

PRESS RELEASE

Thursday 26th March 2009

Insurance and Assistance linked to Payment Cards and Bank Accounts in Northern and Central / Southern and Western Europe

The value of the market for packaged insurance and assistance was worth in the region of €6.45 billion in 2008

Introduction

The information contained in the following press release is drawn from Finaccord's recently completed market research studies titled *Insurance and Assistance linked to Payment Cards and Bank Accounts in Northern and Central* and *Insurance and Assistance linked to Payment Cards and Bank Accounts in Southern and Western Europe*.

Composed of a series of niche covers designed to enhance the revenues derived by banks from their payment card and current account operations, Finaccord's research indicates the pan-European market to have been worth some €6.45 billion in 2008 in terms of gross premiums written. Moreover, with insurance and assistance providers showing creativity in structuring new types of policy to cater for emerging customer segments, the sector seems to be destined for continuing growth.

Drawing on the results of an investigation covering some 600 banking institutions and other issuers and distributors of payment cards in 18 countries in Europe, the reports analyse the provision of a variety of different types of insurance and assistance policy in the broad categories of card and cash protection, travel cover, creditor, accident and health cover, shopping cover and other miscellaneous policies, including card protection insurance, card payment protection insurance and identity protection insurance.

Countries covered by the research are: Austria, Belgium, the Czech Republic, Denmark, France, Germany, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland and the UK.

Size and segmentation of the market for packaged insurance and assistance

Creditor insurance and card protection insurance are the largest market segments

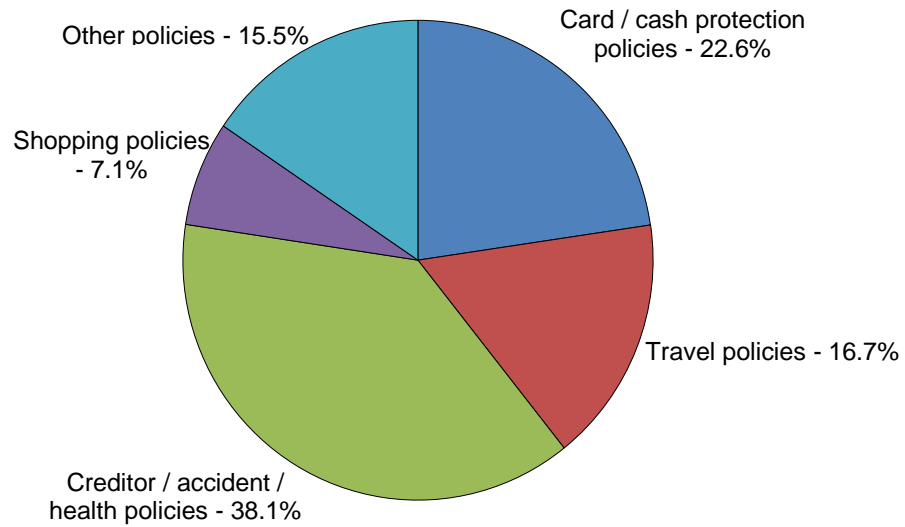
Finaccord's calculations suggest that the market for insurance and assistance linked to payment cards and bank accounts in Europe was worth approximately €6.45 billion in gross written premiums in 2008. The UK is the largest market with a value of around €1.99 billion, thereby constituting 30.8% of the total. That this is the case is due partly to the sheer number of payment cards in circulation in the UK and partly to the comparatively huge size of the market for credit card payment protection insurance.

Thereafter, France (€1.67 billion), Italy (€75.62 million) Germany (€32.05 million) and Spain (€479.11 million) account for a further 52.0% of the market leaving the smaller 13 countries (Austria, Belgium, the Czech Republic, Denmark, Hungary, Ireland, the Netherlands, Norway, Poland, Portugal, Slovakia, Sweden and Switzerland with a combined share of just 17.1%.

The €6.45 billion market in Europe can also be broken down by type of cover as depicted in the graphic on the following page. This shows that the market splits approximately between €1.46 billion for cover classifiable in the card and cash protection category, €1.07 billion for cover classifiable in the travel category, €2.45 billion for cover classifiable in the creditor, accident and health category, €456.07 million for cover classifiable in the shopping category and €1.00 billion for cover classifiable in the other miscellaneous category.

Moreover, the three largest specific types of cover in terms of approximate gross written premiums are creditor insurance (€1.71 billion for the temporary incapacity and unemployment elements alone but €2.29 billion if the life and permanent disability components are also included), card protection insurance (€1.36 billion for basic cover but €1.46 billion if ATM cash theft insurance is also included in the equation) and comprehensive travel insurance (€727.72 million for higher value policies but excluding partial covers such as travel accident insurance).

Approximate gross written premiums for insurance and assistance linked to payment cards and bank accounts in Europe, segmented by type of cover, 2008



Gross written premiums = €6.45 billion

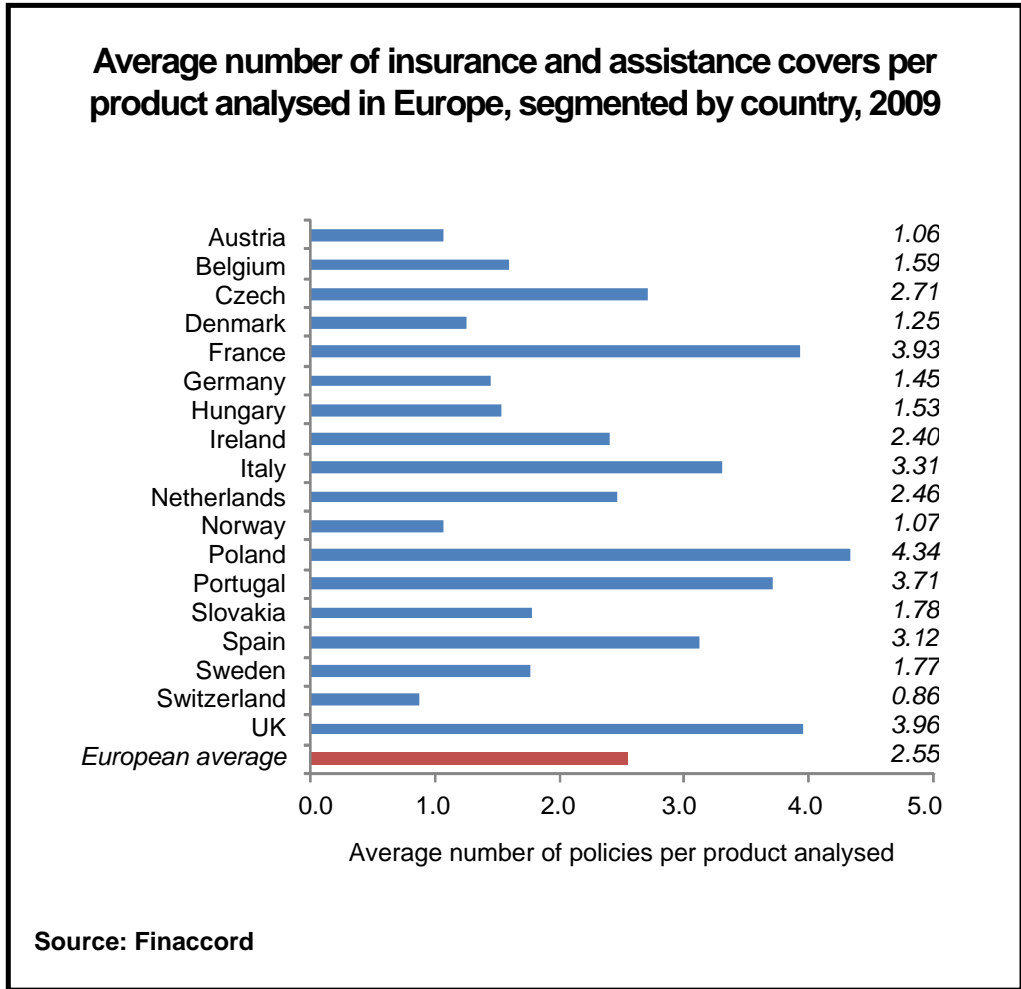
Source: Finaccord

Comparison of available insurance and assistance policies

Insurance and assistance enhancements are most widespread among Polish banks

The following graphic provides a comparison of the average number of insurance and assistance policies or covers offered on either a packaged or optional basis in conjunction with payment cards and bank accounts by banking institutions in each of the 18 countries considered. This analysis indicates that Polish banks are by some distance the most enthusiastic providers of insurance and assistance enhancements with an average number of covers per product analysed of 4.34, ahead of the 3.96 and 3.93 recorded for the UK and France, respectively. This high rate of activity in Poland is due in part to ferocious competition among the very significant number of banks and other card issuers.

In contrast, Swiss banks are the least likely to incorporate insurance or assistance concepts into their marketing mix for payment cards and bank accounts, the equivalent data point of just 0.86 for this country falling well below the European average of 2.55. In contrast to Poland, the Swiss market for issuing (if not distributing) payment cards is fairly concentrated and with little threat of new entrants which lessens the degree to which banks and other card issuers in Switzerland need the need to add value to their products through insurance and assistance enhancements.



Commented Alan Leach, Director of Finaccord:

“While insurance and assistance enhancements are, typically, most prevalent in the context of higher value payment cards and bank accounts, they are increasingly being applied downstream to genuinely mass market products, especially those focused on particular market segments or affinity groups. Indeed, future changes in the demographic structure and general behaviour of consumers will also give rise to new opportunities in insurance and assistance linked to payment cards and bank accounts.

For instance, the growing proportion of the elderly within the population of all countries considered for this report should encourage the development of new personal assistance concepts specifically oriented towards older customers. In a similar vein, the increasing propensity of consumers to carry expensive mobile telephones and other mobile devices with them during their daily lives indicates that there should be growing demand for insurance solutions, possibly linked to banking products, to offer protection against the associated risks.”

Insurance and Assistance linked to Payment Cards and Bank Accounts in Northern and Central and Insurance and Assistance linked to Payment Cards and Bank Accounts in Southern and Western Europe were published in March 2009 and are available from Finaccord at a cost of £2,495 each.

About Finaccord

Finaccord is a market research, publishing and consulting company specialising in financial services. It provides its clients with insight into and information about major issues in financial services in the UK, Europe and further afield, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances. It bases its published information, research projects and consultancy assignments on robust data and knowledge rather than supposition and theory. By virtue of its international network of consultants, it is able to deliver information quickly and accurately across a range of countries worldwide.

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