

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Europe

Series Prospectus

October 2008

Expertise in financial services

Prospectus contents

	Page
What is the research?	3
Which titles are available?	4
What is the rationale?	5
Which benefits can card protection insurance incorporate?	6
What methodology has been used?	7
How does the consumer sample break down?	8
What is the report structure?	9
What are the key features of the research?	10
How can the research be used?	11
Who can use the research?	12
What are some of the key findings?	13-16
What is the cost and format?	17
How can the research be purchased?	18

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What is the research?

Finaccord's *Card Protection Metrics* series of reports offers detailed and unique insights into the behaviour of cardholders in the context of card protection insurance. Based on a primary survey of consumers in France, Germany, Italy, Spain and the UK carried out in July and August 2008, the research provides valuable data describing the extent to which consumers with debit and / or credit cards take out card protection insurance and clarifying the proportion of uninsured cardholders who value the benefits of the insurance but have simply not got round to acquiring cover.

In addition to calculating the percentage of cardholders possessing card protection insurance in each country, the investigation also analyses the types of policy that they hold (i.e. insurance that they are paying for separately or free cover), the range of benefits that they believe that they derive from their insurance, which distribution channel and interface they use to take out paid-for card protection insurance and whether they buy cover within a week or a month of acquiring a given payment card or at a later stage.

Finally, the reports measure the degree to which cardholders are satisfied with their insurance, whether they find it expensive and if they are likely to discontinue it the next time that it comes up for renewal.

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Which titles are available?

The *Card Protection Metrics* series is composed of six separate publications, namely: an overview study providing comparisons for the metrics gathered across all five countries as well as the results for each country; and five country-specific titles providing the results for the investigation into card protection insurance for a single country. The titles in question are as follows:

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Europe

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in France

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Germany

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Italy

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Spain

Card Protection Metrics: Consumer Approaches to Card Protection Insurance in the UK

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What is the rationale?

As a part of its program for publishing European consumer research reports covering other niche lines of insurance, including creditor or payment protection insurance, mobile telephone insurance, pet insurance and travel insurance, Finaccord has elected to develop reports investigating consumer approaches to card protection insurance in the five most populous European markets, namely France, Germany, Italy, Spain and the UK.

In keeping with the original rationale for the other reports focused on niche lines of insurance, there is little published information providing detailed insights into consumer approaches to card protection insurance on a pan-European basis. Moreover, the results contained in this series underline the extent to which the general development and marketing of card protection insurance varies radically between the five countries.

A further, equally important, motivation for publishing this series is that card protection insurance is evolving beyond its original purpose of protecting the cardholder in the event of fraud if the card is lost or stolen. Indeed, the more comprehensive policies now available sometimes extend cover to other areas including risks associated with mobile telephone ownership, shopping and travel. Hence, the *Card Protection Metrics* studies offer a timely update of the subject.

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Which benefits can card protection insurance incorporate?

Benefits that card protection insurance can incorporate and about which the reports in the *Card Protection Metrics* series explores consumer perceptions are the following:

- a dedicated telephone number for reporting lost or stolen cards
- emergency cash if the card is lost or stolen abroad
- legal or other assistance in the event that the card is 'cloned'
- notification of a new address to all companies from which a payment card has been acquired in the event of a change of address
- protection in the event of fraudulent use of the card if lost or stolen
- reimbursement of costs incurred if travel tickets are lost or stolen at the same time as the card
- reimbursement of costs incurred if a driving license, identity card or passport are lost or stolen at the same time as the card
- reimbursement of costs incurred if a handbag or wallet are lost or stolen at the same time as the card
- reimbursement of costs incurred if house or luggage keys are lost or stolen at the same time as the card
- reimbursement of costs incurred if a mobile telephone is lost or stolen at the same time as the card
- reimbursement of the cost of goods acquired with the card if they are lost or stolen following their purchase
- replacement cash if cash is lost or stolen at the same time as the card or while using the card to withdraw cash
- SMS text message sent to your mobile telephone each time that a card is used to make a payment
- some or all these services for all of the payment cards possessed
- some or all these services for other family members with payment cards living at the same address

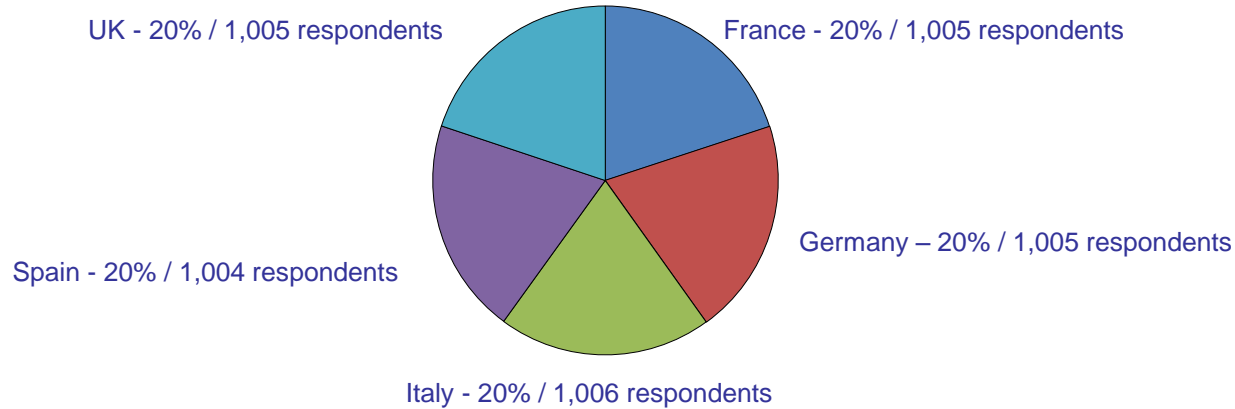
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What methodology has been used?

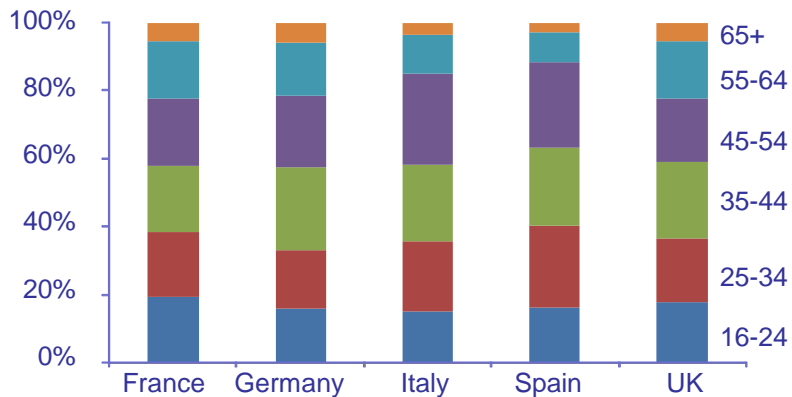
The research for this study, which covers over 5,000 consumers in five European countries, was carried out during July and August 2008 using an online research methodology. A breakdown of the eventual sample by country, age group and annual household income is presented on the following page. Additional breakdowns by geographical region of respondents in each country are provided in the reports themselves.

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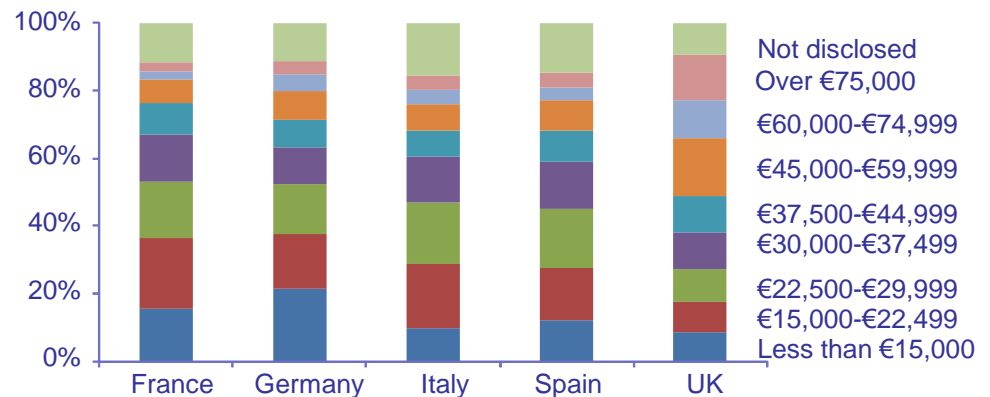
How does the consumer sample break down?



% breakdown by age group



% breakdown by annual household income



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What is the report structure (for the overview report)?

0. *Executive Summary*: providing a concise evaluation of the principal findings of the report.

1. *Introduction*: offering rationale, a detailed description of methodology and a full transcript of the questionnaire used for the research.

2. *European Overview*: this chapter provides a comparison across all five countries of the proportion of cardholders in possession of card protection insurance and the benefits that they believe that they derive from the insurance that they possess. Moreover, it segments insured cardholders between those paying separately for their insurance and those who consider that their insurance is provided at no charge.

In addition, it compares the distribution interface used to acquire stand-alone insurance (namely, a face-to-face environment, the Internet, a telephone call to the insurance provider, a telephone call from the insurance provider or the post), the point in time chosen to take out the insurance (for example, at the same time as acquiring a particular payment card or at a later point) and the overall level of satisfaction with the insurance policy purchased.

3. *France*: this chapter presents the same information as described above exclusively as it pertains to consumer approaches to card protection insurance in France.

4 - 7: *Germany, Italy, Spain and UK (all contents as for France)*.

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What are the key features of the research?

Key features of the reports in this series include:

- robust analyses showing the percentage of cardholders that acquire card protection insurance in each country, the potential for this proportion to grow further and how cross-selling rates differ between debit cards and credit cards;
- unique data describing the proportion of cardholders who understand that the insurance that they possess provides them with particular benefits and services;
- accurate statistics illustrating the extent to which sales of card protection insurance are made through remote interfaces (i.e. Internet, telephone and post) in addition to through face-to-face contact;
- reliable information displaying how quickly cardholders are inclined to purchase card protection insurance once they have acquired a payment card;
- valuable insights into the reasons given by cardholders for not acquiring insurance (for example, because they have not had time, because it is too expensive, because they did not see the benefit).

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How can the research be used?

You may be able to use the reports in this series in one or more of the following ways:

- understand the differing attitudes towards card protection insurance of cardholders in France, Germany, Italy, Spain and the UK - why do rates of penetration vary so widely?
- evaluate the evidence for increasing penetration of card protection insurance by enriching the benefits and services that are offered to cardholders by such policies;
- consider the likely success in each country of initiating outbound telesales programs to promote card protection insurance to uninsured cardholders;
- assess the extent to which penetration of card protection insurance could be improved by targeting cardholders more decisively in the year following their acquisition of a card;
- gain insight into the number of uninsured cardholders that has no fundamental objection to acquiring card protection insurance but that simply does not get round to doing so - what is the potential to increase the cross-selling rate through more effective marketing strategies?

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Who can use the research?

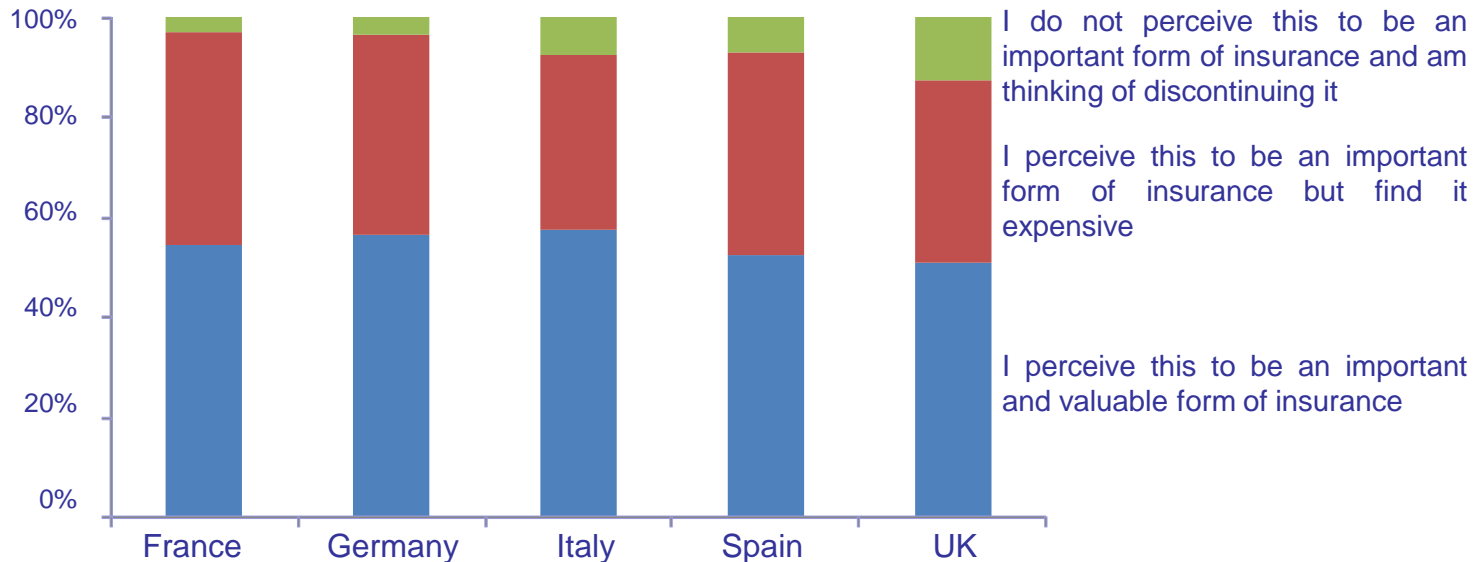
1. *Insurance underwriters*: underwriters with an interest in card protection insurance in Europe will be able to arrive at a detailed understanding of the dynamics of this under-researched market which can be used when planning strategy or negotiating new distribution partnerships;
2. *Insurance administrators and brokers*: specialised insurance administrators and brokers play a fundamental role in the development of paid-for card protection insurance policies in France, Germany, Italy and Spain;
3. *Banks and other card issuers*: enhancing revenues from cardholders through associated insurance policies such as card protection insurance is likely to be of increasing importance in future as other card-related revenue streams come under growing pressure;
4. *Management consultancies*: are you helping a provider or distributor of card protection insurance to improve its performance in this sector in France, Germany, Italy, Spain or the UK? If so, this research will provide you with unique insights into consumer behaviour in these markets.

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What are some of the key findings?

1. Insured cardholders are generally satisfied with their card protection insurance although a significant proportion consider it to be expensive

% split of cardholders with paid-for card protection insurance

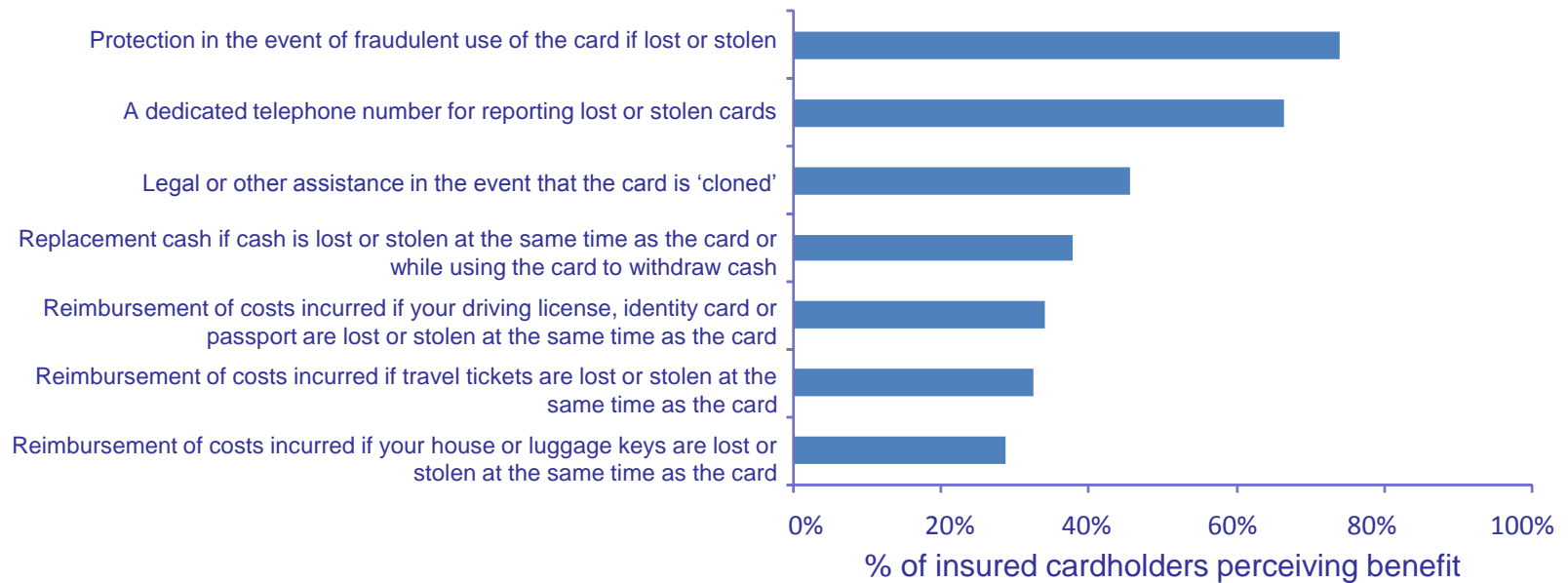


Source: Finaccord analysis of Research Now survey

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What are some of the key findings? (cont.)

2. Insured cardholders in Country X perceive that they derive a variety of benefits from card protection insurance



Note 1 - the identity of Country X is revealed in the overview and relevant country-specific report

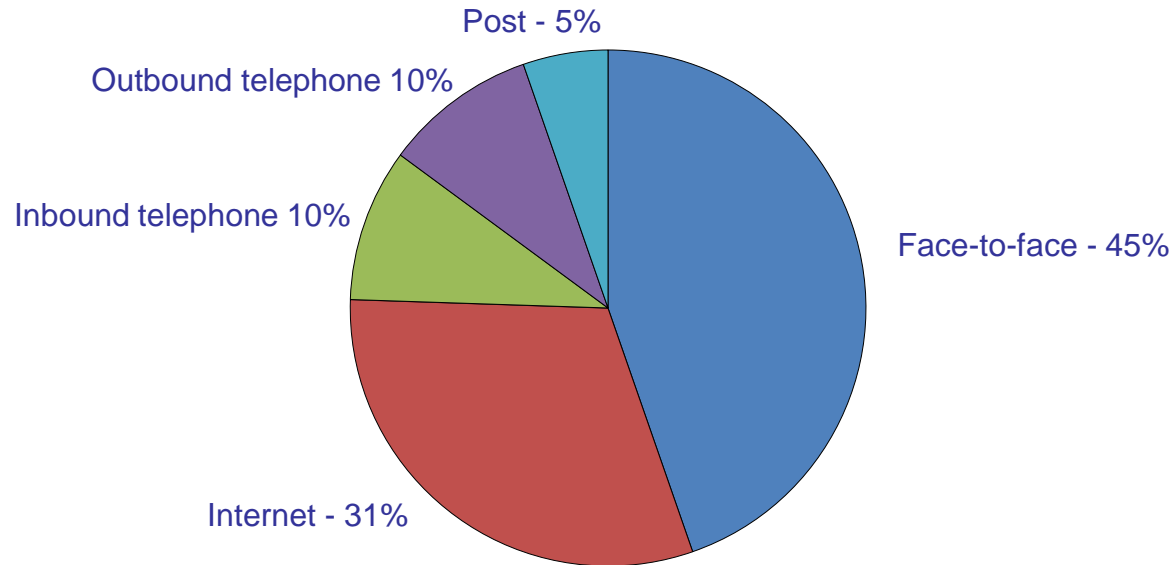
Note 2 - this graphic shows the top seven benefits only - a further eight actual or potential benefits are analysed in the report itself

Source: Finaccord analysis of Research Now survey

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What are some of the key findings? (cont.)

3. Face-to-face distribution accounts for almost a half of sales of card protection insurance in Country Y



Note - the identity of Country Y is revealed in the overview and relevant country-specific report

Source: Finaccord analysis of Research Now survey

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What are some of the key findings? (cont.)

Key findings from executive summaries in this series include:

- the proportion of consumers with card protection insurance varies widely across Europe with cardholders in France more than twice as likely to hold either the free or paid-for version of this insurance than those in Germany;
- there is a substantial body of uninsured cardholders in the Spanish market who acknowledge the benefit of paid-for card protection insurance, and the insurance penetration rate in Spain would rise by 150% if all potential customers bought it;
- Finaccord's research indicates that card issuers' success in selling paid-for cover is directly related to the breadth of the services offered by the card protection insurance that they offer indicating that these services need to be enhanced to increase sales;
- a shift in payment card sales away from face-to-face channels is making it harder to sell card protection insurance at the same time as the card itself although this form of insurance can also be promoted effectively long after the card has been sold by means of online, outbound telephone and postal marketing.

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What is the cost and format?

All of the reports in the *Card Protection Metrics* series are available as standard Adobe Acrobat PDF documents and / or hard copies. Costs for the various titles in the series and for other pan-European consumer research studies are as follows:

REPORT	COST *	FORMAT
Card Protection Metrics: Consumer Approaches to Card Protection Insurance in Europe	£1,995	c. 120 pages
Card Protection Metrics: Consumer Approaches to Card Protection Insurance in F / D / I / E / UK	£595	c. 30 pages
Aggregation Metrics: Consumer Attitudes to Online Aggregation / Broking of Financial Services in Europe	£2,995	c. 370 pages
Pet Metrics: Consumer Approaches to Pet Insurance in Europe	£1,995	c. 145 pages
Mobile Metrics: Consumer Approaches to Mobile Telephone Insurance in Europe	£1,995	c. 120 pages

VAT at 17.5% will be added to the basic price except for where the request is for hard copy only.

Costs quoted are for a single site user license only.

For corporate user licence options, please see the next slide for further details.

Printing and postage costs of up to UK£50 per title (or € equivalent) will be payable if hard copy is required.

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How can the research be purchased?

Simple. Just go to the relevant area of the Finaccord web site available at www.finaccord.com/order_eu_cfsr_cpm.htm and fill in the online order form, clearly indicating:

- report required
- type of corporate user licence, if required *
- billing name
- address and e-mail address
- purchase order number, if applicable

Please allow up to one working day for the delivery of electronic copy by e-mail.

* For the **corporate user licence** please choose one of the following options:

1. One office, one country: no supplement over and above basic cost of reports ordered
2. Multiple offices, one country: additional 20% over and above basic cost of reports ordered
3. Multiple offices, two to ten countries: additional 50% over and above basic cost of reports ordered
4. Global (unlimited offices in unlimited countries): additional 100% over and above basic cost of reports ordered

VAT at the prevailing rate will be added to the price of any corporate user licence acquired by UK-based buyers.

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