

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Europe

Series Prospectus

August 2006

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What is the research?

Finaccord's *Creditor Metrics series of reports* offers detailed and unique insights into the behaviour of consumers in the context of insurance that protects the payments linked to their borrowings. Based on a primary survey of consumers in France, Germany, Italy, Spain and the UK carried out between June and August 2006, each holding at least one of a mortgage, a personal loan / consumer credit and a credit card, the research provides valuable data describing the extent to which they take out insurance to protect themselves in the event that they are unable to make the payments associated with the loan.

In addition to calculating the percentage of borrowers that buys creditor insurance in each country, with separate sections dedicated to mortgages, personal loans / consumer credit and credit cards, the investigation also clarifies the types of insurance policy that consumers purchase - insurance designed and marketed specifically for protection of payments or other forms of protection policy? In addition, for each type of loan, it reveals the proportion of borrowers covered for each of the four main risks - death, permanent disability, temporary incapacity and unemployment - and verifies where, how and when the consumer acquired the insurance.

Finally, the reports measure the degree to which borrowers are satisfied with their insurance and for consumers lacking insurance they investigate why they have chosen to remain uninsured.

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Which titles are available?

The *Creditor Metrics* series is composed of eight separate publications, namely: three sector-specific studies focusing on particular types of retail lending product across all five countries; and five country-specific titles providing the results for insurance linked to all types of loan for a single country. The titles in question are as follows:

Creditor Metrics: Consumer Approaches to Payment Protection Insurance linked to Mortgages in Europe

Creditor Metrics: Consumer Approaches to Pay. Prot. Ins. linked to Personal Loans and Consumer Credit in Europe

Creditor Metrics: Consumer Approaches to Payment Protection Insurance linked to Credit Cards in Europe

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in France

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Germany

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Italy

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Spain

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in the UK

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What is the rationale?

Finaccord has published its *Creditor Metrics* series of reports in order to fill the gap for detailed and reliable data concerning consumer behaviour in the market for insurance linked to retail lending products across Europe. Insurance policies that can be used to protect the payments linked to loans come in many different forms including both fully-fledged payment protection insurance and other types of protection policy, including life insurance, critical illness insurance and work incapacity insurance, that can also be used in the same context. As such, this research casts light on the complex dynamics of this market in five major European countries.

Moreover, the market for creditor insurance is of fundamental importance both to banks and other lending institutions and the insurance providers with which they work. Indeed, maximising the results from creditor insurance programs offers the potential for banks to enhance significantly the margins that they achieve from lending to consumers. Meanwhile, insurance companies benefit from the fact that the profitability of creditor insurance is often high in comparison to other forms of insurance. As such, the titles in the *Creditor Metrics* series are designed to allow both banks and insurance companies to benchmark their performance in the arena.

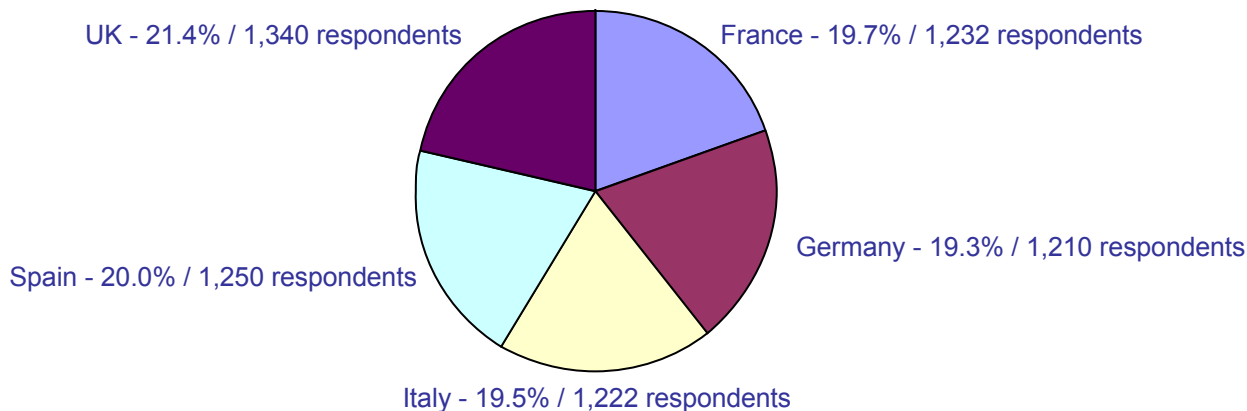
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What methodology has been used?

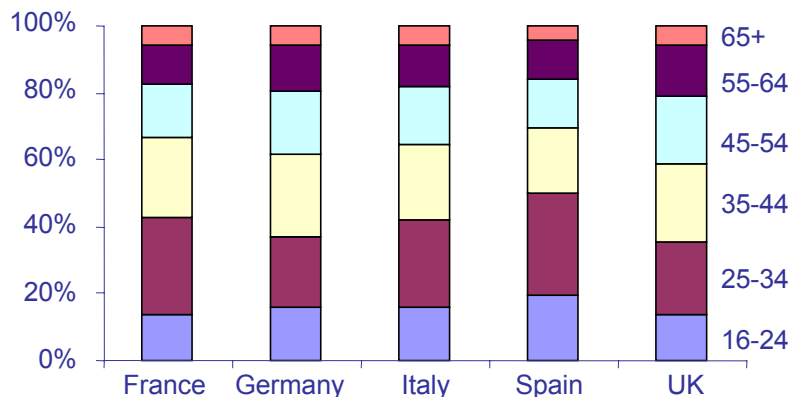
The research for this study, which covers over 6,250 consumers in five European countries, was carried out between June and August 2006 using a mixed methodology combining both Internet and telephone research techniques. The one factor determining a respondent's eligibility to participate in the survey was that he or she should hold at least one of the following lending products: a mortgage, a personal loan / consumer credit (including car finance and leasing contracts) and a credit card. A breakdown of the eventual sample by country, age group and annual household income is presented on the following page (with the breakdown by geography within each country being shown in the individual prospectuses for each country-specific report).

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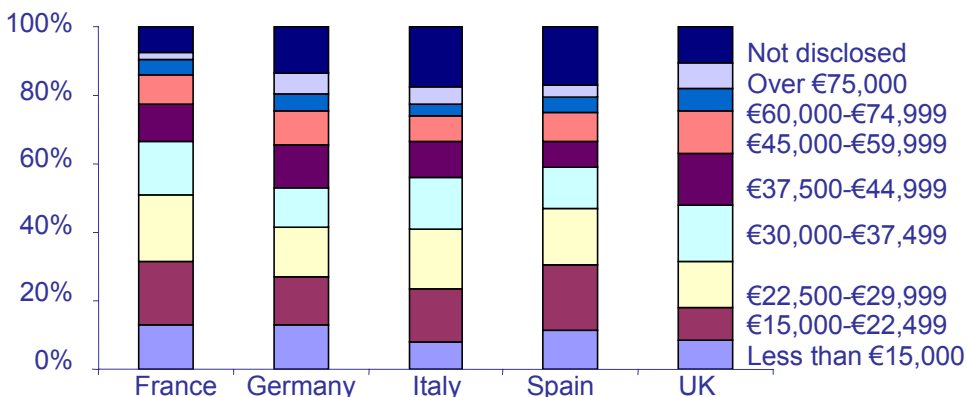
How does the consumer sample break down?



% breakdown by age group



% breakdown by annual household income



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What is the report structure (for the sector-specific reports)?

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*: for mortgages, personal loans / consumer credit (including car finance and leasing) or credit cards (depending upon the report in question), this chapter provides a comparison across all five countries of the proportion of borrowers that has bought insurance to protect their payments, the types of insurance that they have purchased and the risks covered by the insurance that they possess. It also contrasts reasons given by consumers who have not acquired the insurance for not doing so.

In addition, it compares the distribution channel used to acquire the insurance (for example, the original lending institution or another channel), the distribution interface used for the same purpose (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 taking out the loan 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 payment 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:

- a comprehensive overview of the types of insurance used by consumers in each country to protect their loan payments: specific payment protection insurance and / or other types of protection product including life insurance and other policies specific to the country in question;
- accurate data describing the percentage of borrowers covered in the event of temporary incapacity and / or unemployment in addition to death and / or permanent disability;
- robust statistics illustrating the extent to which alternative distribution channels, such as financial advisers and brokers, direct sales by the insurer and affinity channels (for example, estate agents, car dealers, retailers) are eroding the market share of the entities offering the original credit product;
- reliable benchmarking of the point in time chosen by consumers with a mortgage, a personal loan / consumer credit or a credit card to take out insurance that protects their payments;
- valuable insights into the reasons given by borrowers for not purchasing insurance (for example, because they have not had time, because it is too expensive, because they do 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:

- benchmark your organisation's performance in creditor insurance: are your cross-selling rates in line with the market averages described in this study?
- appreciate the potential for increasing the penetration of policies that incorporate cover for temporary incapacity and / or unemployment - what is your organisation's experience?
- evaluate the opportunities for distributing creditor insurance through channels other than the original lending institution - to what extent will borrowers buy through these means?
- assess the prospects for retrospective marketing and re-solicitation programs - how many consumers buy insurance after they have taken out their loan and how long do they wait?
- gain insight into the number of uninsured borrowers that has no fundamental objection to buying creditor insurance but that has simply not yet got round to doing so - what is the potential to increase the cross-selling rate through more effective marketing strategies?

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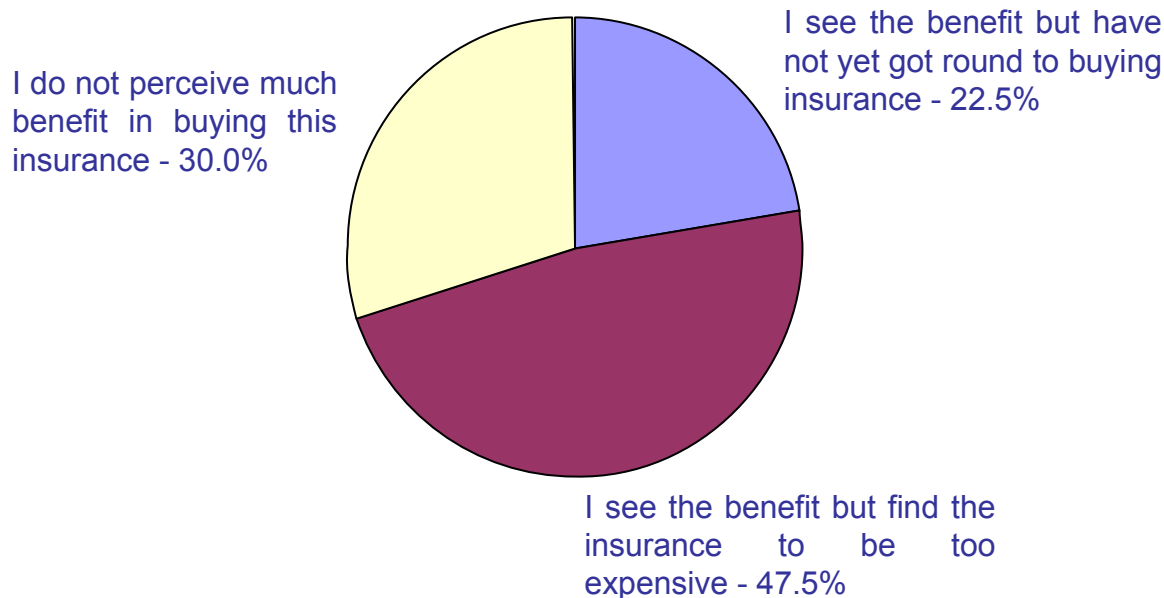
Who can use the research?

1. *Insurance underwriters*: firms with an interest in creditor insurance in Europe will be able to arrive at a detailed understanding of the dynamics of this complex market which can be used when negotiating new distribution partnerships with banks and other lending entities;
2. *Banks and other lending institutions*: organisations involved in lending to consumers will benefit from this research by appreciating the extent to which their performance in creditor insurance is superior or inferior to the wider market averages;
3. *Insurance brokers*: the results of the research suggest that there may be opportunities to develop affinity programs for creditor insurance through channels other than the original lending institution - does this represent a viable option for your company?
4. *Management consultancies*: are you helping an insurance underwriter or bank or improve their performance in creditor insurance 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. % split of attitudes towards insurance that protects personal loan / consumer credit payments of respondents in France without cover, 2006

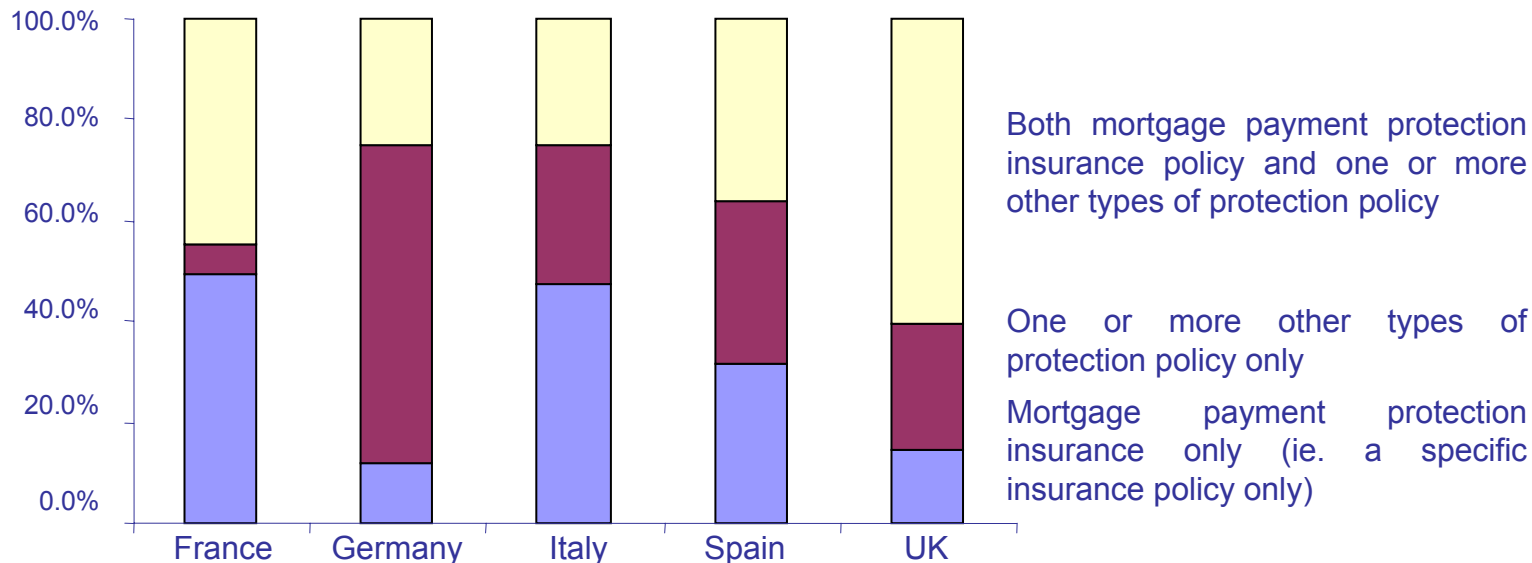


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What are some of the key findings? (cont.)

2. Types of insurance used by respondents in five European countries to protect mortgage payments, 2006

% segmentation of borrowers holding insurance to protect mortgage payments



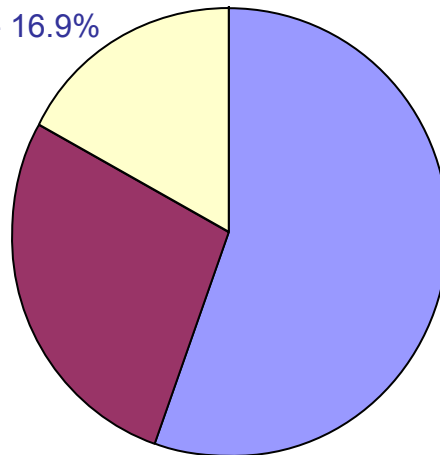
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What are some of the key findings? (cont.)

3. % split of attitudes towards insurance that protects credit card payments of respondents in Spain with cover, 2006

I do not perceive this to be an important form of insurance and am thinking of discontinuing it - 16.9%

I perceive this to be an important form of insurance but find it expensive - 27.7%



I perceive this to be an important and valuable form of insurance - 55.4%

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

Key findings from executive summaries in this series include:

- in all five countries, but especially in Germany, Italy and Spain, the extent to which banks and other lending institutions can cross-sell more advanced forms of insurance to their mortgage borrowers, including policies offering coverage for temporary incapacity and unemployment, is one of the key themes for the further development of this market;
- with the exception of the UK, over 20% of non-mortgage borrowers lacking insurance do so purely because they have not yet got round to buying a policy to protect their personal loan or consumer credit payments rather than because they have any fundamental objection;
- other than in Germany, over three quarters of cardholders are most likely to have bought the insurance protecting their card payments from the original issuer, given that this constituency records percentages of 88.9% in France, 78.0% in Italy, 80.0% in Spain and 86.0% in the UK;
- for insurance protecting payments linked to mortgages and non-mortgage loans, such as personal loans and consumer credit, there is limited evidence only for customer dissatisfaction or mis-selling although, for policies used to protect credit card payments, this may be more of an issue.

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What is the cost and format?

All of the reports in the *Creditor Metrics* series are available as standard Adobe Acrobat PDF documents and / or hard copies. Costs for the various titles in the series and a related study from the European bancassurance portfolio are as follows:

REPORT	COST *	FORMAT
Creditor Metrics: Consumer Approaches to Payment Protection Insurance linked to Mortgages in Europe	UK£1,995	c. 130 pages
Creditor Metrics: Cons. Apps. to Pay. Prot. Ins. linked to Personal Loans and Consumer Credit in Europe	UK£1,995	c. 115 pages
Creditor Metrics: Consumer Approaches to Payment Protection Insurance linked to Credit Cards in Europe	UK£1,995	c. 135 pages
Creditor Metrics: Consumer Approaches to Payment Protection Insurance in F / D / I / E / UK	€1,995	c. 60 pages
Creditor Insurance in Southern and Western Europe	UK£2,495	c. 190 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 a corporate user license, an additional 10% of the basic cost is payable.

Printing and postage costs of UK£30 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 - <http://www.finaccord.com/uk/order.php> - and fill in the on-line order form, clearly indicating the report that you require, whether you also require a corporate user license, the billing name, address and e-mail address, and the purchase order number, if applicable.

Please allow one working day for the delivery of electronic copy and one working week for the arrival of hard copy.

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