Applying Behavioural Insights to Public Policy

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Applying Behavioural Insights to Insurance

1. What are Behavioural Insights?

1. Where can they be used in regulation and the insurance industry?

2. How does the scientific method help us make better public policy?
What are Behavioural Insights?

Knowing how humans really behave can help design and implement better policies and services.
We made small changes to HMRC letters

Nine out of ten people pay their tax on time
Social norms to increase tax payment rates within 23 days (1 month)

- Control (8,558): 33.6%
- UK Norm (8,300): 35.1%
- Local Norm (8,403): 35.9%
- Debt Norm (8,779): 37.2%
- Local + Debt Norm (8,643): 39.0%
With HMRC, our tax trials brought forward £200 million in 12 months.

Nine out of ten people pay their tax on time.
The power of reciprocity and personalisation in getting Jobseekers to turn up to appointments

Hi Elspeth, 8 new Picker Packer jobs are now available at Pro FS. Come to Bedford Jobcentre on Monday 10 June between 10am and 4pm and ask for Sarah to find out more. I've booked you a place. Good luck, Michael

Control 10% 15% + Claimant Name 18% + Advisor Name 27% + Reciprocity

Total number of SMSs sent = 1,224
NSW Enforcement Order Trial

Current

Trial intervention

Simplification – layout, language, messages
Salience – actions, personalisation, consequences and payment
Priming – escalating tone: language, colour
NSW Enforcement Order Trial

Control: 14.6%

Trial: 17.8%
NSW Enforcement Order Trial

14.6%  
Control

17.8%  
Trial

9,000 fewer vehicle registration cancellations!
Why does BI add something new?
Where are the key areas that Behavioural Insights help make better policy?

1. Information **DOES NOT** always lead to behaviour change.

2. Behavioural Insights give you an understanding of how to best present information.

3. It takes us out of the Policy Ivory Tower.

4. It injects some humility into policy making and focusses us on what works.
1. Traditional models overweight information and intention

"a medium-to-large sized change in intention engenders only a small-to-medium change in behaviour"

"intentional control of behavior is a great deal more limited than previous meta-analyses of correlational studies have indicated"

Transparency does have benefits
2. How can consumer better understand interest and risk?

No reduction in lending

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Median Annual Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payday Loan</td>
<td>443%</td>
</tr>
<tr>
<td>Installment Car Loans</td>
<td>18%</td>
</tr>
<tr>
<td>Credit Card</td>
<td>16%</td>
</tr>
<tr>
<td>Subprime Mortgages</td>
<td>10%</td>
</tr>
</tbody>
</table>

6% reduction in first month, sustained for the five months it was measured.
3. Plastic sleeves and JCP: A lesson in understanding the context
1. Cut down process

2. Commitments
We proved the concept

Control: 51%
Treatment: 60%
Treatment Adjusted:
We developed a training model in the North East.
And also in Singapore!

And rolled it out nationally to 25,000 workers.
We replicated the same findings in NSW in a Worker’s Comp Context.
4. Will your intuition guess which message increased organ donation registrations?
1. Control

2. Norm

3. Norm & Picture

4. Norm & Logo
5. Three Die

6. Nine Lives

7. Reciprocity

8. Action
Proportion joining the organ donor register after a simple online prompt

- Control: 2.3%
- Take Action: 2.8%
- 1000s: 2.9%
- Heart: 2.9%
- Lives: 2.9%
- 3 Die: 3.1%
- Would you: 3.2%
- People: 2.2%
‘What Works’ centres

NICE

Early Intervention Foundation

Local Economic Growth

Education Endowment Foundation

Crime reduction

Better Aging
Conclusions

Behavioural Insights are **guidelines** that can help you build better policy and better products.

BI injects some humility into policy making.

We don’t know always know what works.