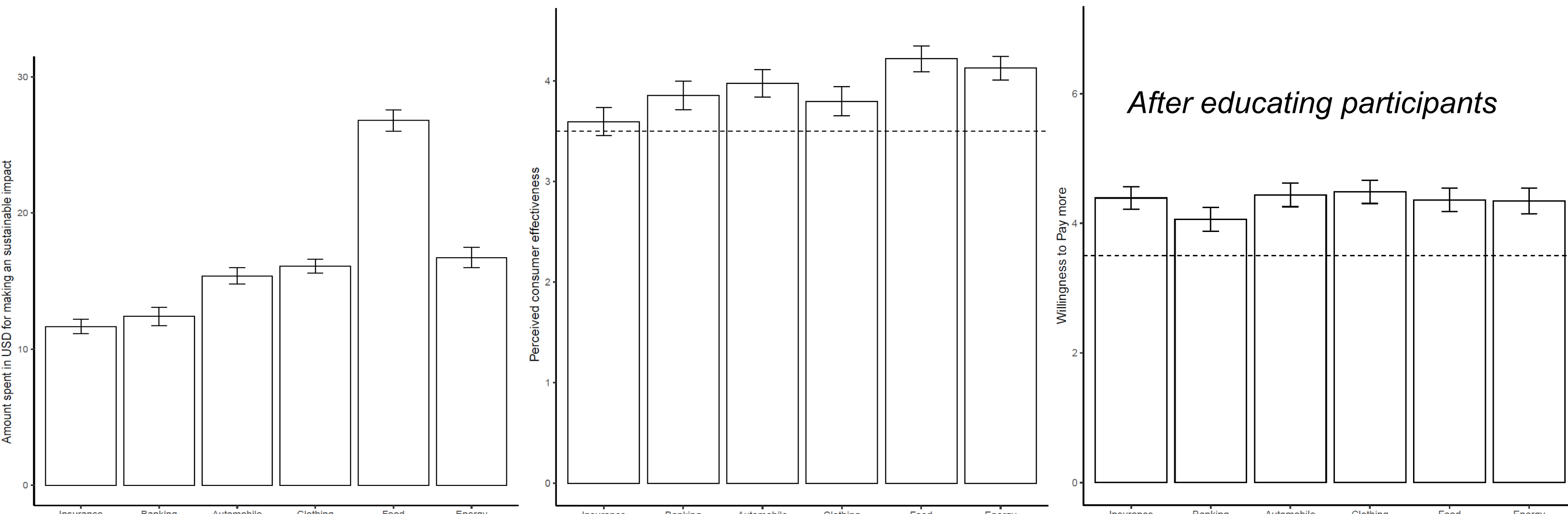
Study 1: Cross-industry study

Focus:

- Explorative study-design: How does consumers' sustainable purchasing behaviour differ between industries?

Results:

- Consumers do not intuitively consider the insurance industry when they want to make an ESG impact and do not perceive that insurers make a sustainable impact at all
- When educating them about the ESG impact insurers can have, consumers are willing to pay equally more as in other industries



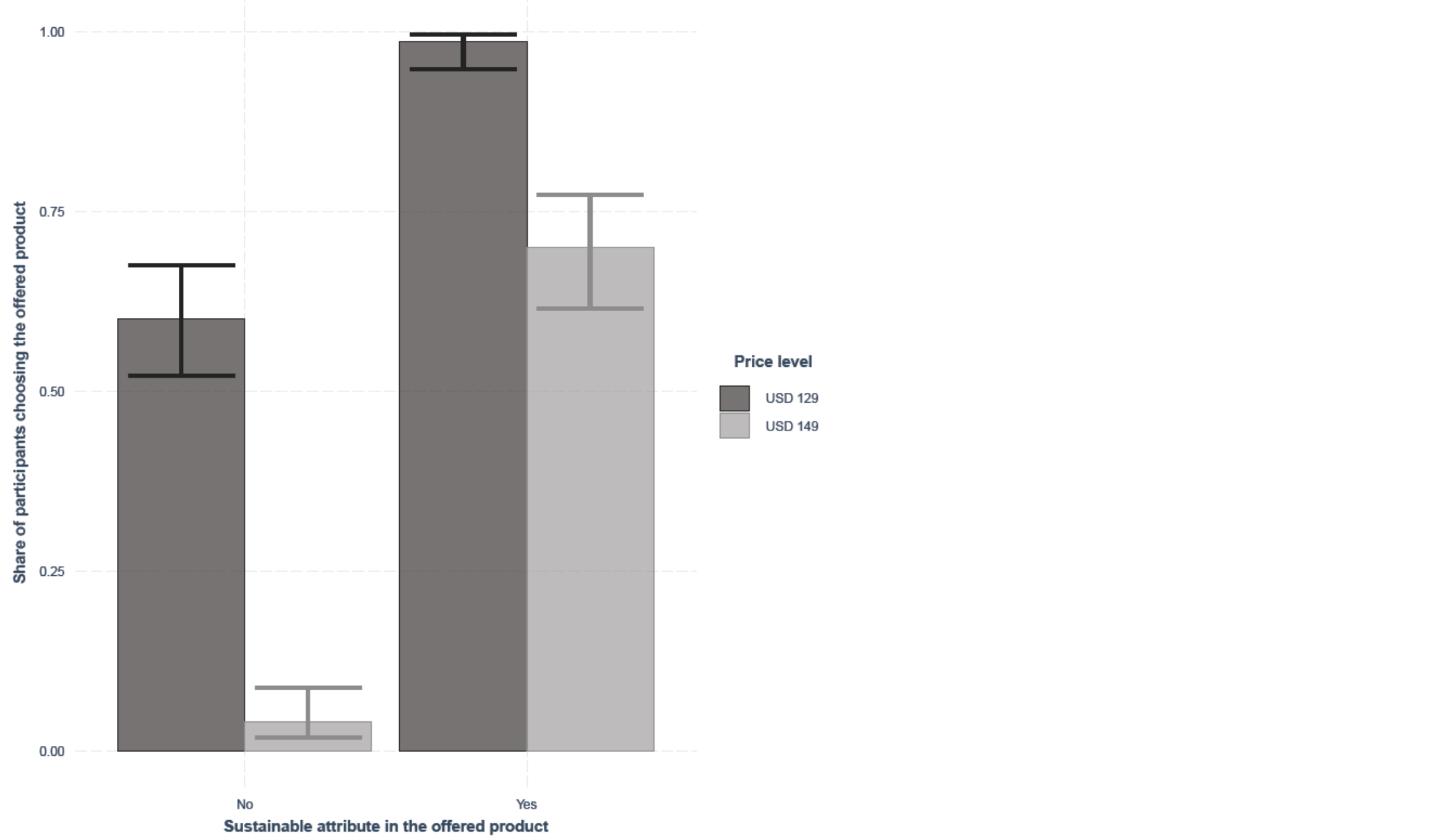
Study 2: Forced-choice study

Focus:

- Do customers choose a sustainable over a non-sustainable insurance product?

Results:

- Strong indication that customers care about the sustainable business practices of their insurer and are also predominantly willing to purchase sustainable insurance products at a higher price
- Sustainability is a strong predictor of insurance purchase decision: $\beta_{\text{Sustainability}} = 3.56$, $z(683) = 5.90$, $p < 0.05$
- Interaction-term (Price x Sustainability) remains not significant



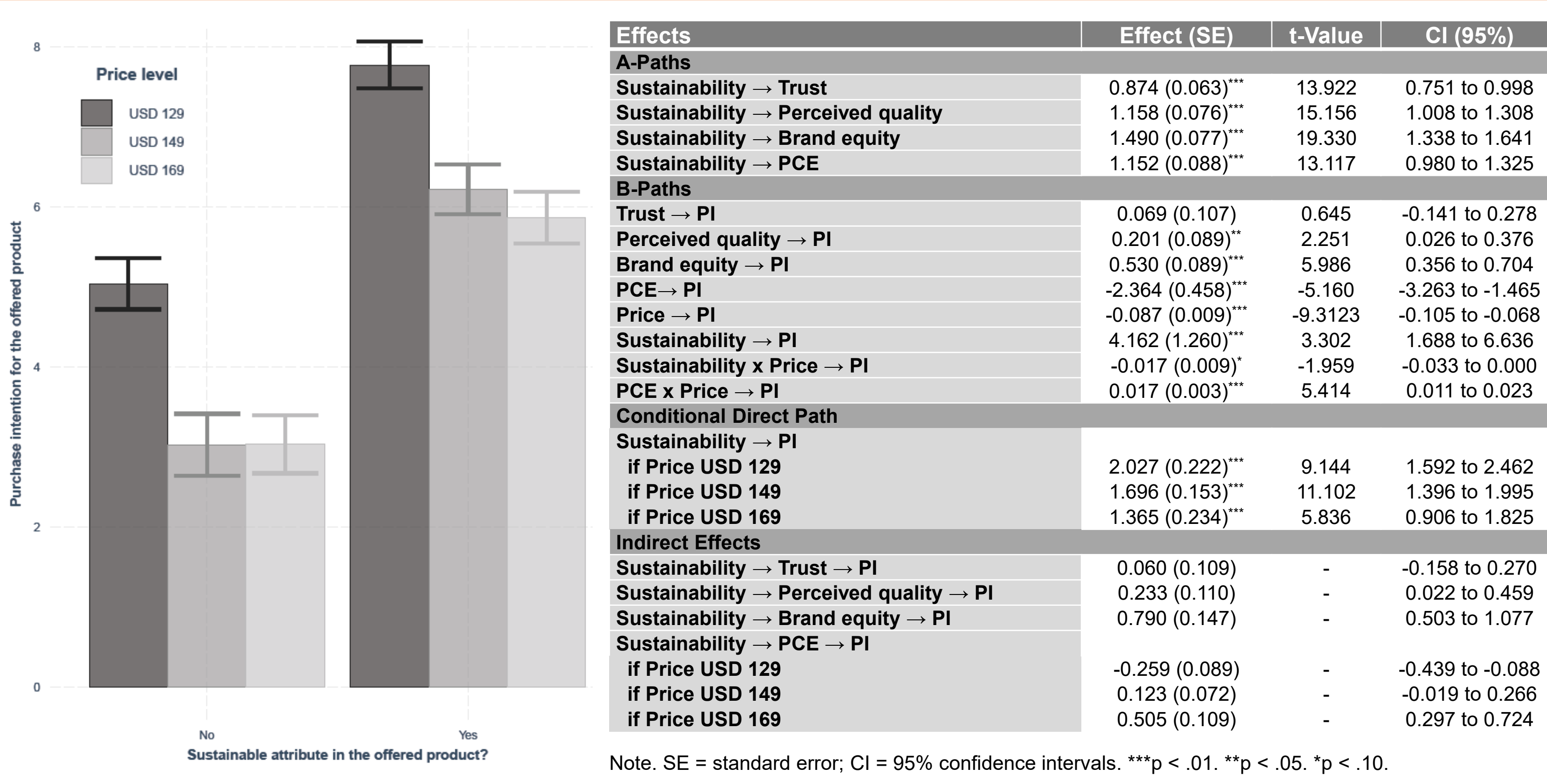
Study 3: Free-choice study & conceptional model

Focus:

- In-depth analysis of the influence of price in an incentive-compatible setting (raffle)
- Are trust, perceived quality, brand equity, and perceived consumer effectiveness (PCE) mediating factors for the effect of the sustainability attribute on the purchase intention (PI)?

Results:

- Sustainable attribute is a significant predictor for purchase interest, at all price levels
- Interaction-term (Price x Sustainability) remains marginally not significant
- Product quality, brand equity, and PCE are significant mediators
- For low price levels (USD 129), PCE acts as a negative mediator, for high price levels (USD 169) as a positive mediator, for medium price levels, the mediation is not significant



Findings

- Consumers value sustainable insurance contracts, and, when educated about the positive impact, most consumers are willing to pay more for these products than for conventional insurance
- Even for higher price levels, the purchase intention remains high
- This acceptance of higher prices can be explained by improved perceptions of the insurance company in terms of brand equity and product quality, which act as mediators between the sustainability attribute and purchasing intention
- For lower prices, the PCE can influence the PI negatively, for higher prices positively

Implications

- There is clearly a demand for sustainable insurance products
- ESG Impact of insurances needs to be better communicated, to increase the willingness to pay for sustainable insurances
- Offering sustainable insurances increases the product quality and brand image
- Too low prices can decrease the perceived sustainable effectiveness of the insurance product and in turn decrease the PI