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# Public Trust in Insurance

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# Author bio



## Katherine Hawley

Katherine Hawley, Ph.D., is a professor of philosophy at the University of St Andrews, Scotland. She holds a B.A. in Physics and Philosophy from the University of Oxford, and an M.Phil. in History and Philosophy of Science from the University of Cambridge; she obtained her Ph.D., also from the University of Cambridge, in 1998.

Professor Hawley has published extensively in academic journals on the topics of trust, distrust, knowledge (both practical and theoretical), and injustice. Her most recent book is *Trust: A Very Short Introduction*, published by Oxford University Press in 2012, and she is currently writing a new book about untrustworthiness and incompetence.

For her research, Professor Hawley was awarded a Philip Leverhulme Prize in 2003, and a Leverhulme Major Research Fellowship in 2014; her research has also been funded at various times by the Arts and Humanities Research Board, the British Academy, the Marie Curie programme of the European Commission, and the John Templeton Foundation. She was elected a Fellow of the Royal Society of Edinburgh in 2016.

Professor Hawley was born and raised in Stoke-on-Trent, England, and now lives with her family in the beautiful East Neuk of Fife.

# What is trust?

Learning to trust wisely is a crucial life skill. Trust is essential, since none of us has the time to check out the credentials of every individual we deal with, still less every company or institution. Yet a degree of distrust is also essential: if we are oblivious to warning signs, we become gullible prey, unable to navigate ourselves and our families safely through the modern world. So any study or measurement of trust needs to recognise that trust is differentiated. Each of us trusts some people, and not others, some organisations and not others.

A second layer of differentiation is also crucial: I trust one friend to repay a loan, but not to be punctual; I trust another friend to keep a secret, but not to recommend watchable movies. Likewise our trust in a given organisation may vary as we think about fair pricing or low pricing, good customer service or reliable products, ethical supply chains or safekeeping of our personal data.

When we trust, we expect both competence and basic good will, since neither alone will get the job done. An incompetent organisation does not deserve our trust, no matter how well-intentioned it may be. Conversely, a competent yet manipulative or dishonest organisation also does not deserve our trust. An organisation (or individual) which can present an honest picture of its own strengths and weaknesses is therefore well-placed to earn our trust. It can evidence the competence it does have, yet it is honest enough to admit its limitations, either working to improve these or else focusing on its strengths.

Insurance providers may face special challenges in evidencing their competence: for example when consumers do not have personal experience of trying to claim, where comparison websites mean decisions are largely based on price alone, or where consumers do not diligently read through paperwork, terms and conditions.

What do we expect when we trust? In personal contexts, trust typically includes an expectation that our friends will keep their promises because they care for us and know we depend upon them, not just because they want to maintain their good reputations. This is sometimes regarded as crucial to the difference between truly trusting someone, and merely relying upon them to behave well.

In contrast, typically we are less interested in why organisations or professionals are motivated to behave well, so long as they do behave well. If a hotel chain offers good service in order to maintain its TripAdvisor ratings, that's a welcome commercial reality, not something to complain about. If an accountant is meticulous, prompt, and honest because her professional body demands this, then again that's welcome news for her clients, who needn't linger on whether the accountant truly, deeply cares about them. Likewise, trust in insurance providers, or in the sector as a whole, will not include expectations of a close personal relationship, but will be focused on responsive performance.

## Summary

Questions about trust should specify who or what is the target of trust, and what he, she or it is trusted to do. Where trust is absent, there are several possible explanations: lack of evidence; perceived incompetence; perceived dishonesty. Our trust in organisations and professionals is typically less sensitive to their motives than is our trust in our friends or family: actions are what matter most. This holds for insurance providers, though their actions may be invisible most of the time to most consumers.

# Demonstrating Trustworthiness

Trust and knowledge stand in an uneasy relationship. It is sometimes suggested that if we know a person to be reliable, then there is no need for trust: knowledge makes trust redundant. On the other hand, much of what we know about the wider world we have learned from trustworthy sources: trust makes knowledge possible. When we're being careful, we try to apportion our trust to the evidence; but continuing to search for evidence is a sign that we don't yet really trust.

Again, it is useful to distinguish between trust within close personal relationships, and questions of trust in professionals, organisations and institutions. Amongst friends, we want to be trusted without having to constantly prove ourselves. But it is an accepted reality that in less intimate contexts customers and citizens expect to see evidence that an organisation is trustworthy.

So how can an organisation or a professional win our trust? Simply announcing one's trustworthiness is often worse than useless. There's no reason to take such announcements at face value, and indeed they may provoke additional suspicion: why would you need to say that, if it's true?

Instead, trustworthiness needs to be demonstrated through both action and words. Trustworthy people and organisations display an awareness of their own strengths and limitations, and make clear what can be expected of them. Promising the moon raises expectations only to dash them; trustworthiness sometimes means offering less, but making sure to deliver.

Setting realistic expectations poses special challenges where customers may not fully grasp what they value in a product, or what a normal or reasonable standard of service entails. It also poses challenges for particular individuals or organisations, if public perception does not clearly distinguish between different representatives of a sector or profession. If even a few are promising a wonderful product at rock-bottom prices, then those who hope to demonstrate trustworthiness through a realistic offer will instead simply lose out.

Insurance providers typically have no physical presence either on the high street or in people's homes, and their products are relatively rarely 'used', compared to retail banking for example. The main interaction consumers have with insurance providers is one-way: paying for a mostly invisible benefit. This makes it especially difficult for a particular provider to establish its own reputation, independent of the sector as a whole, and makes the image of the sector as a whole especially vulnerable to bad actors.

## Summary

In commercial or public contexts, trustworthiness needs to be demonstrated in action, not just assumed. Setting – and meeting – reasonable expectations is crucial to this. But this is difficult to achieve when an entire sector is held responsible for the untrustworthy behaviour of a few.

# Trust and Related Concepts

How does the concept of trust relate to concepts of faith, confidence, reliance, or belief? There is no academic consensus on this matter, and emphasis differs from field to field; the concept of 'trust' has various translations in different European languages. However, a few generalisations are possible.

'Faith', with its religious connotations, is associated with something like 'blind trust', trust which does not demand evidence, or may even fly in the face of evidence. Such faith is often characteristic of our most intimate relationships, and its role in politics is debatable, but it is less likely to play a role in our consumer decisions.

'Confidence' typically suggests a positive attitude, an expectation that things will continue in a broadly welcome vein. We confidently rely on all sorts of mundane objects and systems, from our cars and coffee makers to the postal service and refuse collections; such reliance often drifts below the level of consciousness until things go wrong. 'Reliance' may be confident, but often we feel we have to rely since we have no alternative, even where this reliance is a source of worry, and is not accompanied by confidence.

When trust is distinguished from confidence and reliance, it is often because of the moral connotations of trust. I rely upon my car to get me to work, and if my car breaks down, that's frustrating, inconvenient and expensive. But I don't regard the car as betraying me, or deserving of punishment. In contrast, if I trust my sister to pick me up at the airport, and she simply doesn't bother to show up, then this reflects poorly on her moral character; I'll be angry, resentful, and less inclined to do favours for her in the future.

Philosopher Annette Baier set the tone for much contemporary writing about trust by arguing that trust is distinctively connected to the possibility of moral betrayal.

In different but related terms, political scientist Russell Hardin influentially argued that when we trust, we expect the trustee to act with our interests in mind. On either picture, disappointed trust often leads to resentment.

We can see these various concepts as forming a hierarchy, from less demanding to more demanding attitudes:

- **reliance** – building a person, object or habit into our lives, as something to depend on;
- **confidence** – feeling comfortable or relaxed about such reliance, rather than seeing it as a source of anxiety;
- **trust** – in addition to confidence this can involve expectations of 'the right motives' from the person trusted, a readiness to feel resentful if things go wrong, and expectation that the person trusted takes responsibility for his or her actions, with us in mind.
- **faith** – is aligned with trust, but is less evidence-based, compared to trust which typically has some sensitivity to evidence.

These conceptual distinctions are typically drawn with interpersonal trust (faith, confidence, etc) in mind. It is less clear whether similar distinctions apply to our attitudes towards organisations and professionals. On the one hand, we often regard organisations as well-functioning or poorly-functioning machines, not conscious actors in their own right. On the other hand, many of us seem ready to make moral judgements about organisations or indeed entire professions, as witnessed by public anger around the banking crisis. Research in this area can struggle to distinguish between our attitudes towards an organisation or sector, and our attitudes towards its individual leaders or representatives; the same is true in the political sphere.

## Summary

Vocabulary is tricky to pin down. But any study of trust attitudes should consider how far the public are inclined to pass moral judgements or feel betrayed when things go wrong, and whether such responses are directed at individuals, organisations, or entire industries. To what extent are organisations or sectors held responsible for their actions?

# Empirical Methods for Trust Research I: Games

There are two principal methods for researching people's behaviour and attitudes regarding trust, i.e. 'trust games' and population surveys.

Psychologists and economists often use artificial games, manipulating experimental conditions to explore the reactions and behaviours of participants. Different set-ups probe an individual's willingness to take risks and co-operate with another individual (typically a stranger), in trying to win token cash rewards by teaming up against the 'house'. For example, how does physical appearance (smiles, team jerseys) affect people's willingness to co-operate? What difference does it make when games are iterated: is bad behaviour in earlier rounds punished in later rounds? What difference do gender, age, or ethnicity make? These games are typically played with college students, but there have been some comparative studies of behaviour in a wide range of cultural contexts worldwide, including hunter-gatherer societies.

Trust games have the advantage of allowing specific experimental interventions, testing the effects of seemingly-small changes in the environment. However they are highly artificial situations, and the connection between subjects' behaviour in the lab and their everyday life is not straightforward. Moreover, trust games are focused exclusively on inter-individual interactions, and are not easily adapted for studying trust in institutions.

## Summary

Trust games are unlikely to be a suitable method for studying trust in the insurance industry.

# Empirical Methods for Trust Research II: Surveys

Surveys are better suited for measuring people's general levels of trust in other people, trust in institutions such as government, media, banks, and trust in entire professions, such as doctors, judges, or journalists. Major long-term surveys include Eurobarometer, which is carried out across the continent for the European Commission, and the General Social Survey (GSS) carried out by the National Opinion Research Center at the University of Chicago.

For example, since 1972 the GSS has asked:

- Generally speaking, would you say that most people can be trusted, or that you can't be too careful dealing with people?

Results show a decline from about 46% agreement that most people can be trusted (in 1972) to about 32% in 2012. Eurobarometer has asked a wide variety of trust questions over the years, questioning respondents about their trust in EU institutions, in their own national governments, in citizens of other EU countries, and so on.

Recognised limitations of survey methods include:

- Uncertainty about how questions are interpreted by respondents (e.g. who does a respondent think of when considering 'most people?'), and whether such interpretations remain fairly constant across time, or across different countries, as applicable. For example, it is easy to read the GSS as recording a decline in generalised trust. Yet this may be because increasing numbers of us live in large cities rather than small tight-knit communities, and so deal with many more people every day. Trusting 'most people' in New York City is very different from trusting 'most people' in a small village where everyone knows your parents. We may sensibly be more cautious without actually thinking that the average person has become less trustworthy.

Regarding the insurance sector, it will be important to try to distinguish people's attitudes towards their own insurance providers, the sector as a whole, comparison websites or brokers, and perhaps other intermediaries through which insurance is accessed, for example, a bank, employer, trade union or other membership organisation.

- Uncertainty about the relationship between respondents' stated views about who they trust, and their practical behaviour. For example, how should we interpret self-reports of declining trust in banks, given that most people don't have the option to avoid retail banking services? What does it mean when people's behaviour seems to embody trust, yet they claim to lack trust? This is a point where distinctions between trust, reliance and confidence may be useful.

It is often more-or-less compulsory to purchase insurance; for example, this is of course a legal requirement for motorists, and typically required by mortgage lenders. This may limit the practical consequences of consumer distrust: we have to purchase, whether we trust or not. Is trust just a nice bonus in this sector, or does it influence consumer behaviour?

- In some cases, there are discrepancies between people's explicit attitudes to a profession or sector, and their attitude to more familiar individual representatives of that profession. For example, the British Election Study finds that people typically express more trust in their own local MP than in MPs in general, and there are similar findings internationally. It is less clear whether there are similar discrepancies between people's attitudes to particular, familiar organisations, and their attitudes towards sectors as a whole.

More specific survey research into trust in the financial services industry includes the Edelman Trust Barometer. Edelman studies public attitudes to trust in different financial centres worldwide (including the UK), and consistently finds that better-informed consumers have higher trust in the financial services sector. 'Better-informed' here is measured by college education, and by regularly reading about news and current affairs.

## Summary

Survey methods are well suited for the present project, so long as questions attempt to elicit relatively nuanced responses, and results are interpreted with care, as discussed below.

# Recommendations

To provide useful insight into public attitudes of trust and distrust in insurance, questions should be designed to:

- Distinguish respondents' attitudes towards different organisations. E.g. the insurance provider(s) they themselves use, insurance providers in general, comparison sites, and e.g. banks, trade unions, employers, through which they may access insurance.  
*Challenge:* are consumers aware of who provides their insurance, for e.g. home, motor, travel? Those who are aware of this may be unrepresentative in other ways (e.g. highly-informed about the market, infrequent switchers, frequent claimers, or assigning high priority to loyalty or customer service).
- Distinguish respondents' attitudes to different aspects of service. E.g. low pricing, transparent pricing, transparency about what is covered, data security, customer service, readiness to pay out claims, financial stability.  
*Challenge:* different consumers will have different priorities; some of these aspects may be impressions of the industry as a whole, or indeed of financial services more generally, whilst others may be based on personal experience with a particular provider, for better or for worse.

For any given type of organisation and aspect of service, we can then query respondents' degree of:

- reliance or dependence (in practical terms): how much does this aspect of insurance provision matter in their lives?
- confidence (feeling relaxed about reliance): how does the respondent feel about this?
- trust (confidence plus a readiness to blame if things go wrong): do organisations have a responsibility to get things right, to apologise if things go wrong?

Where confidence or trust is relatively low, it may also be useful to probe whether this is because of perceived:

- incompetence, lack of resource or capacity;
- dishonesty or malpractice;
- or a combination of these.

This could be approached by asking whether an organisation could do better if it wanted to (if no, this indicates incompetence, if yes, this indicates intentional dishonesty or malpractice). In addition, it may be useful to explore:

- Levels of trust in insurance provider(s) relative to trust in other financial services, or other consumer products and services more generally. This will help control for individuals' varying levels of trust in general, and their varying willingness to describe themselves as trusting commercial organisations (to some, this may feel like a confession of gullibility). It should also provide a baseline for reasonable expectations for trust in insurers, by comparison with other sectors.
- Whether consumers' reported attitudes of trust/distrust correlate to their purchasing decisions, their claim history, their use of comparison sites, their awareness of the nature, cost, and provider of their cover. This should provide insight into how people form judgements about trust, and so point towards possible mechanisms for improving levels of trust in the sector. But it may also provide some evidence as to whether trust is a significant factor in purchasing decision: it may be that consumers continue to deal with providers whom they (claim to) fail to trust, for example if price is a priority.

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