

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Spain

Report Prospectus

August 2006

Expertise in European financial services

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What is the research?

Finaccord's report titled *Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Spain* 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 Spanish consumers 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 Spain, 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 report measures the degree to which borrowers are satisfied with their insurance and for consumers lacking insurance it investigates why they have chosen to remain uninsured.

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What is the rationale?

Finaccord has published its *Creditor Metrics* series of reports, including this publication dealing specifically with consumer approaches to payment protection insurance in Spain, in order to fill the gap for detailed and reliable data concerning consumer behaviour in this market 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 that can also be used in the same context. As such, this research casts light on the complex dynamics of this market both in Spain and four other 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, this study and the other titles in the *Creditor Metrics* series are designed to allow both banks and insurance companies to benchmark their performance in the arena.

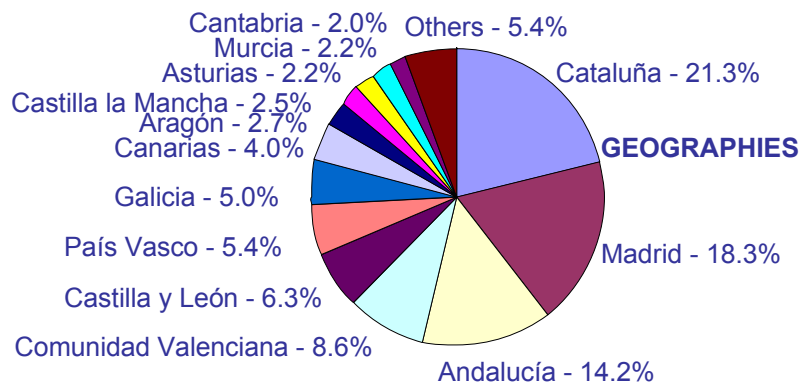
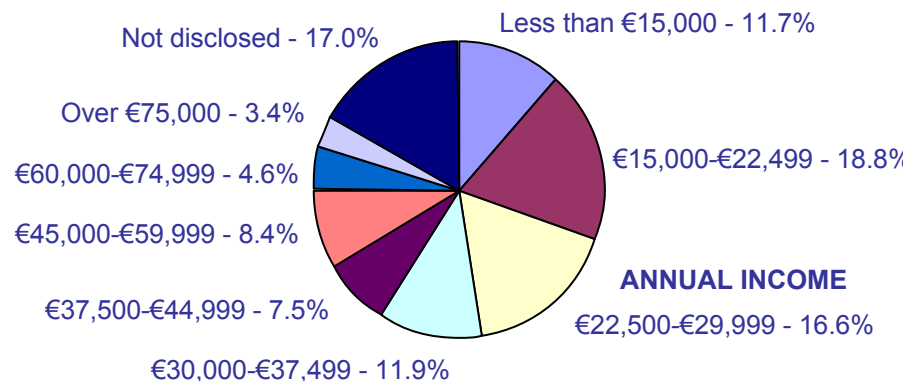
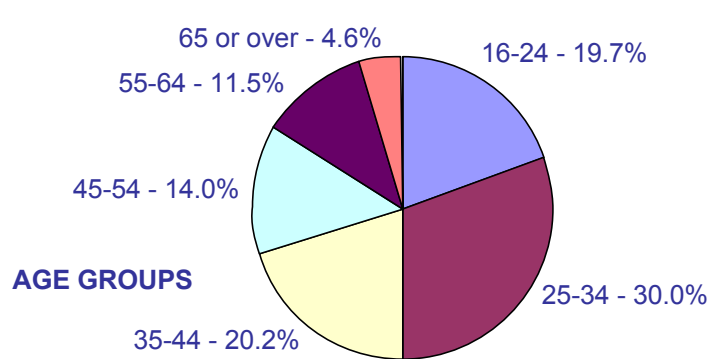
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What methodology has been used?

The research for this study, which covers over 1,200 consumers in Spain, 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 age group, annual household income and geography is presented on the following page.

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How does the consumer sample break down?



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What is the report structure?

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. Survey Analysis: this chapter is divided into three distinct sections focusing on creditor insurance linked to each of the three main categories of consumer lending product reviewed: mortgages; personal loans / consumer credit (including car finance and leasing); and credit cards. Within each section, the results of the survey are used to investigate 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.

In addition, they illustrate 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 agreeing the loan or at a later point) and the overall level of satisfaction with the insurance policy purchased.

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What are the key features of the research?

Key features of this report include:

- a comprehensive overview of the types of insurance used by consumers in Spain to protect their loan payments: specific payment protection insurance and / or life insurance, accidental death insurance, personal accident insurance, critical illness insurance and work incapacity insurance;
- 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 making the original loan;
- 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 this report 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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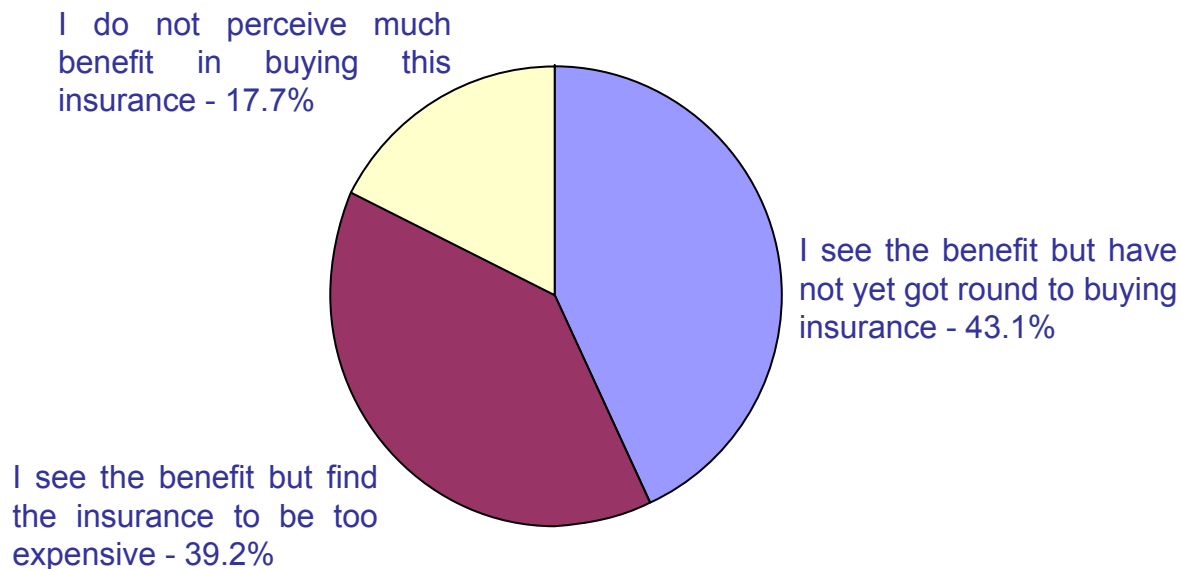
Who can use the research?

1. *Insurance underwriters*: firms with an interest in creditor insurance in Spain 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 Spain? If so, this study will provide you with unique insights into consumer behaviour in this market.

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What are some of the key findings?

1. % split of attitudes towards insurance that protects mortgage payments of respondents in Spain without cover, 2006

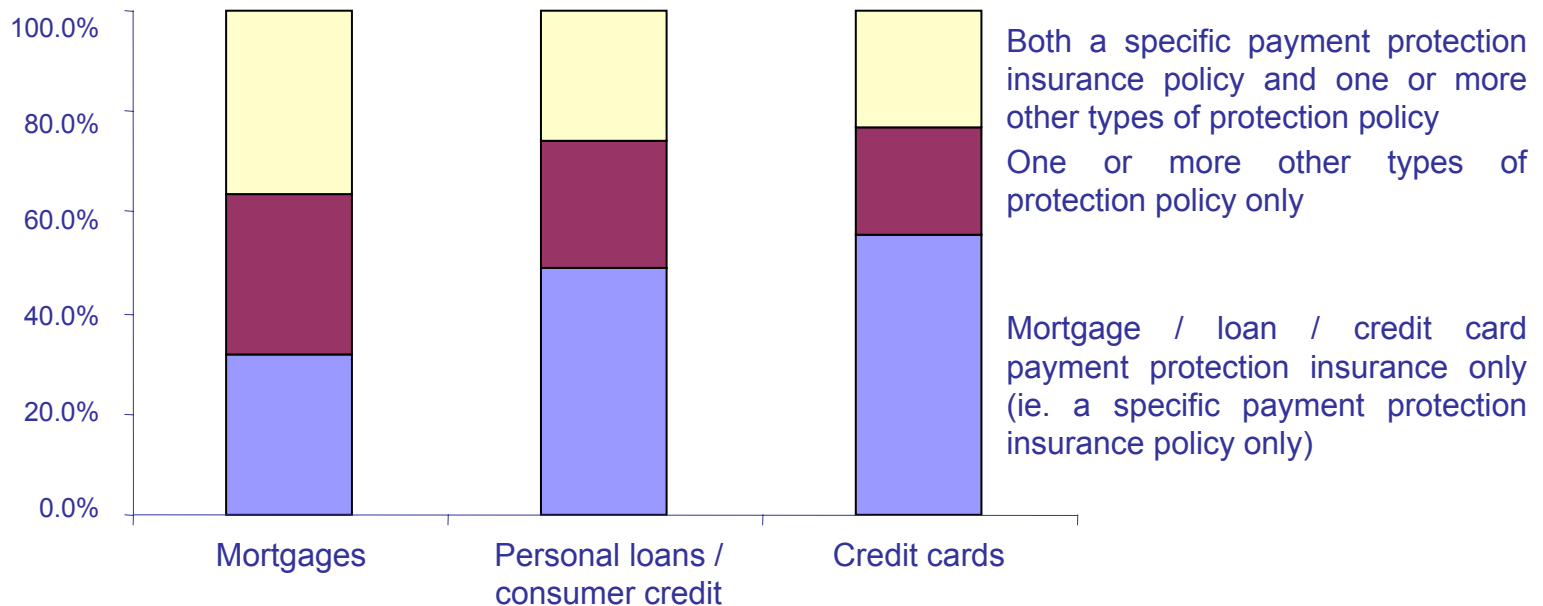


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What are some of the key findings? (cont.)

2. Segmentation of borrowers holding creditor insurance in Spain by type of creditor insurance held for mortgages, personal loans / consumer credit and credit cards

% segmentation of borrowers holding creditor insurance



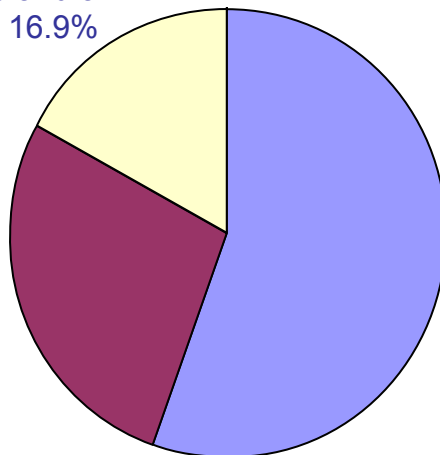
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What are some of the key findings? (cont.)

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 the executive summary include:

- respondents in Spain are more than twice as likely to take out least one insurance policy that can be used to protect the payments associated with their mortgage as they are for payments linked to a credit card;
- cover for temporary incapacity and unemployment is most frequently purchased in conjunction with personal loans / consumer credit and credit cards rather than to protect payments associated with a mortgage;
- the prospects for retrospective marketing and re-solicitation programs are more promising for insurance policies protecting the payments linked to credit cards rather than those insuring mortgage or personal loan / consumer credit payments;
- the majority of consumers holding insurance appear to be satisfied - only a small minority of borrowers are contemplating the cancellation of their policy although a rather higher percentage recognise the importance of having insurance but are concerned by the expense.

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What is the cost and format?

Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Spain is available as a standard Adobe Acrobat PDF document and / or hard copy. Costs for this research, sister titles in the *Creditor Metrics* series and a related study from the European bancassurance portfolio are as follows:

REPORT	COST *	FORMAT
Creditor Metrics: Consumer Approaches to Payment Protection Insurance in Spain	€1,995	c. 60 pages
Creditor Metrics: Consumer Approaches to Payment Protection Insurance in France / Germ. / Italy / UK	€1,995 each	c. 60 pages each
Creditor Metrics: Consumer Approaches to Payment Protection Insurance linked to Mortgages in Europe *	UK£1,995	c. 130 pages
Creditor Insurance in Southern and Western Europe	UK£2,495	c. 190 pages

* *Two other pan-European titles focus specifically on personal loans / consumer credit and credit cards
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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