

CONSUMER RESEARCH REPORT

Study into the sales of **General Insurance Add-Ons: Qualitative Research Analysis**

REPORT

Prepared for:



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ACKNOWLEDGEMENTS

The General Insurance Add-On qualitative research was commissioned by the FCA. It was conducted by The Development Team Limited who undertook the recruitment, fieldwork, analysis, presentations and report writing for this part of the FCA's programme.

Further details of the research programme are set out in the Technical Report section.

The views expressed in this report are those of The Development Team Limited, based on the findings from this original qualitative research study and not necessarily of the FCA. They do not reflect the FCA's policy or constitute guidance to firms.

**FCA GI ADD-ON INSURANCE
ADD-ON VERSUS STANDALONE QUALITATIVE RESEARCH REPORT**

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GLOSSARY

TERM	MEANING
General insurance (GI)	This covers a range of insurance products such as home, car, travel etc. but excludes investment based life assurance.
Insurance products	The FCA specified the following five general insurance policies, referred to as insurance products: travel, personal accident, GAP ('guaranteed asset protection' for cars), home emergency and gadget. These are referred to in this report as 'insurance products' to distinguish between the product and its purchase mechanism (see 'add-on' below)
Primary products and purchases	<p>Primary products are the main product or service that act as a catalyst for, or motivator for, the purchase of a particular general insurance product. These primary products may be financial services e.g. home insurance, or they may be non-financial products e.g. motor vehicles or gadgets, or services such as passenger flights.</p> <p>Generally there is a close conceptual link between the primary product or service and that of the general insurance product (whether purchased as an add-on or on a standalone basis) but this may not always be the case.</p>
Add-on	<p>By add-on we mean a wide range of general insurance products that are sold alongside or on the back of 'primary products', either at the same time or subsequently i.e. if considered by that consumer to be part of their same purchase decision.</p> <p>In this report 'add-on' generally denotes the purchase mechanism associated with the product.</p>
Deferred add-on	<p>When a consumer purchases a general insurance product alongside a primary purchase and where there is a time lag between the two purchasing activities which 'distances' their decision making. This means that it is considered to be a separate or separated, rather than closely linked, activity.</p> <p>These deferred add-on purchasing decisions are often more closely aligned to standalone behaviours and may, or may not, be influenced by attitudes to, and relationships with, primary product providers.</p>
Standalone	By standalone we mean the same range of general insurance products sold separately from 'primary products' in such a way that the decision to purchase is not influenced by, or directly linked to, the supplier of the primary product at the time of purchase of that primary product.
Purchase mechanism(s)	Refers to the method of purchasing general insurance whether it is as an 'add-on' purchase to a primary product or policy or whether it is based on a separate provider and decision and so a 'standalone' purchase.
Consumers	A collective term that describes a person who purchases goods and services for personal use. For the purposes of this report this means those people who have taken part in this research as purchasers and users of the specified general insurance products.

TERM	MEANING
Respondents or participants	A collective term to describe consumers who participated in this market research project.
Claimants	A person who had purchased and subsequently made a claim against one of the five general insurance products
Demand side	Refers to consumers or participants and their attitudes, expectations and behaviours in relation to these insurance products and related primary purchases.
Purchase channels, sometimes referred to as sales channels	Refers to the interface that consumers use to source and buy these insurance products. The following are the main channels cited in this report: internet / web, telephone, face to face, post.
Purchase journey	<p>The stages that consumers go through when considering, sourcing and purchasing these specified general insurance products. Typically these stages are:</p> <ul style="list-style-type: none"> - pre (before) which consists of information gathering and sourcing; - during which consists of decision making and purchasing activities - and post (after) which consists of ‘filing away’, occasionally consulting their policy or using the policy by way of claims etc..
Stimulus material	In order to facilitate discussions and ensure consistency of understanding amongst these consumers pre-prepared stimulus material was used at relevant times during the discussions. This is standard practice within qualitative research and assists in providing structure as well as presenting information in a standard format as and when required. As an aid for checking consumers’ product understanding in the consumer research, the FCA provided a description of some typical benefits and exclusions, for each insurance product (See Appendix B).

1. EXECUTIVE SUMMARY AND CONCLUSIONS

1.1 Introduction

In December 2012 the Financial Services Authority (now The Financial Conduct Authority / FCA) launched a study into general insurance products sold as add-ons. The study aimed to understand whether there are common features of the add-on markets that weaken competition and drive poor consumer outcomes.

The FSA selected five insurance products for this study as examples of the type of insurance product that might be sold on both an add-on and a standalone basis: guaranteed asset protection (GAP insurance), home emergency, gadget, travel and personal accident. Products were selected to cover a broad range of distribution channels, target demographics and familiarity to consumers.

The Development Team Limited (TDT) was commissioned to carry out qualitative consumer research to inform the study, comparing the experiences of consumers' who had recently purchased these products on an add-on and standalone basis.

1.2 Key findings from the qualitative consumer research

1.2.1 'Add-on' versus 'standalone' insurance purchase mechanisms: definitions and comparisons

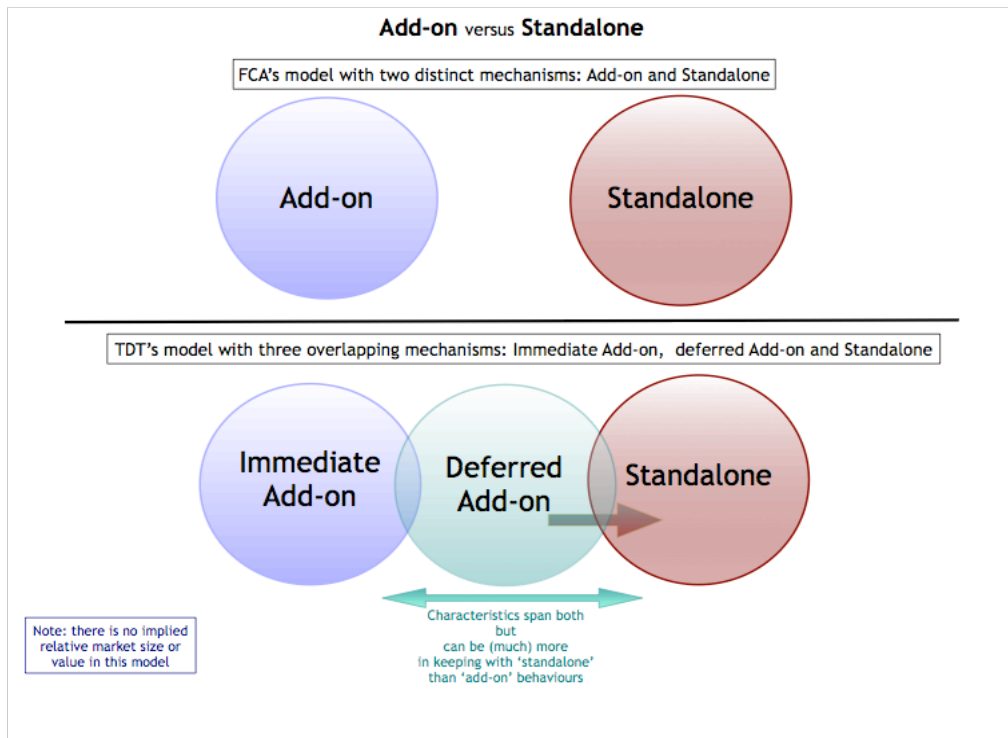
Early on in our research, evidence suggested a need to redefine the FCA's original purchase mechanism model which:

- linked add-on policies to the same supplier as the primary product, or an insurer already linked with a consumer through other products or services, with the 'add-on' insurance policy being purchased at the same time or through subsequent interactions.
- Versus standalone which determined that these policies were purchased independently of the primary product and through a separate insurance supplier.

Evidence revealed that in some add-on sales there may in fact be a time lapse between making the primary purchase and the add-on insurance which in consumers' mindsets means that their insurance purchase is more closely aligned to a standalone sale than an add-on sale. This is regardless of whether, or not, the supplier is the same. We therefore concluded that it was advisable to subdivide the add-on policy purchasing mechanism into two, these being 'immediate add-on' (the majority) and 'deferred add-on'.

Where appropriate, distinctions have been made in this report between the two add-on purchasing mechanisms (deferred and immediate).

The diagram below sets out the original model and the adjustments following our research.



1.2.2. Problems related to immediate add-on purchasers

We did not find a consistent and clear cut distinction between consumers' behaviours and the outcomes between add-on and standalone. However, it was evident that add-on purchasers can be disadvantaged compared to standalone purchases. The main areas of disadvantage can be summarised as follows:

Problems related to 'Immediate' Add-on versus Standalone purchasers

Quality	Price	Other
<p>Add-on shoppers are less likely to be as well informed</p> <p>Add-on shoppers are more likely to be 'soft sold' to, relationship influenced through personal interactions</p> <p>Add-on shoppers are more likely to be subjected to pressure selling</p> <p>Add-on shoppers are less likely to be clear about their cover in general & the details</p>	<p>Add-on shoppers are far less likely to shop around in general &, in particular, at POP - within this less likely to be as aware of standalone alternatives.</p> <p>Add-on shoppers are far less likely to compare prices</p> <p>Add-on shoppers are more likely to have had add-on insurance price / value obfuscated through 'trade off deals' or 'grouping deals' (esp. GAP & gadget) with primary product purchase or other elements of the package</p> <p>Add-on shoppers for GAP are the most disadvantaged in terms of price and the least likely to be aware of alternatives or (actively) consider that they can pursue them and the most likely to be focused on the primary product & relegate or diminish the decision to purchase GAP</p> <p>Add-on shoppers are less likely to be confident that they have obtained the best price or a 'good deal'</p>	<p>Add-on shoppers (including deferred) are more likely to buy 'casually' thinking they can cancel later - but are unlikely to cancel later</p> <p>Add-on shoppers are more likely to feel more confident when (subsequently) in possession of greater knowledge</p> <p>Add-on shoppers are more likely to adjust behaviour with greater knowledge</p>

Nevertheless, there are also similarities between add-on and standalone mechanisms which can be summed up as:

- Consumers are heavily influenced by ‘trust’ be it in relation to an organisation, brand, product, contact/sales person.
- Consumers want ‘peace of mind’ and to be covered for ‘calamities’ or ‘inconveniences’.
- Consumers may be inclined to trade off some potential monetary savings versus:
 - time needed to achieve that saving
 - a judgement that effort needed to find out more/do more regarding an add-on or standalone policy is relatively unimportant in relation to the importance they place on the sourcing and purchase of their primary product
- Consumers are often wary about insurance policies and, in particular, the notion of ‘self preservation’ amongst insurers at the expense of ‘fairness’ towards consumers.
- Consumers are disinclined to read (any of) the small print.
- Consumers are inclined to admit to: laziness, inertia or ‘ignorance’ in general. In addition, they can be unsure, or unaware, where there may be overlaps with other policies that they hold, e.g. be ‘insured more than once’; and /or where it may be cheaper, more effective or advantageous for them to purchase policies either as standalone or as add-ons.
- Consumers are predisposed to ‘take the blame’ in the first instance if matters go wrong and acknowledge that they have not read the small print. At the same time they are mindful that important aspects of the policy may not be clearly, and equally, stated at time of purchase or in subsequent paperwork.
- Consumers are predisposed to judge and/or frame costs based on individual monthly payments and, often actively, avoid either calculating an annualised cost or their costs across policies they may hold. An annualisation of costs may surprise them and adjust the views of some regarding value.
- Purchase timeframes may be brief, they can be ‘last minute’, which can compress a consumers’ journey and decision timings such that there is less opportunity to make comparisons and obtain the best quality or price. This may be regardless of purchase mechanism, and is especially apparent with regard to travel insurance.

1.2.3 Customer journey

Whether and how consumers shopped around for their cover

The picture is mixed as it depends on a variety of factors.

The type of insurance product is a key influencer in terms of inclination to shop around, as is the nature and source of the primary product. The greatest evidence of shopping around occurred for travel (price led) and the least for GAP and gadget insurance policies.

Whether it is an ‘add-on’ purchase or a ‘standalone purchase’ also strongly influences propensity to shop around with add-on purchasers being least likely to shop around and standalone purchasers being most likely to shop around. Evidence of focused, more proactive, shopping around came from consumers’ perceptions of special products or needs, this was often cited for home emergency (e.g. for an old boiler) or personal accident (e.g. for dangerous activities).

Purchase channels both assist and hinder shopping around but are closely aligned with personal preferences. The internet is most often used at the sourcing stage to provide basic and comparative information, it is also presumed by some to be a cheaper way of buying insurance. Personal contact is more likely to generate add-on purchasing.

Whether consumers intended to buy the insurance before it was offered and whether they were aware of alternatives

Standalone purchases were, by definition, intentional purchases. These respondents were aware of alternatives and pre-determined the extent and nature of their search depending on personal predilections e.g. time, brand loyalty, inertia and the importance, or otherwise, of the insurance product being purchased along with its relative cost and perceived value to them.

In contrast, add-on purchasers often did not always intend to buy and/or intend to buy from that supplier. For some products, mainly GAP and gadget insurance, many respondents were unaware of the product or its availability prior to being offered to them. Typically they found themselves needing to make an on the spot decision and often agreed to the sale (but these consumers were recruited as purchasers and so we cannot comment on the incidence of conversion within these markets).

Awareness of alternatives and rationale for purchase varied by product and personal circumstances. For example, travel insurance may be bought as an 'add-on' out of convenience even though the consumer was aware that there were alternatives through a variety of channels; whereas the awareness of alternative suppliers of GAP insurance was particularly limited. The same consumer could use both purchase mechanisms, standalone and add-on, depending on their situation at the time of purchase - however, it may or may not be a conscious choice of their part.

Consumers' understanding of the product in terms of its suitability for their needs

Levels of understanding varied considerably from 'higher' through 'general' to 'low to non-existent', although none of the consumers in this research sample demonstrated a full understanding of their policy cover.

- Those with a higher level of understanding of the product, the nature of its cover and its suitability to their needs (normally based on a few key criteria) were more likely to be standalone purchasers.
- Those with a general level of understanding were more likely to be a mix of standalone and add-on purchasers. These tended to state that their cover 'sufficed', at time of purchase but were inclined to change their opinion on close inspection of their policies post purchase as part of this research.
- Those with a low to non-existent level of understanding were mainly add-on purchasers. These tended to have bought their policies on the spot and with other priorities in mind such that these insurance purchases tended to be viewed as more incidental. An exception to this was GAP insurance where there was greater, but not necessarily accurate, clarity in terms of basic cover recall.

Consumers with greater levels of knowledge or with specific perceived needs are more likely to be aware of particular cover requirements that applied to them, sourcing against these both before and at point of purchase, but even they were not necessarily in possession of all the facts or accurate in their understanding or interpretations of their policies.

Consumers' perceptions of the tactics used by firms during the sale

Consumers report a variety of experiences at point of purchase for these insurance policies. Often the dominant factor is the primary purchase such that the policies, especially when sold as an add-on rather than purchased as standalone, are viewed as incidental without much, if any, due consideration being given to the detail of their cover.

Consumers are often either tacitly or explicitly aware of different sales techniques at point of purchase (POP) or tactics by firms during the sale of these insurance products and these often emerged spontaneously during discussions. Such techniques at point of purchase can be viewed as constructive and helpful or problematic and pressurising. Much depends of the individuals' level of knowledge, needs, orientation and circumstances at the time and similar situations can be interpreted differently by different consumers. The manner in which these techniques are employed and by whom also plays a role in how they are viewed.

- Sales techniques at point of purchase can be helpful when they impart new information, act as a reminder or encourage a consumer to re-appraise their situation and the insurance product is seen as providing a useful service.
- Sales techniques at point of purchase can be problematic or pressurising when they are considered as intrusive, forceful or not needed and, particularly, if the consumer has made their position clear. The greatest pressure was reported to come from those selling GAP insurance. In this study there were a very few examples wherein consumers thought that the GAP policy was part of the condition of sale or a legal or regulatory requirement. There were reported instances of 'imposed' sales tactics, for example some of those selling travel or holidays stated that travel insurance was a non negotiable part of their trip - without necessarily giving people the opportunity to buy elsewhere.
- For some, sales tactics are simply regarded as 'part of the sales process' and ignored.

However, some consumers were unsure at the time of sale whether they had purchased the policy as part of their deal. They may have been unaware that it was part of their package.

Consumers' usage experience, including insight into claims

Product usage post purchase tends to be limited to either post purchase enquires (very few cited in this research) or when making a claim.

Consumers are willing, almost to a default level, to state that they should know more, read more, ask more, spend more time and effort and, therefore, be better briefed prior to purchasing their policies. This is in spite of believing that they are sufficiently aware of relevant factors to make an informed decision at point of purchase. Accordingly, they recognise that they may be in a more vulnerable position than they should be when it comes to making a claim. Often this is a post event conclusion that they may admit includes an element of post rationalisation.

Many are predisposed to accept insurance companies' reasons to minimise or absolve themselves of payouts for claims, potentially to their detriment as consumers, but are nonetheless resentful of this situation. They also state that insurance companies should shoulder their share of responsibility and make it easier and clearer for them, as consumers, to understand what they are considering buying, make more informed purchase decisions and be better prepared and able to make efficient and effective claims.

Judgements of the actual claims process and outcomes are often polarised. Unsurprisingly, those with 'satisfactory' outcomes, particularly if the process has been hassle free, are positive and those with 'unsatisfactory' outcomes are critical. However processes are frequently cited as unnecessarily protracted, even obstructive, even by some of those who have had a satisfactory outcome. Some of those who had encountered problems with claims in the past were disinclined to claim again even when they believed that they had a case, and this view could be applied by them across other suppliers.

1.2.4 Are there consumer issues relating to the add-on mechanism in terms of quality and price?

This research indicates that there can be issues for add-on purchasers in relation to both quality and price. Considering each:

Quality (cover):

Self evidently, cover, at an overall level, is important for everyone - it is the main reason they buy such insurance policies.

As stated earlier, few consumers were very well informed and levels of understanding regarding cover varied. At point of purchase quality (cover specifics) is not often a top of mind consideration for some add-on purchasers, especially immediate add-on purchasers, as their purchase consideration and experience is dominated by their purchase of the primary product. Exceptions to this include add-on purchasers with specific criteria e.g. travel insurance purchasers with specific health conditions, home emergency insurance purchasers who need to ensure they are covered for a particular incident.

There is often a propensity for buyers, particularly but not exclusively immediate add-on buyers (who are more likely to be purchasing either face to face or on the telephone), to be guided by the salesperson. Such buyers presume that they will be covered for what (they think) they have specified and/or what the salesperson deems they need at the time of purchase and, consequently, many do not check their policy details. However, during the research these consumers were asked to review their policy details and often found discrepancies between their 'assumptions' and the 'reality' of their policy.

In contrast standalone purchasers have, in the main, a few key criteria that they specify and check out, to varying levels, in order to be sure they are covered for these eventualities. However even these, potentially more 'savvy', purchasers can vary in terms of knowledge and propensity to search for better value.

Price:

Price as a component is influential and can be assessed in different ways. Where consumers are conscious of purchasing an add-on policy then prices of these policies are normally known at time of purchase. Purchasers' awareness of these appeared to be reasonably good in terms of their reported recall. However, it was not possible to check the accuracy of this recall. It is also important to note that these consumers were recruited as 'recent' purchasers who were in a position to talk about their policies and, therefore, the knowledge levels reported are likely to be biased in favour of greater knowledge.

Relatively, standalone purchasers demonstrated the clearest level of knowledge on both the price of their own product and comparative prices, with a few exceptions.

Manifestations of poor understanding became apparent if the insurance product was 'grouped' (consumers may use other words, such as 'part of a bundle') with other products or services or as part of their primary purchase deal. In these instances consumers were unlikely to have thought about prices on an individual basis when committing to their 'group' of products. The most frequently cited examples came from GAP and gadget add-on policies.

Consumers, particularly immediate add-on purchasers, are not always clear in terms of when, how and, importantly, if they can get lower prices than those paid. Often it does not occur to them to think about getting other quotes or exploring other cover options. A consumers' knowledge level is often framed, or anchored, to a price or value reference point that makes sense to them. For example: Monthly payments that are considered (easily / readily / acceptably) affordable such as a monthly policy that is similar to a few cups of coffee and so on. Whilst some people will consider the annual payment that they will incur, most do not and can be surprised when they work out their annual charge as it can be more than they thought. This became more of an issue if they thought about it over a few years - particularly if, relatively, it then appeared expensive in relation to the primary item or perceived value of that insurance policy.

1.2.5 Consumer needs and improvements

Consumers' needs, recognised or latent, have featured throughout this study as they are a key component in driving purchasing behaviours and attitudes. Curiously, and even if they have had problematic experiences, many consumers will say that they will buy the general insurance product again although they may change provider. On the face of this, it might appear that the industry meets consumers' overall needs given that claimed levels of satisfaction are high.

However, consumers spontaneously stated that there should be specific supply side improvements. Whilst this study was not geared to determining particular improvements to policy offers the following emerged spontaneously as recommendations:

Simplicity and accessibility, including:

- Policy formats: these should be clear, concise, user-friendly.
- Language: should be 'everyday', straightforward, understandable, unambiguous.
- A summary of key factors and information, including pertinent details of their cover, to assist with informed decision-making (e.g. the FCA's stimulus in Appendix B).
- If viable, increasing awareness of other or competitive options before and at point of purchase, ensuring that processes allow for such comparisons along with sufficient time for consideration of these before purchase decisions have to be made.

Safety / security, including:

- Generating confidence to 'trust' a supplier, a brand, particular products.
- Ensuring that information on policies gives what is and is not covered equal weighting.
- No unfair 'get outs' by suppliers, via actions or orientation, through small print or the 'size' of document if it is considered too long or difficult to access.
- Claims that are dealt with fairly and efficiently and firms to ensure that they shoulder their responsibilities within this, and be seen to do so.

Standardisation, including:

- Accessible information across products (within and across these insurance products) to provide, if viable, a degree of consistency such that comprehension and comparisons are easier to make.
- Even though they recognised the inherent difficulties in this request, a minority requested 'equal pricing' for the same product to be offered by different suppliers(!).

2. BACKGROUND

2.1 Introduction - General insurance add-on market study

In December 2012 the Financial Services Authority (now The Financial Conduct Authority / FCA) launched a study into general insurance products sold as add-ons. The study aimed to understand whether there are common features of the add-on markets that weaken competition and drive poor consumer outcomes.

Five insurance products were selected, by the FSA, for this study as examples of the type of insurance product that might be sold on both an add-on and a standalone basis (1 below): guaranteed asset protection (GAP insurance), home emergency, gadget, travel and personal accident. Products were selected to cover a broad range of distribution channels, target demographics and familiarity to consumers.

In order to assess the extent of, and any barriers to, the effectiveness of competition, evidence was required from both firms and consumers. As part of gathering evidence from consumers, The Development Team Limited (TDT) research agency was commissioned to undertake a programme of qualitative research with people who had recently purchased one of the five general insurance products in the market study.

2.2 Qualitative Research Aims

The broad aim of this research was to understand consumer experiences when purchasing general insurance products sold as an add-on to a primary product (2 below): and compare these experiences to those who had purchased the insurance product separately on a 'standalone' basis.

Bearing in mind some of the consumer drivers that may influence competition, this research had a number of specific aims:

- To understand whether and how consumers shopped around for their cover
- To understand whether consumers intended to buy the insurance before it was offered and whether they were aware of alternatives
- To explore consumers' understanding of the product in terms of its suitability for their needs
- To gauge consumers' perceptions of the sales techniques at point of purchase (POP) and tactics used by firms during the sale
- To assess consumers' understanding of the product and usage experience, including insight into claims.

Notes:

- 1. Please see glossary for a full definition of the add-on and standalone purchase mechanism.
- 2. Please see Appendix A for a list of the insurance products and the primary products alongside which they were sold

2.3 Research Methodology and Sample Achieved

The study was conducted amongst a cross-section of consumers who had recently purchased one of the five general insurance products in the study on either an add-on (AO) or standalone (SA) basis. We also interviewed a separate group of consumers who had made a claim on one of these policies.

This qualitative study was multifaceted incorporating the following:

- 6 extended group discussions (each was 2 1/2 hrs in duration), each group focused on up to three of the five specified insurance products to allow more time to explore each.
- 15 smaller group discussions (3 consumers in each), each group was 2 hours in duration and focused on one specified insurance product.
- 10 face to face depth interviews (each was 1 1/2 hrs in duration) with claimants, each claimant depth focused on one product claim and whether or not it was successful.

Fieldwork was conducted in six locations across England and Wales from 27th February through to 13th April 2013.

Sample composition of Individual Respondents

PRODUCT	TOTAL CONSUMERS ACHIEVED	GROUP DISCUSSIONS & TRIADS		DEPTH INTERVIEWS	
		ADD-ON	STANDALONE	SUCCESSFUL CLAIMANTS	UNSUCCESSFUL CLAIMANTS
Gap Insurance	23	17	4	0	2
Gadget Insurance	23	14	7	1	1
Travel Insurance	23	10	10	1	2
Personal Accident Insurance	10	6	4	0	0
Home Emergency Cover	27	13	11	2	1
TOTAL	106	60	36	4	6

3. FINDINGS - OVERVIEW

This report begins by focusing on the definition of ‘add-on’ and ‘standalone’ and will explain how, from the consumers’ perspective, there is not as clear-cut a distinction, either attitudinally or behaviourally, between these two purchase mechanisms as originally defined by the FCA when scoping this research. As a result of this qualitative research a new group of consumers, whose experience and behaviours do not fit neatly into the two pre-identified purchase mechanisms, has been identified. They are referred to as ‘deferred add-on’ purchasers.

The report will then go on to briefly consider purchase channels, in particular how these channels feature in insurance product purchase journeys, the likelihood of overlaps or multi channel usage and overall strengths and weaknesses of each in terms of consumers’ experiences and decision processes. Whilst a review of purchase channels was not part of the brief, during fieldwork it became apparent that consumers’ behaviours could not be explored without at least an initial understanding of the role and influence of this element.

Product understanding is another factor that appears throughout consumers’ journeys and influences behaviour. It is a complex arena, can vary for a myriad of reasons, and cuts across perceptions of different insurance products, usage of purchase channels and decision making.

The three influencing factors outlined above (purchase mechanism, purchase channels, product understanding) are capable of impacting on consumers’ attitudes and behaviours and their coverage at the outset in this report helps to avoid duplication in the findings within each journey stage.

Finally, this report outlines findings in relation to the consumers’ journeys when purchasing these insurance products. It considers each of three possible stages (search activity, point of sale experiences and post purchase appraisal with the latter including a brief review of claims set in context) by purchase mechanism.

These findings are amplified by product specific information that is presented both as general findings and, where they are relevant and differentiated, by each of the five insurance products researched and within verbatim consumer quotes. Certain key findings have been included in relevant sections which means that, on occasion, points have been intentionally restated so that they are clearly set out within each topic.

4. ADD-ON VERSUS STANDALONE: DEFINITIONS & KEY COMPARISONS

This study set out to focus on purchasing mechanisms, reflected at an overall level as represented by an amalgamation of five insurance products and whether, or not, there are similarities or differences between add-on and standalone purchasers and their behaviours. Whilst the findings show that there are differences as between add-on and standalone, and TDT were tasked with concentrating on drivers of behavioural differences regarding add-on purchasing, the study was not geared to explore the specific causes of these e.g. to what extent these were purely based on the mechanism or characteristics of an individual etc..

This section provides an overview of differences, similarities and overlaps as between 'add-on' and 'standalone' purchasing behaviours and notes that there are other factors, not just purchase mechanisms, that influence purchase behaviour.

At the outset it is also important to note that consumers do not, of their own accord, think in terms of 'add-on', 'deferred add-on' or 'standalone'. However, they are aware that in some insurance purchasing situations they are more inclined to be 'a captive audience', 'more susceptible to sales pressures', 'reactive' (these aligning in part with an add-on mechanism), and in others that they are more inclined to be 'independent' and 'proactive' (these aligning more closely with a standalone mechanism).

4.1 FCA's definitions: 'add-on' versus 'standalone' purchasing mechanisms

It is important to set out the main definitions of 'add-on' versus 'standalone' purchasing mechanisms for insurance products, including 'primary' products, before considering detailed evidence regarding consumers' behavioural patterns. In so doing it is necessary to review the original definitions and compare these with consumer-led findings from this study and consider whether, or not, the purchase mechanism model, of add-on versus standalone, needs to be adjusted.

The original definitions established the basis for recruitment of consumers who were interviewed in this research and informed both the topics explored and subsequent analyses. (See Appendix C for recruitment definitions by insurance policy).

Add-on:

The term 'add-on' was used to describe instances where consumers' arrange their insurance through the provider of another 'primary' product they are buying or hold'. This would be:

- A specified insurance policy that was bought at the same time, from the same supplier who sold x/y/z (primary product) for an additional cost.
- Purchased as an optional extra to their x/y/z (primary) insurance, for an extra cost.
- Purchased as a result of a follow up or cold call from the supplier who sold them the x/y/z (primary product) for an additional cost.'

Note: It excludes cover that they may already have if it is part of their standard cover under another insurance policy. This means that it is not an optional extra and they have not paid a separate cost for the cover.

Standalone:

This was defined as:

‘A standalone purchaser organises their insurance independently’.

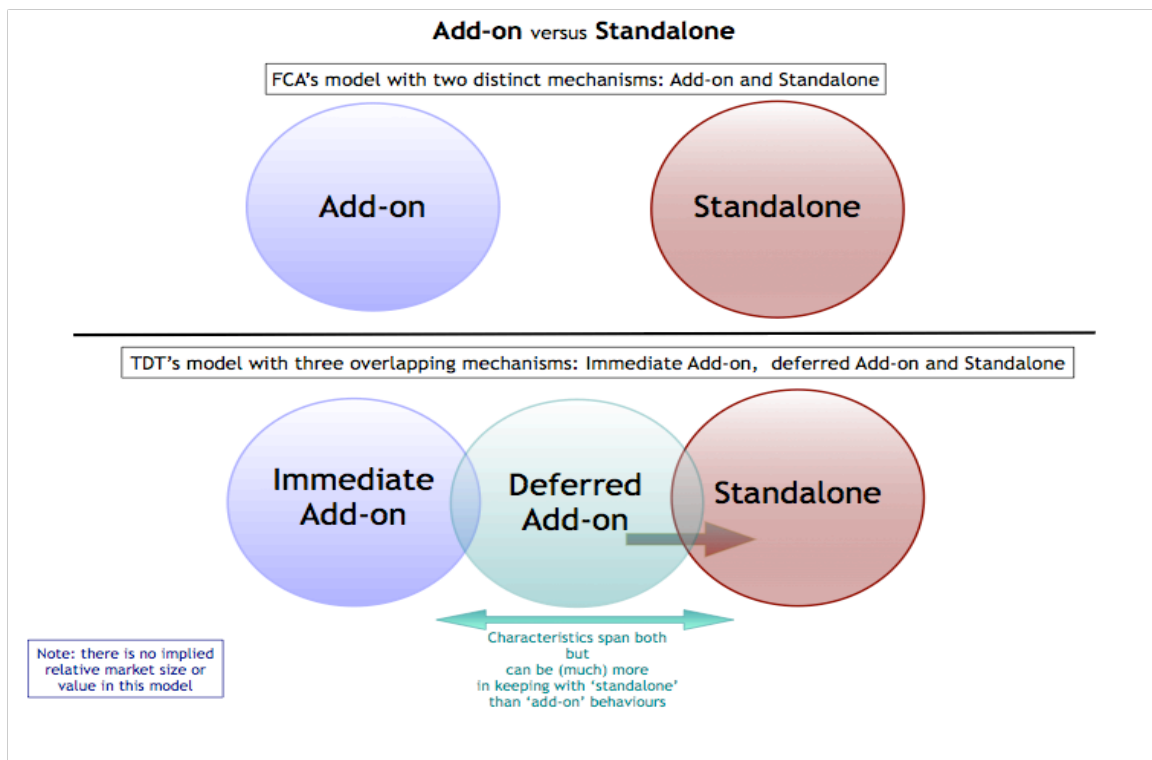
‘The purchaser: found / sought / arranged the specified insurance cover separately / independently (from any other insurance product they have) and bought it directly through an insurance broker/online or from an insurance company either as a single policy or annual cover.’

4.2 Consumer generated adjusted definitions and purchasing mechanisms

Whilst the original definition contained two distinct purchasing behaviours: ‘add-on’ versus ‘standalone’ this study indicates that add-on purchasing should be further subdivided into two broadly differing groups ‘immediate add-on’ (the majority of this qualitative sample) and ‘deferred add-on’ (a minority amongst this qualitative sample). Although the main difference between these two add-on groups is the purchase timeframe, a key dimension in decision making for these products, there are also differentiating influencers in terms of consumers’ attitudinal and behavioural predilections and patterns such that the sub group of deferred purchasers appears to be more closely aligned to standalone purchasers.

The original definition of standalone purchasing broadly accords with consumer findings.

Comparison of the FCA model (top) versus the consumer led model (bottom).



Consumer led definition of 'Immediate' add-on (typically)

These are consumers who purchase an insurance product:

- Alongside a primary product either at same time, or within same timeframe, and purchase mindset such that they considered it either part of, or very closely aligned to, the same decision making process. The majority of the 'add-on' defined sample fitted into this group. Note: These consumers may or may not consider the insurance product to be an 'add-on' or 'additional' purchase even if it is considered as such by the FCA's definition.
- If it was clearly presented by main provider as an 'add-on' option when they were:
 - purchasing a primary product and offered, or requested, the insurance product at the same time or as part of the package
 - renewing a policy and offered an insurance product at the same time or as part of the package

Consumer led definition of Deferred add-on (typically)

This is a new classification and one that resulted from qualitative analysis of consumers' attitudes and behaviours across the purchase stages. Whilst these consumers may be 'add-on purchasers', by the FCA's original operational definition, this cohort buy their add-on product at a distinctly separate time from the primary product such that it is, in effect, more often akin to a 'standalone' or a separate purchase decision. In essence they are considering the insurance product in its own right and are less likely to be swayed to such an extent by the primary purchase as immediate add-on purchasers. This orientation tends to be reflected in their mindsets and behaviours. However, they may still be capable of being influenced in part by aspects of their primary product e.g. brand, relationships, trust, service expectations etc...

Definitions used in this report

This report uses the consumer's definitions set out above throughout and they have been reflected in the Glossary at the beginning of the report.

Potential obfuscations based on terminology usage

It is also worth noting that language can readily influence consumers' approaches, predilections or ways of buying into or describing these insurance products. For example: the fact that such products can be described as 'add-on' by a provider may mean they are thought of as such regardless of the buying mechanism - for example: a consumer may genuinely purchase a product on a standalone basis but, because it is described as an 'add-on' insurance product in literature or during the sales process, that purchaser may claim that they have purchased an 'add-on'.

4.3 Overview of differences between add-on and standalone purchasers/purchasing

The chart below summarises the main differences that emerged between add-on and standalone purchasers. This demonstrates that the add-on mechanism can generate disadvantages across products. These disadvantages are most apparent for those purchasing GAP insurance and least apparent for those purchasing travel insurance. The report expands on disadvantages within subsequent sections, as appropriate.

Where the two main cells of add-on and standalone purchasers are compared directly, the relevant characteristics of those who are considered deferred add-on purchasers (a small minority) are subsumed into either the 'standalone' or the 'add-on' assessments. However, they are only subsumed if it is appropriate to do so and analysis supports the characteristics of the relevant main cell.

Differences between add-on & standalone purchasers / purchasing

Add-on	Standalone
<p>More likely to be less well informed:</p> <ul style="list-style-type: none"> - focus on primary product - relative cost differential between primary product & insurance product dominates decisions <p>More susceptible to 'sales ploys and influences' & 'disaster stories' e.g. 'you have to buy it now to have it at all', 'if you don't buy it now the price will be higher if you buy it later', 'you need it to buy the 'x'/primary product', 'what if you have a crash after leaving the forecourt & lose thousands?', 'nice man'</p> <p>More likely to be influenced by 'soft arguments' e.g. peace of mind</p> <p>More likely to be influenced by budget (monthly outlay)</p> <p>More likely to be influenced by 'package price' of primary product + insurance product. This 'package approach' facilitates trade offs as between components and makes it easier for costs to be obfuscated e.g. primary, plus insurance, plus other benefits - e.g. service package, technical support etc.)</p> <p>More likely to be Face to Face - when personal interface is preferred (or, for some, telephone contact as part of their 'deal-making' may represent a sufficient level of personal interface).</p> <p>More likely to be unaware of standalone availability e.g. GAP, Gadget</p> <p>More likely to be convenience driven & (much) less likely to shop around</p> <p>More likely to disregard (& 'file in drawer') the policy when it arrives especially if purchased face to face as they place trust in the salesperson</p>	<p>More likely to be influenced by 'hard' factors e.g. cover specifics</p> <p>More likely to have specific (limited) product criteria in mind when buying GI products and, therefore:</p> <ul style="list-style-type: none"> - believe they have bought the right product for the right reasons - 'done the best for themselves' within their personal framework <p>More likely to be price aware and want to maximise their return</p> <p>More likely to use the internet to search e.g. use comparison sites and take the top 'x' (circa 5) quotes as representing a 'reasonable' search</p> <p>Hypothesis: More 'insurance savvy'. More prepared to shop around and/or more prepared to place a value on specialist insurance policies in order to get a deal so that they are either more likely to be successful with a claim (past experience) or 'protect' their other policies e.g. home insurance</p>

4.4 Overview of similarities between add-on and standalone purchasers/purchasing.

It is important to note that there are also many similarities between add-on and standalone purchasers / purchasing. Whilst not everyone conforms to all of the similarities most of the sample exemplified at least a few of these during the course of their discussions.

The similarities, which cannot be placed in order of importance, can be summarised as follows:

- Consumers are heavily influenced by 'trust' be it in relation to an organisation, brand, product, contact/sales person.
- Consumers want 'peace of mind' and to be covered for 'calamities' or 'inconveniences'.
- Consumers are often wary about insurance policies and, in particular, the notion of 'self preservation' amongst insurers at the expense of their 'fairness' towards consumers.
- Consumers may be inclined to trade off some potential monetary savings versus:
 - time needed to achieve that saving
 - a judgement that effort needed to find out more/do more regarding an add-on or

standalone policy is relatively unimportant in relation to the importance placed on of the sourcing and purchase of their primary product

- Consumers are predisposed to judge and/or frame costs based on individual monthly payments and, often actively, avoid either calculating an annualised cost or their costs across policies they may hold. An annualisation of costs may surprise them and adjust the views of some regarding value.
- Consumers are inclined to admit to: laziness, inertia or ‘ignorance’ in general. In addition they can be unsure of, or unaware of, where there may be overlaps with other policies that they hold or benefits that they might be missing out on. For example: they may be ‘insured more than once’; and /or where it may be cheaper, more effective or advantageous for them to purchase policies on a standalone or add-on basis. For many being proactive in making comparisons or sourcing other options simply does not occur to them and/or seem worth the effort given their present state of knowledge.
- Consumers are disinclined to read (any of) the small print.
- Consumers are predisposed to ‘take the blame’ in the first instance if matters go wrong and acknowledge that they have not read the small print. At the same time they are mindful that important aspects of a policy may not be clearly, and equally, stated at time of purchase or in subsequent paperwork. Accordingly, some of the responsibility regarding confusions and potential detriment should, in their view, be shared with the industry provider.
- Purchase timeframes may be brief, they can be ‘last minute’, which can compress a consumers’ journey and decision timings such that there is less opportunity to make comparisons and obtain the best quality or price. This may be regardless of mechanism, and is especially apparent with regard to travel insurance.

4.5 Consumers can move between add-on and standalone purchases

Unsurprisingly, in such diverse insurance markets as the five products specified and across such a broad consumer base, this study found overlaps and contradictions amongst consumers’ attitudes and behaviours. Within this there can be overlaps between add-on and standalone purchasing profiles and purchasing behaviours, demonstrating that they are not consistently, mutually exclusive groups.

The same consumer can buy one product as an add-on purchase and another as a standalone purchase - in similar or different ways depending on personal factors. It is worth headlining some of the personal factors in this context, along with a brief illustration of each, at this mechanism review stage as follows:

- their personal circumstances e.g. a consumer had over the years always purchased travel insurance on a standalone basis but, being aware of the possible impact of medical conditions on travel insurance claims, recently altered her purchasing patterns since being diagnosed with a serious medical condition. This was because she felt that would be “guaranteed good cover” if she purchased her travel and medical insurance through the travel agent (add-on rather than standalone).

- their needs e.g. a consumer who normally sourced all her insurance as a standalone purchase bought gadget insurance for an iPad that she had purchased for her daughter as an add-on as it was only a few days before Christmas and she was unlikely to have the time to shop around for such insurance independently with other seasonal pressures.
- their predilections e.g. a consumer always bought their travel insurance as standalone believing they got better deals, and did not countenance ‘sales pressures’ either online or by travel agents, but preferred to buy home emergency insurance as an add-on as it was easier and gave them peace of mind, in so doing they purchased different insurance policies through different mechanisms.
- their levels of awareness or understanding e.g. the majority of consumers who bought GAP insurance bought it as an add-on purchase as many were unaware that this product could be bought on a standalone basis, even though a proportion of these regularly bought other insurance policies on a standalone basis. In fact many thought that GAP could *only* be purchased through the garage. However a minority, in our sample, who had previously purchased GAP insurance as an add-on later become aware of its availability as a standalone and subsequently purchased the product as a standalone, at a considerably lower price. Those (few) in the latter group (transferring from add-on to standalone) were clear in their criticism of the high charges and some of the methods of selling that they had previously experienced when purchasing GAP insurance on an add-on basis.
- the importance of product e.g. a consumer determined that they did not need gadget insurance at the time of purchasing a primary product but, on reflection and having discussed it with colleagues, changed their mind and so quickly decided to check the market, as they normally bought insurance ‘independently’ as a standalone. They discovered that the deal they had been offered by the seller of the gadget was a good one and subsequently decided to purchase it from them (a deferred add-on purchase, and a considered purchase).
- perceived level of risk at that time e.g. a consumer who always preferred to shop around, and looked in detail at their prospective and existing policies prior to purchase or renewal, elected to only source their personal accident insurance from one of their trusted insurance providers as they felt that the potential risk in making the wrong decision was such that they would trade off a cheaper quote for an established and proven relationship (deferred add-on).
- purchase situation and channel at time of purchase e.g. a consumer who needed to sort out their home contents insurance, first sourcing on the internet and then verifying elements on the phone, elected to purchase their home emergency insurance at the same time rather than continue to source this separately. Their reasons included: for convenience and, in their opinion, the additional charge was marginal such that it was an easy decision to make - namely to purchase on an add-on rather than standalone basis on that occasion.

In spite of anomalies and overlaps that were evident, there was also sufficient commonality within aspects of immediate add-on purchasing versus those of standalone purchasing to be able to identify differences covered in this report and conclude that cross-sections of immediate add-on purchasers can be disadvantaged. For example when consumers are less well informed, undertake limited shopping around and are more susceptible to sales ploys as a result of the add-on purchase mechanism (see chart on page 21). It is also worth noting that disadvantages are not exclusive to the immediate add on purchase mechanism

and that, in addition, subsets of standalone and deferred add-on purchasers may also be disadvantaged if the sales process is found wanting.

There are a number of factors, in addition to the purchase mechanism, which contribute to differences and similarities between add-on and standalone purchasers. They include: products, channels, purchase situations and timing, individuals' characteristics and circumstances as well as the value consumers place on a particular policy etc.. All of which, separately and combined, serve to influence behaviours and whether, or not, there is a risk of consumer disadvantage or detriment. Where viable and relevant references are made to these other influencing factors in the appropriate sections within this report but the study was not set up to provide in depth assessments of consumer typologies or motivations nor was it structured to provide individual product and purchasing reviews.

4.6 Primary product: definitions and influences

It is worth noting that the role and influence of a primary product can vary considerably.

FCA's operational definition of a primary product

The FCA's definitions of a 'primary' product vary according to the insurance product and include: a service (e.g. travel, holiday), an item (e.g. car, gadget), a service provider (e.g. utility company), an insurance product (home insurance etc.) or another financial services product (e.g. credit card, catalogue). Definitions are set out in Appendix A.

Consumers' views of what constitutes a primary product

When consumers consider whether or not to purchase their insurance product they are mindful of the provider and nature of the 'primary product' that can be the intermediary or the insurance provider as well as their own personal 'central needs'. The closer a primary product and an insurance product align conceptually the stronger appears to be a consumers' initial rationale for purchasing an insurance product from that supplier. Examples of the range of links between a primary and an insurance product include if there is:

- A very close fit and this applies whether or not a primary product is linked to another insurance policy e.g.: car and GAP insurance; gadget and gadget insurance; if travel and travel insurance.
- A logical link between a primary product and another insurance policy but the 'main' (i.e. originating reason for an insurance purchase) product is different e.g.: home emergency if linked to a utility supplier or home insurance but the main product is household fixture e.g. boiler/pipes/drains; car insurance/GAP insurance; home insurance and gadget insurance. However, the closeness of logical links may be weakened if there is a time delay between the initial purchase of the 'main' product and any subsequent purchase of an insurance product. For example it may be closest, and most logical, if a new boiler is fitted and home emergency insurance is purchased at that time. It may become weaker if there is either a time delay between the two purchase activities or with passing years in which case another provider of home emergency insurance, which may not have such strong logic links, may provide a credible and preferable alternative.

- There can be a tangential or tenuous link to insurance products that is less apparent or directly motivating. For example if:
 - the main reason for originating the insurance purchase is to cover the person themselves (as in personal accident), particularly when there are vulnerabilities associated with their need for insurance, rather than a primary product or service. In such instances the key driver for the consumer is obtaining the right cover and, therefore, the importance of the insurance product (in relation to the primary product) is elevated and the primary product may be considered 'distanced' in terms of decision making. The most apparent example in this study was personal accident insurance. For example: a roofer wanted personal accident as his job made him vulnerable to serious accidents, he was not concerned about the primary product (home insurance) but wanted to obtain the best personal accident insurance product for his circumstances.
 - linked to other insurance policies or a bank account when the two are not perceived as being closely or logically aligned e.g. home insurance (primary) and travel insurance.

In essence this means that, when considering the role of primary products and their influence with an (add-on) insurance purchase, consumers can make both speedy and logical links or can struggle to make linkages and, therefore, also struggle when trying to answer questions that may be put to them.

5. INFLUENCING FACTORS

5.1 PURCHASE CHANNELS

5.1.1 Overview

Purchase channels are influential across a consumers' journey in that they can assist, constrain and/or lead to adjustment(s) in behaviours. However, consumers' propensity to use particular channels, and how they use them, is also a reflection of an individual's habits and characteristics as well as their familiarity with, and the value they ascribed to, a specific insurance product.

Purchasers of the three types of purchasing mechanisms tended to use a channel, or a mix of channels, differently and this, in turn, has implications across consumer journeys. The main differences emerging at this stage are as follows:

- immediate add-on (IAO) purchasers were more likely to either be 'sold to' through a single channel or elect to use a single channel than either the deferred add-on or standalone mechanism purchasers. Immediate add-on purchasers tended to prefer and be more receptive to (even susceptible to) personal contact, be it face to face or telephone, than other channels although a minority did use the internet.
- deferred add-on (DAO) purchasers were more, or most, likely to use multi channels, typically combining telephone, sometimes face to face, with internet.
- standalone (SA) purchasers were more likely to use internet only or multi channels.

Multi channel usage is prevalent amongst some consumers, albeit it is not always top of mind, as there are recognised benefits associated with each channel. In summary these benefits are:

- convenience and speed of online
- reassurance and trust of face to face
- information and verification, with aspects of reassurance, via telephone
- awareness building, interest generation and product prompts via post

The following summarises the initial insights into channels.

5.1.2 Personal contact

The importance of personal contact - be it face to face or telephone - emerges as a cornerstone across the sample. Its role is to facilitate sourcing, purchasing and claims especially when there is an element of uncertainty, or a need for clarification or the product is deemed to be important. Often this occurs if a consumer is buying a product for the first time, is less familiar with an insurance product or their circumstances have changed. Accordingly consumers across this sample, when considering the five insurance products specified, often turned to some form of personal contact with suppliers to verify, explain or reassure them regarding aspects of a policy. As such it can be beneficial. Some consumers stated that they would not have bought their insurance policy from that supplier if they had not been able to make use of a personal contact channel at some point during the decision making stage of their journey.

However, there is also a potential downside to personal contact insofar as it can create a 'trust' such that consumers may not fully interrogate the supply side representatives and/or believe what they (think they) are told and see no need to verify their understanding or check their contract subsequently. Indeed they may be even more inclined to disregard their written documentation, presuming it to be in order and that it will reflect their understanding of what had been explained and, therefore, simply 'file it away'.

In addition, personal contact can open up avenues for personal sales pressures (face to face or phone) which, in turn, can lead to unplanned, sometimes unwelcome, purchases.

Briefly reviewing each of the channels and building on the above:

5.1.3 Face to Face

Purchaser bias

Face to face contact is very important for immediate add-on purchasers. As stated above, they elect to use it for both sourcing and purchasing. It is also an effective sales tool for suppliers as consumers 'engaged' face to face are less likely to shop around and more likely to purchase 'on the spot'. It is also important for some deferred add-on purchasers and a few standalone purchasers.

Key strengths

The key strengths are perceived to be the reassurance generated and trust established through talking to a 'more knowledgeable' individual. This means that a consumer is more likely to feel they have a better understanding and have, with direct assistance, established 'the right product for them'. 'Peace of mind' is a phrase that is often used during face to face encounters and is one that clearly resonates with consumers.

Vulnerabilities

As a consequence of their propensity to 'trust' a person in a position of knowledge some consumers may not fully interrogate the sales person, trusting them to identify the main aspects that they need to be aware of to suit their needs, act in their best interests and may then 'believe what they are told' without further verification or comparisons with other sources or products (see 'personal contact' above).

Alternatives at point of purchase (POP)?

Consumers do not, in the main, seek alternatives when considering add-on policies that have been presented to them face to face. An exception is when they are using an 'informed intermediary' (can be broad definition e.g. travel agent, IFA) who are then expected to make comparisons on their behalf or have the knowledge to make an appropriate recommendation that will represent the best option for them.

5.1.4 Telephone

Purchaser bias

Telephone contact is very important for deferred add-on purchasers who use it for improving their product understanding, given there is a time lag in their decision making, as well as purchasing when it suits them. It is also important for standalone purchasers and for some immediate add-on purchasers.

Key strengths

Key strengths are perceived to be information gathering and sifting, and verification and clarification of their understanding. For some this can result in a lengthy and detailed conversation, for others it may take the form of a quick check of specific facts.

Vulnerabilities

Consumers are disinclined to have many telephone conversations as they are time consuming and involve personal commitment including imparting personal information. Consumers prefer to have one or two telephone conversations and presume, hope even, that they have covered what they need on that occasion. They are more likely to be better informed if they have given the matter some thought beforehand and prepared questions.

However, this is not always the case as they may be responding to a call to them, by a supplier, or picked up the phone to check one aspect of a policy without giving due consideration to others. They are reluctant to 'get in the loop' and go through the various stages needed to make contact again if they do not cover everything during the first telephone conversation as this subsequent conversation is, invariably, with another person which then necessitates going through the background again. As with face to face, consumers are predisposed to take advice or options on trust if they believe they have established a rapport with someone that they feel is knowledgeable on the telephone.

Alternatives at point of purchase (POP)?

If a supplier has taken the initiative and phoned the consumer (cold calling) then whether or not a consumer delays the decision and seeks alternatives elsewhere will depend on their understanding, interest in the product and value they believe is being offered at that time. Many in this sample were 'sold' the add-on insurance product on the telephone and did not see the need, nor were they offered the opportunity, to go elsewhere.

If a consumer has made the first move and called the supplier then they are more likely to either be interested in that particular product and supplier or have selected a shortlist of suppliers, often from an internet search, that they will take the time and effort to call. Accordingly, they are pre-disposed to convert to sale if they feel satisfied with their dealings on the telephone at that point in time without extending their enquiries.

5.1.5 Internet

Purchaser bias

Internet usage is very important for standalone purchasers. It is also important for some deferred add-on purchasers as well as a few immediate add-on purchasers.

Key strengths

Unsurprisingly, the internet features particularly heavily in terms of sourcing (be it for suppliers, prices or product information) and for speedy and, seemingly, 'uncomplicated' purchases. It is deemed to be very convenient and efficient in terms of comparisons. Add-on purchasers tend to only use one or two sites. Standalone purchasers tend to use two or three sites (some even more) with the more determined of these also using individual sites, namely those not on comparison sites, as they claim to have discovered that they often offer better value. There is a widely held belief, particularly by internet advocates, that it will be cheaper to purchase insurance policies online.

Vulnerabilities

Whilst an acknowledged positive, the fact that it can be considered too easy to 'click and buy' online emerges as a potential problem when users bother to take time to consider the implications of their actions. This speedy commitment on their part often means that they fail to register the terms and conditions (T's & C's), particularly the exclusions, or interrogate their alternative options.

Consumers also report a reluctance to print off the T's & C's, relying on a print off of the summary pages (often only the first page!), and their interpretation thereof, before filing these away. This is not uncommon across all forms of insurance. Crucially, whilst some print off the summary pages many do not and simply either know that it's in their mail account or place it directly, unopened, into an electronic folder. The main exception to this was travel insurance with many taking their summary pages away with them (sometimes reading them for the first time when on their journey) and subsets printing off the whole policy document, as well as the summary, to take away with them which they may, or may not, (skim) read whilst travelling.

Alternatives at point of purchase (POP)?

The internet is considered to be the main source for reviewing alternative options through an ability to look at different sites or one or more comparison sites. It is also considered as an 'informed intermediary' as it contains information regarding aspects of policies.

However, many look out for the existence of postal addresses and direct phone numbers on sites to provide reassurance regarding the image, reputation and nature of the company involved. Telephone numbers are also often used to check aspects of policies as these may, or may not, apply to them as individuals - in which case they may elect to complete their purchase via the phone rather than revert to online (see the telephone sections above).

5.1.6 Print: post / press / leaflets etc.

Purchaser bias

Print can be important for deferred add-on or standalone purchasers and is predominantly understood to be an awareness raising and/or sales vehicle. It does not feature for immediate add-on purchasers in such a clear-cut way.

Key strengths

Information through print may come in different guises. In the main it acts as an initial awareness raiser and source of information, one that signposts consumers to other channels, but it can also be an effective sales tool in its own right. It is appreciated by many consumers for providing a benefit 'from a distance', without encroaching in their personal space, in the way that a telephone call might, whilst enabling them to reject or accept an invitation to take matters further.

Vulnerabilities

Few vulnerabilities were stated, but then very few of the sample had engaged with this channel so evidence is limited. Many claimed to dislike and disregard 'junk mail', however it arrived.

Alternatives at POP?

Print generally includes references to other channels and encourages contact that way, but for the same supplier. However, given the weaker linkages through this channel consumers do not feel the heavy pressure to purchase that some feel that they do through other channels, particularly through personal contact.

5.1.7 Conclusions - Purchase channels

Purchase channels are not always used exclusively and personal contact, be it face to face or by telephone, features across both purchase mechanisms. Personal contact is most important for add-on purchasers; immediate add-on purchasers being heavily reliant on both face to face and telephone. Multi channel usage is prevalent, particularly with deferred add-on and standalone purchasers making use of both the internet and personal contact especially the telephone. However, multi channel usage rarely features with immediate add-on purchasers. Standalone purchasers are more reliant on the internet.

All channels have advantages and disadvantages in terms of usage and outcomes for consumers.

5.2 PRODUCT UNDERSTANDING

A central component in shaping consumers' behaviour is their level of product understanding. In this context both understanding and behaviours need to be considered over time, by individual, as well as assessing a snapshot for a particular purchase. Whilst this study focused on a recent purchase, some of the attitudes expressed inevitably reflect past experiences as these elide into the present. An individual's product understanding can also be adjusted when faced with new information that they register and deem to be of interest or pertinent.

5.2.1 Three levels of understanding emerged

Consumers' levels of understanding can cut across products, channels and personal characteristics as well as by mechanism of add-on versus standalone purchasing. The levels of product understanding encountered across this study ranged from a vague, through a general level to a higher, more knowledgeable understanding. These have been summarised into three groups as follows:

'Higher level' of understanding through to being fairly knowledgeable. These consumers are invariably past purchasers and/or those with particular needs or standards. They tended to be current or past standalone purchasers and were more likely to be repeat purchasers who checked the market at renewal time rather than those who were inclined to 'roll over' their policies without close inspection¹. These consumers tended to be able to recall at least some specific details relating to their policies e.g. 'I know I have ... a lot ... millions ... or £10 million medical cover with my travel insurance and that I also have the level of cover for lost luggage and flight delays that I need as I travel a lot'. Those in this group tended to either have a relevant experience that shaped their views or have a condition (personal and/or medical; home and/or work related need etc.) that meant that they were more diligent when sourcing cover for a particular type of policy. Only a minority of the sample in this study demonstrated this level of understanding.

'General level' that sufficed for them. These tended to be consumers without specific issues or concerns but who acknowledged a need or desirability in the purchase of a particular insurance product. They tended to be biased towards standalone and deferred add-on purchasers although many typical immediate add-on purchasers also fitted into this broad classification. Their understanding included key benefits to them and umbrella coverage e.g. 'I know I have boiler cover with my home insurance and I know that includes an annual service but, no, I don't know if there's anything about the age of my boiler or any other stipulation'. Perhaps, unsurprisingly, the majority of consumers in this group demonstrated this level of understanding based on their criteria for the insurance product and/or previous experience of the product. However, within this much by way of information or cover is presumed by them which may or may not be correct in general or specifically in terms of their current policy.

'Vague level' of understanding amongst those who were, at least initially, far less concerned about their products and/or their need of them. These tended to be: 'pressurised' immediate add-on purchasers; casual buyers across the mechanisms or those who felt the price of the insurance product or its usefulness was, relatively, incidental; some of the more recent 'first time' purchasers or those who were more inclined to 'rollover' their renewals with little or no effective investigation as summed up by the approach of 'I know I have medical cover with my travel insurance but not a lot more'. For example: *"I think I've some kind of (home) emergency cover. I've a funny feeling I've got*

¹ Participants were recruited as 'new' purchasers in order to take part in this research, however, some recalled previous experiences and behaviour when renewing other insurance policies held.

it but I've not read the (Home insurance) policy. I bought over the phone and they were saying that home emergency insurance was included e.g. if you can't get access to the house, floods. I just remember thinking that my sister and I live together and we are both often away for the weekends and it struck me it would be worth having. But I'm not sure what it covers and how much I paid". M, 20's, St Albans, add-on, home emergency insurance.

Travel was the only product that was universally recognised and understood but, even so, there were still some confusions, with evidence of inappropriate purchases.

Although those consumers that formed the basis of this study had all been recruited because they had bought at least one of the specific insurance products recently, and were able to express an opinion about them, during the course of discussions some became aware of the availability of some of the other insurance products being explored. Interestingly, it emerged that in these circumstances subsets of consumers had either not heard of at least one of the remaining four products (GAP had the lowest level of understanding, but it also could apply to home emergency, gadget, personal accident) or were confused about some aspects pertaining to these other policies, even to the extent of 'not knowing what the insurance policy is for'. For example:

"I don't really know"; "I'm guessing" (views that were often expressed across this study).

"Never heard of GAP insurance!" "What is GAP insurance - does it cover you for the GAP in between buying a new car?" (non purchaser)

"What does gadget insurance cover? Does it include my household gadgets such as washing machines and TVs?" (non purchaser)

"Is home emergency when you break something?" (both purchaser and non purchaser)

Those who were unaware included some, but not all, consumers who had bought or acquired these products through 'grouping' with other products e.g. add-on to home insurance, within bank accounts but for whom these insurance policies were not a priority at that time. Whilst clearly outside the remit of this study these views can be considered to demonstrate that product understanding when consumers enter the marketplace for such insurance products may be (very) limited and may contribute to inappropriate purchases, especially for first time purchasers and those who have not claimed against their policies.

Cautionary note:

These three levels of understanding are important when examining behaviours but they may not be comprehensive, in terms of market coverage, as the recruitment criteria ruled out: consumers who were unclear about whether or not they had add-on and /or the specified insurance products, certain purchase routes for insurance products (e.g. bank account packages were excluded) and consumers who appeared, during recruitment, unable to discuss these products at a basic level.

5.2.2 Personal instigators for greater understanding

Even 'highly motivated' or more knowledgeable consumers rarely read all the small print. Those most likely to have greatest product understanding, regardless of whether they have purchased their policy as an add-on or standalone, include:

Those with a priority personal health related reason (self or family member).

Those with another priority personal reason e.g. home vacant for lengthy periods of time, old home / old heating systems or drains, travelling to particular parts of the world, children prone to demolish gadgets, conditions at work or type of work.

Those who have made a claim, in particular those who have encountered difficulties with their claims (or know someone who has).

Those who use multi channels to source and/or purchase (deferred add-on and standalone, and not immediate add-on). These consumers tend to have their own pre-purchase 'checklist' to ensure they are covered, fully or adequately, for their particular concerns. They are also more likely to check aspects of their policy when it arrives - albeit for their prioritised checklist factors only - although this is not always the case.

Those who are dedicated to getting the best deal and routinely shop around for great prices and the best 'overall deal' for themselves. They are most likely to be standalone purchasers.

Those who are predominantly standalone purchasers with, in addition, deferred add-on purchasers who often demonstrate a greater knowledge level than immediate add-on purchasers. However, as stated before, across all these groups there can be a spread in levels of knowledge - even amongst immediate add-on purchasers.

5.2.3 Limitations in understanding

It is worth noting that consumers often blamed themselves, at least initially, for failing to be thorough enough at the search and purchase stages for insurance products. However, they also considered that suppliers should shoulder some responsibility for consumer confusion whilst they continue to provide complex documentation. What is required is information, together with processes, that are transparent and consumer friendly.

Consumers do not wish to appear inadequate in making such insurance purchases. Often, for subsets, their purchase decisions have been made against narrow criteria and with limited knowledge. However when specifically questioned regarding the level, nature and verification of their understanding along side implications of any limitations in their knowledge, then some became irritated (mainly with themselves) for failing to optimise their position.

Many operate at a 'headline' understanding level, deeming that to be sufficient, unless they have cause to question matters further e.g. if they have to make a claim or a third party draws something to their attention. Limitations in consumers' understanding are the result of various factors including the following:

- (i) Consumers have other priorities rather than insurance policies including their prioritised focus on their primary purchase. Accordingly, these five insurance products can be considered secondary and generate lower levels of engagement and understanding.
- (ii) Awareness is often patchy. Consumers can be confused by what cover they have under their primary insurance policies and whether or not it includes these five specified insurance policies, for example:
 - home emergency and home insurance *"Doesn't all home insurance cover you for home emergencies - or why bother having it?" "I must have home emergency with my home insurance, that's what it's for"*.
 - travel and health/personal accident insurance *"Isn't personal accident part of travel insurance?"*
 - gadget and home insurance *"Aren't gadgets part of home insurance?"*
 - gadget insurance and warranties *"Aren't these the same thing? Or are they?"*

- GAP and their warranty for the first year of a new car *“Isn’t my car covered for anything during the first year’s warranty?”*. Note: only one in a small sample made the linkage and understood the implications, he was a standalone GAP purchaser.
- (iii) Consumers can be covered for the same thing on more than one policy unintentionally: *“I bought travel insurance with my holiday only to find that I’ve got it with the bank. Same with mobile phones and I’ve been paying £10 pcm”*. F, 70’s, Cardiff, add-on, travel insurance.
- or:
Intentionally for a variety of reasons including ‘specialist cover’, having a ‘belt and braces’ approach, having a reduced excess and protecting no claims on another policy. *“I’ve always had a separate policy (for gadgets). I know it can be included on the home insurance but I prefer a separate policy because of the hassle of going through the home insurance where you can only make two claims before you lose your no claims”*. F, 50’s, St Albans, standalone, gadget insurance.
- (iv) From the perspective of these consumers, suppliers are inclined to ‘push’ edited and positive stories that encourage interest and targeted sales. Whilst this is a common practice, consumers of these types of insurance products may be disadvantaged as a result. Consumers can be aware of this and even opine that they are not provided with a rounded picture that makes exclusions as clear as benefits. However, it is fair to state that most consumers would not want to take time out to understand policy details at point of purchase for such insurance products unless they realised their relevance and importance. Even then some, possibly many, would not bother.
- (v) Documentation provided by suppliers is an issue for several reasons including:
- It is lengthy, bulky and at least in part considered to be, or presumed to be, incomprehensible as well as ‘boring’. *“It’s a bug bear of mine, you get a big thick booklet. Why can’t they précis it? You just want to know whether you are covered without having reams and reams of paper. I’d guarantee 95% of people don’t read it all”*. F, 60’s, St Albans, standalone, home emergency insurance.
 - Use of language is extremely important in terms of ensuring clarity, simplicity and comprehension and most of these insurance documents were criticised in this regard. The very few exemplified as clear were noteworthy for their rarity and appreciated. However, even those that appeared straightforward could give rise to a false sense of security such that consumers did not take the trouble to examine all clauses in documentation that might, should occasion arise, cause problems subsequently.
 - There appear to be different practices, by suppliers, in relation to documentation and its’ presentation. An industry led perceived lack of uniformity, in terms of the basics of information, does not encourage customers to ‘get to grips’ with interpretation and understanding of their policy coverage.
 - There is a presumption by many that ‘what is supplied is, in totality, what is needed’. It was only when some set out to review their documentation during the research sessions that they realised it was inadequate or, in a very few cases, non-existent and they were unable to bring it or had to request it for the research interview! *“I didn’t get any confirmation or anything so I rang the garage for the policy - I’d expected to get something in the post. He sent me one A4 piece of paper! I said ‘is this all I get?’ I expected a policy, a guide ...”*. F, 40’s, Birmingham, add-on, GAP.

There are potential contradictions implied here as, whilst consumers want clearly expressed and simplified information, if it is too simple or edited then it risks omitting key information and/or is capable of undermining confidence.

- This became even more of an issue when linked to on-line purchases as terms and conditions were often cited as being lengthy and/or separate documents that they had to print off and/or save down and store. As a result many chose to ignore this part of the process citing that '(it's accepted) everyone ticks the box saying that they have read the Ts & C's but no-one ever does'.

(vi) Channels and methods of selling can also contribute to confusions or create impressions that may later be reappraised e.g. GAP can be assumed to be only available through a particular brand distributor and, invariably, the garage may not suggest otherwise; reliance on sales people can both expand and limit understanding.

5.2.4 Understanding regarding claims processes

Unsurprisingly those that have claims experience, especially those that have made several claims, are most likely to understand the claims process. Levels of knowledge are fashioned by experience, whether direct or indirect, of the particular requirements of an insurance product. As a result, only a vague awareness of a claims process exists until they make a claim on a particular policy. At that point they assume that there will be a telephone number that they should call.

5.2.5 Understanding versus policy reality check

Within and across this sample assumptions were made by consumers, often with a level of confidence, which was only challenged when they were asked to review their policy documentation and cover in detail and/or in comparison with some of the stimulus material (see Appendix B). The rest of this section explores this perspective in more detail.

General assumptions in terms of product understanding

The following diagram illustrates some of the general assumptions, expressed by these consumers, which might well be contested as to accuracy by industry experts. Whilst they do not apply to the whole sample, there was enough evidence of each of these assumptions across the study to make them noteworthy in terms of some consumers' attitudes and behaviours when participating in the insurance marketplace. They have been broken down by the three purchase mechanisms and demonstrate that:

- immediate add-on purchasers are more likely to make these assumptions.
- deferred add-on purchasers make slightly less assumptions than immediate add-on purchasers.
- standalone purchasers are more considered in some areas but still make a range of assumptions.

Common, general assumptions in terms of product understanding	Predominantly immediate add-on purchasers	Predominantly deferred add-on purchasers	Predominantly standalone purchasers
'What I think (pre/during purchase) & I read/heard is true &/or all I need to know' 'I don't need to read the small print as I (think I) know what's there'	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
'It's alright if I 'file' my policy or know where it is' They know they should read it but don't - just 'file' it in a drawer or leave it in email inbox	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
'Cover', 'You're covered' Means they are covered for their needs should there be a problem & need to claim - without having to check	✓ ✓ ✓	✓ ✓	✓
'The small print is too complicated, full of jargon (& 'you can't win')' Means that they believe that they will not understand all of the contents or the implications and, therefore, it is not worth even trying to get to grips with	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
'There's always a get out' & 'You can't win' Means, regardless of the above, insurance cos. will do their utmost to get out of obligations	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
'It's not worth fighting' Given the above, they assume it's not worth taking claims beyond initial enquiries or the first level of the claims process (a perception that they will not succeed)	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
'I can always cancel it later' Means that they can change their minds subsequently & still be 'in control' & not 'spend money'. The reality is that most do not cancel (forget, inertia) or do not register exactly how long they have and miss the deadline (minority).	✓ ✓ ✓	✓ ✓	✓
'What's clearly presented in the front summary sheet, is all I need to know' This is not always the case as other important points can be 'hidden' on the front sheet or on other sheets (e.g. sign & return) & exclusions are generally 'tucked away'	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓
'What's sent through is all I need' This is not always the case as some elements can require separate action to access or may be missing e.g. questionnaire (to verify for themselves or check for accuracy for insurer)	✓ ✓ ✓	✓ ✓ ✓	✓ ✓
(General) 'Medical cover' Means they are covered for the sorts of eventualities that they may encounter	✓ ✓ ✓	✓ ✓	✓
Specific 'Medical cover' Means they are covered for the sorts of eventualities that they may encounter given their personal conditions	✓ ✓	✓ ✓	✓ ✓ ✓

Dissonance between understanding and reality

At the outset most considered they had a sufficiently competent grasp of their policies to justify purchase.

However, as has been stated, during the course of these discussions a significant proportion of the sample (more add-on than standalone purchasers) reported at least some level of dissonance between their understanding of their general insurance product and the reality of their cover when they reviewed their policies and/or reviewed the stimulus material. Specific examples of this misunderstanding are outlined below (a full list of examples can be found in Appendix D):

Respondent, who after reviewing his travel insurance policy, realised that it was inadequate for his needs ... *"I got it done quick. I always thought there was no difference between one for £5 and one for £20 apart from people's different health conditions. I'm young, fit and healthy so I thought I was low risk (and so could go for the cheapest policy). I feel like this policy is a waste of time - it doesn't cover me for much. I'd look twice now and go for a higher premium". M, 20's, Birmingham, add-on, travel insurance*

"I thought I was covered for £750 for my ski equipment but now I've read the policy you only get 90% if it's less than a year old and if it's over 3 yrs old you only get 30%! Mine is 18 months old and cost £500 so I'd only get 50% back. I'm surprised". M, 30's Birmingham, add-on, travel insurance.

"I didn't realise there was a total limit on the works they would carry out of £4,000.00 - I thought it was unlimited. We've got a very old stone cottage with original York stone for

a path and patio - both of which are extensive. If we had to have it all dug up £4,000.00 would never cover the cost of replacing it". F, 50's, Manchester, add-on, home emergency

There were many reasons for this dissonance some of which overlap with, or expand on, the limitations covered above. They include:

Procrastination: many consumers know they should check their policy documents but almost all claim they do not have the time or motivation to do so. As stated earlier, documentation is frequently filed away without being opened or left in an electronic folder on their computer. Such checks as are made are invariably cursory unless there is a particular and/or personal reason for so doing.

"I'm quite laid back. I know I should read the small print but I expect if I ended up in hospital I'd be covered". M, 30's, Birmingham, add-on, travel insurance

Information at point of sale: many rely on the information provided at point of sale and this provides the basis of their understanding. The relevance and comprehensiveness of such information is variable but, given the nature of point of sale communication, it is considered prone to simplicity and a positive bias.

Price: when the add-on insurance is considered to be relatively cheap or inexpensive and decisions can be made rapidly as these consumers do not think that it is worthwhile to take time and effort exploring other options, or even finding out whether there are other options open to them.

Presentation of information: for most the policy documentation appears too daunting, long, complex and difficult to understand in a manageable timeframe or format. Importantly these documents feature benefits and, consumers perceive, do not ensure that exclusions are given equal weighting - as a result exclusions can be easy to miss or consumers can fail to identify or understand potential pitfalls that relate to them. Within this arena, a variety of assumptions are made: typically involving what is covered - rarely what is not; what, if anything, they have to do (their default position is often to do nothing); that no preparation is needed in case they have to make a claim e.g. that they will need proof of purchase if a gadget is stolen. Many of these assumptions were called into question when they reviewed the stimulus material and/or their own policy (see pages 32 - 36 below).

Some mis-match between what consumers believe they were told they were covered for and what they subsequently found out.

This is illustrated by the following examples:

- one consumer who thought (was convinced!) that her GAP insurance covered the finance payments in the event of her losing her job but when she checked her policy found no reference to this;
- a consumer who thought that her GAP insurance protected the future value of her car i.e. that the value of the car, when sold, would be protected and she would be able to get her money back(!). In fact upon examination of her paperwork (with her husband following the group discussion) the dealership was (in her words) 'bundling' GAP with paint protection and eliding the same or similar phraseology and arguments for each. Therefore she realised that her understanding was incorrect.

5.2.6 Conclusions - Product understanding

A central component in shaping consumers' behaviours is their level of product understanding. The study sets out three broad levels of understanding, 'vague', 'general' and 'higher', and shows that the better the level of understanding the less likely it is that consumers are disadvantaged regardless of whether they were standalone or add-on purchasers.

Nevertheless, there are limitations and differences across the sample in terms of their understanding. Consumers may presume that their understanding is better than it is at the outset. Too often it emerged, after time, their product understanding is inadequate such that misunderstandings and confusions can arise as a result. These confusions can lead to a disadvantage. Overall, standalone purchasing appears to lead to greater clarity and higher levels of understanding than add-on purchasing, particularly immediate add-on purchasing.

However, none of the purchasers in this sample demonstrated a full and accurate understanding of their policy. Only a minority were well-versed on the key details regarding their coverage, such that they were reasonably comfortable with their cover following a review of their policies, but even these could find flaws in their assumptions or areas that they thought advisable to verify or action before purchasing again.

6. CONSUMERS' JOURNEYS

The next chapters follow the outline of consumers' journeys, as follows:

- Search activity: pre purchase shopping around
- Experiences whilst purchasing insurance products
- Consumers' post purchase appraisals

This structure follows a natural course of consumers' behaviours and takes account of relevant attitudes and influencing factors.

6.1 CONSUMERS' SEARCH ACTIVITY: PRE-PURCHASE SHOPPING AROUND

6.1.1 Primary purchases are prioritised over the five insurance products

It is important to set the scene and re-state that for most consumers the primary product purchase dominates consumers' time, commitment and expenditure over purchases of these general insurance policies. This applies most when they are both purchased together within a contained timeframe (a timeframe that centres around the 'same decision' trigger) and/or when they are closely linked or aligned in the minds of consumers, e.g. holiday and travel insurance, such that the additional general insurance policy is clearly perceived as subordinate to the primary product. Typically this applies to immediate add-on purchases but it may also apply to some deferred add-on and, to a lesser extent, standalone purchases. If these connections (time and product or concept alignment) are limited or tenuous, which is more likely with some standalone and some deferred add-on purchases, then the primary products' direct influence, and any associated sales pressures, have less effect and relatively more time and effort may be spent by consumers on their search activity.

There is considerable evidence of primary purchases directly influencing many of these insurance purchases in terms of propensity to purchase the policy, from whatever source, and particularly when purchased as an add-on. This is most apparent with GAP policies where there is a heightened alignment between the primary product and the insurance policy along with emotional protectiveness, high cost and vulnerabilities associated with the primary product - their 'new car'. For GAP there is least evidence of shopping around. In contrast there is the greatest apparent flexibility with purchases of travel insurance where it is recognised that shopping around is relatively easy to undertake and different providers can be assessed more readily.

Personal accident is an anomaly insofar as, in most consumers' minds, it is not clearly aligned to any primary product (i.e. another insurance product or financial product) but to the individual concerned covered by the policy, namely themselves. As such some of these dynamics change or are weakened but leverage can still be exerted through a primary product across pre-existing relationships that encourage insurance product purchase. For personal accident there is also a greater inclination on the part of the consumer to go with a reputable company that they can trust and develop a long term commitment, hence there is often a more thoughtful approach to their searches.

In contrast, there was very little evidence of the reverse occurring with these insurance policy purchases substantially influencing primary purchases, including in relation to price. Nevertheless, there were a very few exceptions to this position wherein such insurance policies exerted considerable influence on shopping around and decision making. For example:

- Some consumers who have health conditions and/or are ‘older’ and are shopping for travel insurance can find their insurance policy choices are so limited that it can influence decisions regarding both their insurance and even their main purchase of a holiday. Two examples emerged in this study: one where an elderly lady apparently did not travel to a family event abroad because of the cost of her insurance and the other where someone had a partner who had severe health conditions which meant that they stayed in the UK for their holidays, again because of restrictions and costs of travel insurance.
- Some consumers whose homes contained old boilers wanted to link home emergency insurance, including boilers, to their home insurance. A few who fitted into this scenario claimed that their choice of home insurance policy was curtailed because older boilers were often excluded from such policies. In such cases they would be more inclined to shop around for ‘any cover’, preferably the right cover and/or for a cheaper option.

6.1.2 Influencers

There is a heavy reliance on the internet as a general source of information and for price comparisons (through comparison websites). The internet is also recognised as cheaper on some occasions leading many people to source on the internet at the outset, verify aspects or their understanding on the phone, or face to face, and then revert to the internet to purchase at the lower price or try to price match over the phone or face to face.

‘Groupings’ of products or services (consumers may refer to these as ‘bundles’) can also dominate and influence consumers’ behaviour and, as a result, curtail shopping around:

- grouping which includes the primary product and the add-on insurance product is integral part of the ‘deal’, e.g. car and GAP Insurance; ‘gadget’ and gadget insurance, and may or may not include other services or policies.
- grouping by utility providers and other providers
- packaged bank accounts in relation to travel, personal accident, home emergency and gadget add-on policies. Note: whilst packaged bank accounts (PBAs) were outside the scope of this study, additional insurance products acquired or purchased as part of these have featured throughout as consumers have spontaneously talked about them. They are frequently cited as being the reason why consumers have not considered separate add-on or standalone insurance purchases.

6.1.3 Predilection to limit shopping around for these insurance products

Many of these consumers think, or claim, they shop around at least a little across these general insurance products, with GAP being the main exception. Those who are most proactive in their search activities are standalone purchasers and, to a lesser extent, deferred add-on purchasers. Immediate add-on purchasers are the least likely to shop around, unless they have done so previously.

Awareness

A lack of awareness and/or knowledge limitations can influence consumers' propensity to shop around. There was some evidence of 'no awareness of add-on' prior to purchasing certain primary products, in particular GAP insurance but also mentioned in this regard were home emergency insurance and gadget insurance and, to a lesser extent, personal accident insurance.

"I didn't realise that you could buy GAP insurance outside the garage. I thought it was connected to the garage." F, 50's, St Albans, initially GAP but actually purchased it as standalone.

Note: The consumer had been offered GAP as an add-on product when buying her car but was in a rush at the time and so deferred the decision thinking 'I'll do something about that later'. Time was running out to get back to the garage and so she searched online and, to her surprise, she obtained a much better quote than the one from her garage and so purchased it as a standalone product. Up until that point she had not realised that GAP insurance was either available separately or on line.

Repeat purchases and loyalty

Many within the sample had purchased their insurance products on several occasions. They had, therefore, had the opportunity to shop around on previous occasions and these earlier evaluations influenced current behaviours.

Those insurance products most likely to be frequently repeat purchased were: home emergency, personal accident and travel. Of these there was a greater predilection to be loyal to the provider of personal accident insurance (note: the sample was too small to conclude on incidence as well as to why this appeared to be the case but indications are that it is a personal and sensitive product and there may be an underlying assumption that continuity is part of 'the deal') and, to a lesser extent, home emergency - particularly if the latter was tied into a utility provider and linked to services such as an annual boiler service (again a small sample but there are indications that this is because of convenience or reassurance 'they know my boiler and /or put my boiler in').

Time limited

There is a finite amount of time consumers are prepared to invest in shopping around for insurance which will vary depending on the individual, their circumstances, the product and their priorities. The nature and extent of information sought also varies as does their underlying need to make a decision based on 'feeling sufficiently informed and in control' which, in turn, may take more or less time depending on their preferences.

The amount of time accorded to shopping for these insurance products varies from a matter of seconds through to hours or even longer. It is generally (much) less than the time spent on the primary product. This appears to be a result of:

- Mixed awareness of the ability to shop around for these products (until prompted), especially for add-on
- Search activity is curtailed based on the relative unimportance of these GI products e.g. *"I spend a long time on my home insurance for my £200k house; but for £1k of gadgets it's not worth spending so much time."* M, 30's, B, standalone, gadget insurance
- Cost of these insurance products *"it's only a few pounds, a couple of pounds or so."* F, 40's, C1, add-on, gadget insurance

Within this framework time attributed to shopping around for insurance policies can be elastic and varies by product, channel and mechanism:

- Some do not shop around at all
- Some think they shop around at least a little
- Many think they shop around ‘at least enough’ (definitions of this can span across: a little, a reasonable amount, a lot)
- A few think they shop around ‘a lot’

When is ‘enough enough’ in terms of shopping around?

- When boredom sets in
- When the price differential between options is ‘very little’ such that consumers judge it is not worth progressing further
- When they have looked at, however briefly, the ‘top 2 - 5’ options on one or two comparisons sites
- When an existing policy has been compared with two or three alternatives
- When the price ‘seems right’ / ‘affordable’ / ‘acceptable’ / ‘too low to warrant further investigation’
- When their main criteria appear to be met
- When something is (very) cheap relative to other comparisons e.g. iphone insurance at £x pcm versus gadget insurance at £y per month, ‘it’s only two cups of coffee’
- When they feel they are getting ‘a good deal’ with either the primary product or insurance product

“When I’ve had enough of sitting at the computer and I get frustrated. After I’ve been on some comparisons sites. After about 1 hour. As long as I feel I’ve made a reasonable saving”. F, 60’s, St Albans, standalone, home emergency insurance

“When I’ve found what I want. I’ve been known to sit on the computer until 5am to get the policy with the right cover, the right excess at the right price”. F, 50’s, St Albans, standalone, home emergency insurance

“Three is enough. Travel insurance is not a massive premium. I went with the cheapest. I called each of the three and spent around 10 minutes speaking to each so I think that’s enough”. M, 20’s, St Albans, standalone, travel insurance

Inactivity or inertia

Several factors contributed to consumers’ lack of activity, a prevalence of inertia amongst subsets. These include:

- Consumers hope that they will not have to claim, and so are disinclined to put (too) much effort into the search.
- There is an underlying mistrust of insurance in general, namely that it will not payout if they claim and/or the insurance company will try to get out of the claim, such that there is less justification to search. This view was most often expressed by those consumers who have had a bad experience in making a claim in the past - regardless of the type of insurance policy (whether primary or not).
- All insurance companies are the same (cf: previous point), so ‘why bother’?

- It is too time consuming, overwhelming, ‘boring’ and difficult to compare products. As a result some claim that they don’t shop around much or at all and cite various reasons. For example:
 - There is ‘no need’, for whatever reason
 - Someone else has done it on their behalf (or for themselves and then recommended)
 - The price is acceptable
 - The price is cheap
 - The price is low, so it’s not worth it
 - They are happy with their cover and have put in sufficient shopping around time and effort on previous occasions and so do not see the need to do any more this time
 - They consciously or subconsciously understate what they’ve done

- There appears to be no user friendly shorthand into the main points of a policy which elides into small print such that they can readily comprehend all the relevant points. As a reader they frequently ask: ‘Is small print necessary?’ Certainly, ‘so much of it?’

- They lead busy lives, are short of time and, for some consumers, these products are ‘not that important’. *“I have personal accident insurance for £10 a month. It’s a daft little thing I bought years ago because a guy at work chopped his finger off. I’ve had it for over 10 years and I keep meaning to cancel it but I can’t find the paperwork”.* M, 50’s, Manchester, standalone, personal accident insurance.

6.1.4 Pre purchase stage by understanding and behaviours

The following diagram starts to set out behaviours at the pre-purchase stage by the three levels of understanding, cited in the 'Product Understanding' section, and explores these by typical type of purchase mechanism.

Levels of understanding: relationships to behaviours

3 broad consumer groupings based on their level of specific product understanding pre purchase journey		
HIGHER levels of understanding	GENERAL level of understanding that sufficed	LOW TO NON EXISTENT level of understanding
<i>Mainly: current or past standalone</i>	<i>Mixed: standalone & add-on</i>	<i>Mainly: add-on</i>
<u>Past experience</u> <ul style="list-style-type: none"> Some sourcing & purchasing same / similar product, which can have been extensive May have made a claim 	<u>Past experience</u> <ul style="list-style-type: none"> Mixed from very experienced to limited past experience 	<u>Past experience</u> <ul style="list-style-type: none"> From limited experience to non existent past experience Experience can be both direct or indirect
<u>Awareness</u> <ul style="list-style-type: none"> The most aware of competitive products in detail In the main, also aware they can shop around but not always (esp. gap) 	<u>Awareness</u> <ul style="list-style-type: none"> Awareness contained. Often based on quick reviews of comparative sites or revisiting past suppliers 	<u>Awareness</u> <ul style="list-style-type: none"> Most likely to be unaware of the product, or have thought about it, prior to POP selling Any awareness tends to be based on cursory information
<u>Knowledge</u> <ul style="list-style-type: none"> Whilst levels of knowledge vary, they start their journey by being (far) better informed Even so, they are not always correct in their facts or assumptions They tend to have more confidence, & competence, framing & pursuing enquiries 	<u>Knowledge</u> <ul style="list-style-type: none"> Very mixed and patchy - capable of being both accurate and inaccurate in their facts or assumptions. Less involvement in the add-on insurance product at the outset but this can change during the purchase experience 	<u>Knowledge</u> <ul style="list-style-type: none"> Little or no knowledge pre purchase and, as they can be repeat purchasers, this lack of knowledge and/or engagement can continue More susceptible to emotional or fear led framing to 'jolt' them into considering buying More likely to reach a quick conclusion
<u>Nature of information seeking</u> <ul style="list-style-type: none"> Often very specific in terms of benefits, cover, price. Can be very price/value driven. Most aware of quality/cover differences & prepared to spend more for cover that suits 	<u>Nature of information seeking</u> <ul style="list-style-type: none"> Variable but tends to be limited, even when some think that they are being thorough Tend to focus on few general aspects or notions & the most vulnerable to 'vague promises' by supplier or own assumptions 	<u>Nature of information seeking</u> <ul style="list-style-type: none"> If unaware of product then no information sought beforehand If awareness limited then: <ul style="list-style-type: none"> may establish a few 'facts' or reasons why they should consider such additional insurance or look extensively to ensure they're informed (v few)
<u>Propensity to shop around</u> <ul style="list-style-type: none"> Greatest propensity to shop around if situation warrants or they are so inclined May be so knowledgeable or sure of their position/supplier they hardly shop around 	<u>Propensity to shop around</u> <ul style="list-style-type: none"> Variable but tends to be contained, even when some think that they are being thorough e.g. one price comparison site, looking at the top 3 - 5 briefly = 'a good search' 	<u>Propensity to shop around</u> <ul style="list-style-type: none"> As low level of understanding tends to span: <ul style="list-style-type: none"> those who don't shop around much or at all; 'no need'; 'not aware' those who shop around 'a lot' as they're unfamiliar with the market / products
<u>Intention to buy</u> <ul style="list-style-type: none"> Higher levels of intention to buy often linked to a specific need or predilection Some very disinclined to buy, often based on: changing circumstances / past experiences / claims 	<u>Intention to buy</u> <ul style="list-style-type: none"> Varied levels from committed to casual. Selective, can be illogical, behaviour. Some disinclined to buy & consider advantages (if any) 	<u>Intention to buy</u> <ul style="list-style-type: none"> Pre purchase most have little or no intention to buy a few clearly intend to buy, often those given a 'reason to buy' from someone they trust

6.1.5 Shopping around by purchase mechanism

Add-on purchasers demonstrate mixed behaviours in relation to shopping around. Whilst this was not a quantitative study, it is fair to state that many within this sample said they did not shop around and a reasonable sub cell of these also stated that it did not occur to them to shop around. There is a distinction between immediate add-on and deferred add-on purchasers, in this regard, with deferred add-on purchasers relatively more likely to shop around. In contrast standalone purchasers are more likely to shop around with hardly any saying it did not occur to them not to shop around.

Awareness of the ability to shop around appears to be an issue for add-on purchasers but is, self evidently, not an issue for standalone purchasers. Awareness of shopping around by product is lowest for purchasers of GAP, and to a degree, gadget insurance policies but highest for travel insurance.

Delving a little further into the shopping around part of their journey, the chart below

shows the main differences when considering add-on purchasers as a group (immediate and deferred) and contrasts these with some standalone purchasers. It demonstrate that add-on purchasers are more limited in terms of the time taken shopping around, the number of quotes they obtain and considering going elsewhere than standalone purchasers who take more time and make more of an effort.

Shopping around: Further insights

	ADD-ON <i>Note: small, qualitative sample base</i>	STANDALONE <i>Note: small, qualitative sample base</i>
Time taken sourcing / shopping →	Very limited investment 'none' through to 'predominantly' 'a few minutes / under 15 minutes'	Invest in & spend more time than add-on Almost all invested 30 mins + Around half invested 1 - 3 hours
Number of quotes →	Most of these immediate add-on purchasers did not obtain any other quotes. Of those who did the majority obtained one or two quotes, including one comparison site. A minority of deferred add-on purchasers sought 3 - 4 quotes. Whilst some deferred add-on purchasers sought more quotes many still did not obtain other quotes.	Nearly all obtained competitive quotes (only 1 respondent did not). Comparison sites, in isolation, featured heavily for some. Brokers were also used by a subset. Some sought 3+ competitive quotes
Consider going elsewhere? →	The majority of immediate add-on purchasers did not consider going elsewhere. Whilst most deferred add-on purchasers did not - some did consider going elsewhere.	The majority considered going elsewhere. A minority did not.

Whether they considered going elsewhere is influenced by whether, or not, they were aware of alternatives and, if so, considered them to be viable, and/or convenient. Consumers were also influenced by the product and channel involved. Primary products that were brand led (e.g. 'X' car brand) or retailer led (e.g. 'Y' retail chain) were the least likely to precipitate comparisons, as was GAP insurance. This contrasts with more generic products such as 'my boiler' that did not readily generate similar type of emotions or loyalty. Other factors also come into play when considering the existence of or validity of alternatives such as trust and/or a recognised specialism in the insurance company (e.g. personal accident is often heavily influenced by interest groups or professions such as horse riding, golfing, roofer, window cleaner etc.).

6.1.6 Barriers and enablers to shopping around

Consumers often state that shopping around for these insurance products can be: time consuming, complex, overwhelming, difficult to compare and boring. They may be discouraged by the factors identified under 'barriers' below.

Barriers: *'Too difficult or expensive or not sufficiently relevant'*

Sales situations, for example:

- Part of and/or dominated by their primary decision
- A sense of being 'forced' into a decision on the spot, and informed:
 - it's a great deal
 - a deal that's only available *now*
 - it's part of their primary purchase decision
- 'Grouping' of products/services such that they cannot readily disentangle the add-on insurance or it is presented within a group as, effectively, 'free' in their minds.

Information:

- When there are perceived to be difficulties in making direct comparisons
- When there is perceived to be a paucity of information/knowledge

Process elements:

- If there are premium rate numbers e.g. 0845
- If there are automated services and/or lengthy processes to get through to a person
- When there are non UK call centres and/or poor speakers of English

Own reluctance:

- If they are unaware of competitors, or uncertain regarding whether and how to interact with them (especially GAP)
- Inertia (see section on inertia page 41)

However, they may also be encouraged in their search activities by the enablers such as those outlined below:

Enablers: *'Fits my needs'*

Sales situations:

- When they encounter sales people who are helpful and friendly
- When they deem any part of their interaction to be 'useful', 'appropriate'

Information:

- Especially the internet, with the site most mentioned being: Google, comparative sites, Martin Lewis (the latter site is mentioned frequently)
- Media reviews or leaflets, including leaflets through the post or in the press
- There is a heavy reliance on word of mouth recommendations: family/friends/peers

Processes that facilitate:

- If the process is considered to be: 'easy': access, to use, complete) 'on my
- If the process is considered: informative, especially if tailored) side'

Should consumers be more proactive and, therefore, better informed?

Consumers often use a series of short cuts to speed up the purchase process. As has been stated previously, they may not shop around much, or at all, but still may believe that they have 'done enough' to determine whether the product is right for them and make a valid decision.

It is worth noting that by the end of this research, when they had spent some time considering the subject matter and gaining more information from other participants as well as the stimulus material and a subset had reviewed their policies, many opined that they should have known more and asked more when searching and buying such insurance products. They concluded that if they had done more it would have better served their needs or circumstances. Indeed, most stated that the FCA's descriptions provided for the stimulus material (see Appendix B) began to set out a good template that, had they had something similar as a reference document, would have greatly assisted them in their searches and decision making at point of purchase.

Conclusions: Search activity

Primary purchases are clearly capable of influencing shopping around activities and mindsets. In contrast, there is little evidence of add-on insurance policies in general influencing primary product purchase decisions.

Brand loyalties for the primary product or insurance company also play a part in how much, or how little, consumers are prepared to shop around.

In general, consumers are disinclined to shop around more than they consider necessary for add-on insurance products. Inertia is prevalent. However, their definitions of when 'enough is enough' vary and some will spend a considerable amount of time and effort to ensure that they get 'a good deal'. Standalone purchasers tend to spend more time shopping around, and know that they can shop around, than add-on purchasers especially immediate add-on purchasers.

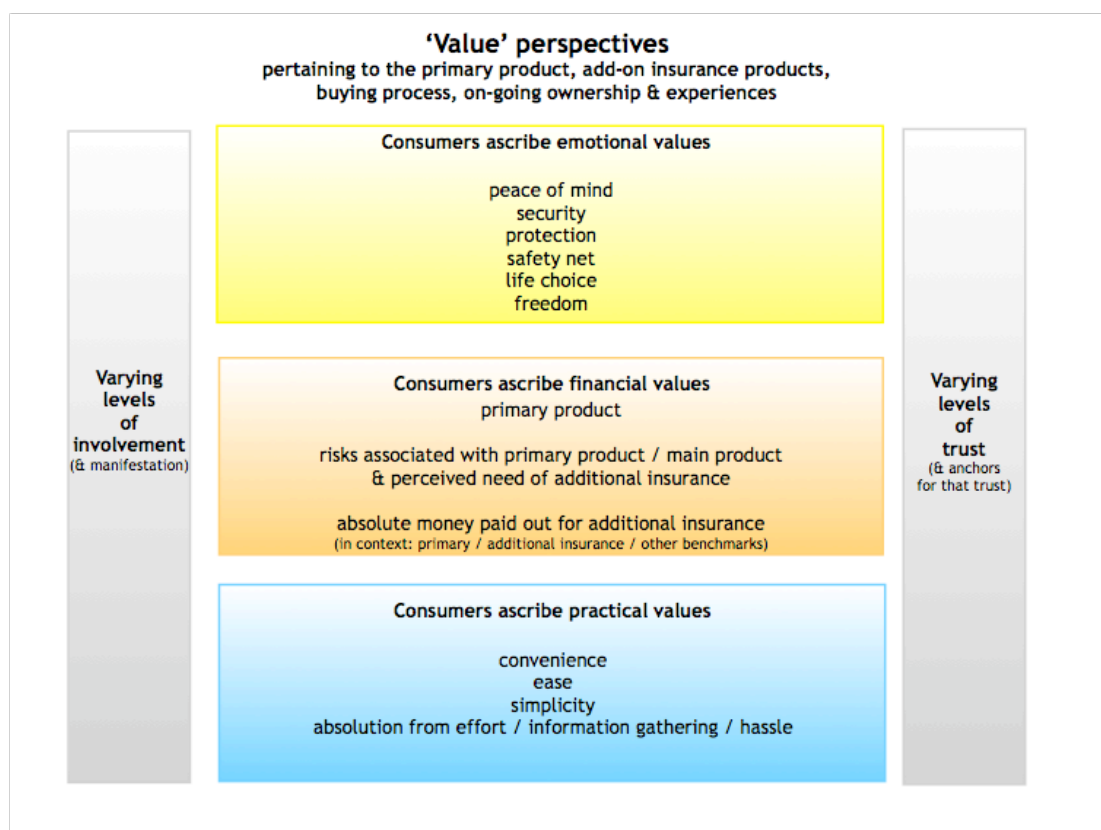
By the end of this research, when time had been spent discussing purchasing attitudes and behaviours and information shared, almost all determined that they could, and should, have been better informed and this was most apparent amongst add-on purchasers.

6.2. CONSUMERS' POINT OF SALE EXPERIENCES WHILE PURCHASING ADD-ON INSURANCE

6.2.1 'Value perspectives' - What consumers bring to and want from insurance products:

Consumers, consciously and subconsciously, ascribe their own set of 'values', or points to consider or prioritise, to aspects of their insurance purchasing which, in turn, create decision making factors that influence whether or not to buy a product at point of purchase. For the purposes of assessing consumer behaviours in this study the values that emerged were grouped into emotional, financial and practical values with further amplification of each outlined in the chart below. These demand side decision making factors are also influenced by a consumers' involvement in a particular insurance market and their level of trust and interest in the supply side alternatives in their consideration set.

This can be summed up in the diagram below:



6.2.2 How consumers assess the suitability of an insurance product to their needs at Point of Purchase (POP)

This is a complex and variable subject. Whilst a general consumer needs analysis was outside the scope of this study and 'context setting' was excluded from discussions in order to focus on consumers' actual experiences during their purchase journey, it did consider these consumers' overall understanding of these five products in terms of their suitability for their needs. The following summarises findings in this regard.

Consumers' Needs:

- Range from very considered through to spontaneous or prompted by a third party or supplier. These are covered in greater detail in the later 'sales situation' section which sets out three needs states (Apparent; Latent / nascent; No need apparent).
- Include concepts of: risk, importance, protection, peace of mind. These are perspectives that consumers cite as fundamental and use to justify their actions and purchase decisions as in 'the risk is too great for me or my family'; 'I need the peace of mind that having this product brings to me'; 'it's all about providing protection' etc..
- Are heavily influenced by or circumscribed by an individual consumers': circumstances, priorities, past experiences (direct and indirect) and projected needs. Clearly, these are many and varied depending on each individual. For example:
 - their circumstances and lifestage may mean that they need home emergency cover now when, in the past, they were able to deal with emergencies themselves or had access to people or services that could solve that problem;
 - they may have had cheaper cars in the past but have now bought a more expensive car and their priorities have changed leading them to buy GAP insurance
 - changing health conditions or increasing age may mean that they will need a different type of travel insurance
- Particular criteria that they believe to be relevant and important. These may appear substantive or relatively small but are, nonetheless, influential in triggering purchases. For example: local drainage systems may mean that it's important to one householder to have home emergency cover in case of leaking pipes.

How consumers' assess the suitability of an insurance product

Consumers assess the suitability of these insurance products in many ways, including:

- Through their own assessments of:
 - cost: often at an absolute level of pounds spent per stated period, e.g. per month, but also at a relative or comparative level e.g. 'it equates to two cups of coffee a month'.
 - cover: most will have a notion of one or two particular general or specific aspects of cover that they require and may not investigate further once satisfied that these are included.
 - benefits: these may encompass any of the emotional, financial or practical values outlined above.
- Within a fairly narrow framework, for example:
 - their level of knowledge and understanding of market and specific product (pre purchase and at point of purchase).
 - speed and convenience: prefer to complete everything relatively quickly and easily.
 - involvement: consumers' involvement in these insurance products tends to be low level; they predominantly operate at a (very) superficial level unless there are personal reasons to increase their involvement in which case it can become a more important and focused decision.
 - limited or deflected responsibility: there is an inclination to 'take a lot on trust' across channels but especially with personal contact.
 - casualness and/or laziness: many 'don't think to' or 'bother to dig' into the subject matter beyond the 'obvious' for them, unless for a specific requirement.

- selectivity: propensity to be selective about the few aspects that are necessary, which may or may not be related to the insurance product, and tend to ignore the rest unless they are helped or realise the advantages of so doing.

Most importantly, at the point of purchase, they admit to hearing or looking out for key words of reassurance and of 'comfort' - which they acknowledge can be very vague e.g. 'covered', 'gives you peace of mind', 'protected', 'no need to worry any more', 'whatever happens ...'. They are also alert to financial triggers, for example if the payout appears to be for a significant sum of money for example 'hundreds or thousands of pounds' or, in the case of some medical travel policies, 'millions of pounds', then it is considered 'good', able to cover all their needs, generally without reflection or much understanding the context or detail.

In spite of a limited grasp of detail most of the consumers in this sample elected to believe that they bought adequate cover at a good or fair price - one that suited them at the time - otherwise why make the purchase?

6.2.3 Consumers' rationale for purchasing these insurance products

Unsurprisingly given the diversity of the sample base and the five insurance products their reasons for purchasing these products and making decisions at POP were many and varied. The following summarises various reasons cited and provides supporting quotes, although the quotes may apply to more than one reason. The reasons have been grouped into six sections:

- Risk assessment and ameliorating risk
- Importance of price
- Value ascribed to insurance product
- Their own situational circumstances
- Sales
- Their personal orientation or beliefs

Note: These are not in priority order.

The following takes the above and examples each by way of context and quotes.

Risk assessment and ameliorating risk

Feelings of security, peace of mind, to protect investment/family

"To give me a feeling of security because I'm very conscious that I'm on my own so it's down to me. Also because my boiler is 17 years old it could go wrong". F, 60's, St Albans, standalone, home emergency Insurance

"I took it (personal accident insurance) when my children were very young. It just came through the door and I read it and started to think that it would be useful for them to have in case anything happened to me. The monthly cost was very low and I thought a lump sum for them would be very nice". F, 40's, Cardiff, standalone, personal accident

"I'm on my own. My husband died some time ago and I do not have any children. Also I'm self employed so I do not receive any sick pay. Therefore if anything happened I'd be a burden on my friends". F, 50's, Cardiff, standalone, personal accident insurance

“Means I don’t have to worry. One of the big risks is that the kids will have the items stolen from them when they are out and about so it’s a safety reason really”. F, 20’s, Cardiff, add-on, gadget insurance

(High) Risk otherwise

“Risk featured very highly in making the decision. My son is a young, fast driver and I was concerned he’d have an accident so the GAP insurance felt like a cushion and reduced the risk”. F, 40’s, Birmingham, add-on, GAP insurance

“I always have GAP insurance because my previous car was written off”. F, 40’s, Birmingham, add-on, GAP insurance

Respondent has his own contracting firm cleaning windows: “Because of my job, I work at heights, I’ve got to protect myself because I’ve got a wife, family, mortgage and bills. I rang a couple of mainstream companies but they didn’t want to know because of my job. One of them gave me a ridiculous quote and the other said if you work at heights above 15 metres we won’t cover you! I ended up with a company that I used to use when I was playing sport ... they specialise in at risk people.” M, 50’s, Manchester, standalone, personal accident insurance.

Importance of price

Price / value: ascribed to primary product &/or ascribed to the insurance product

“The Apple Mac machines are quite expensive so I thought it was worth having”. M, 50’s, Birmingham, add-on, gadget insurance

“The Sat Nav cost £600, which is a lot of money and these things are targeted by thieves”. M, 30’s, Birmingham, standalone, gadget insurance

“The car was £18,000 and so the £680 for the GAP insurance made total sense”. F, 40’s, Manchester, add-on, GAP insurance

Price is ‘insignificant’ so the cost of the insurance is considered relatively trivial

“I took a second home emergency policy out to cover the supply pipes because I’ve just had my drive done and if it had to be dug up it would be very expensive. It was only 99p per month for a year so....”. M, 60’s, Birmingham, standalone, home emergency insurance

“It was only about £6/7 a month (gadget insurance)... the price of a couple of cups of coffee”. F, 30’s St Albans, add-on, gadget insurance

It is worth noting that consumers, particularly immediate add-on purchasers, are not always clear in terms of when, how and, importantly, if they can get lower prices than those paid. Often it does not occur to them to think about getting other quotes or exploring other cover options. A consumers’ knowledge level is often framed, or anchored, to a price or value reference point that makes sense to them. For example: Monthly payments that are considered (easily / readily / acceptably) affordable e.g. a monthly policy that is similar to a few cups of coffee and so on. Whilst some people will consider the annual payment that they will incur, most do not and can be surprised when they work out an annual charge as it can be more than they thought. This became more of an issue if they thought about it over a few years; particularly if, relatively, it then appeared expensive in relation to the primary item or perceived value of that insurance policy.

'Deals': price/part of package/special offer

"My personal accident insurance is part of my car insurance through 'X'. The instigator was they were offering the first three months free. I had no intention of getting it initially and then when they said 'the first three months are free' I thought 'why not?' I've just left it rolling on. It's not much per month. I thought I'd cancel it after the three months ... but I don't mind the amount is not large". M, 30's, London, add-on, personal accident insurance

"The dealer said he could give me £200 off the car, or GAP insurance worth £399 over three years. I decided to take the GAP". F, 60's, St Albans, add-on, GAP insurance

"I normally say 'no' to extra insurance because you get a guarantee. I didn't want to take the insurance but then he said I'd get three months free. I said 'no' again and then he offered me £30 off the computer and it was only £8 a month. He also said we could cancel it in the first six weeks". F, 40's St Albans, add-on, gadget insurance

Value ascribed to insurance product e.g. cover

'Trade off' between cost of insurance and greater costs incurred if an accident happens

"(It's) In case of emergencies. I've got the European Health card for the basics, but if I broke my arm I need cover. I never go abroad without travel insurance, you hear so many stories with problems". M, 60's, Cardiff, add-on, travel insurance

"I've never claimed once and if I could get away with it I'd probably not buy it. But if you need it it's priceless. If you needed to stay in hospital for two weeks you're talking a lot of money. A major part of travel insurance is covering your medical issues". F, 40's, Cardiff, add-on, travel insurance

A personal imperative

"Because we have a disabled person in the house it's really important to make sure that all of our facilities stay working". M, 50's, London, add-on, home emergency insurance

Their own situational circumstances

Past experience of problems with primary product heightens awareness

"I was stuck abroad a couple of years ago when that volcanic ash cloud happened. At the time we didn't know what would happen. Fortunately it was all paid for by Thomas Cook at the time". M, 20's, Birmingham, standalone, travel insurance

"My previous car was written off, so I got GAP insurance with the new one - thank God because it was stolen!" F, 40's, Birmingham, add-on, GAP insurance

"I was very ill when I was on holiday in New Zealand 8 years ago. I was reimbursed the full amount no quibbling, they were very good". M, 60's, Birmingham, travel insurance

They are ‘told’ or ‘advised’ to by family/friends

“I asked around at work when I was buying my new car and the subject of GAP insurance came up. One of the girls said you must make sure, if you do buy a new car, you get GAP insurance”. F, 50’s, St Albans, standalone, GAP insurance

Personal circumstances e.g. poor health/ongoing conditions

“I live alone and if things need sorting out I need them done quickly. My drains have been blocked twice and now I can just pick up the ‘phone and get on with my business”. F, 70’s, Cardiff, add-on, home emergency insurance

“I had to get personal accident insurance because I have just set up a small company and will have responsibility for employees, so I need the protection”. F, 50’s, Cardiff, standalone, personal accident insurance

Sales experience

Sales experience in terms of facilitation or blockages e.g. encouraged, helped, pressured

“I was happy and content, I was going on holiday. I got a good deal on the holiday, the travel agent seemed really fair and gave me a good service. I felt I came away with good insurance. She (Travel Agent) put a lot of effort in and got me a good deal. I trust her because she booked our New York holiday, and we had a lovely time, so I’m pretty sure she’ll do a good job for me. She spent so much time, got me a lovely deal, spend a lot of time helping me. She’ll do the best for me”. F, 40’s Birmingham, add-on, travel insurance.

“It was a new car that I bought on finance because of my financial circumstances at the time. I’d not heard of it (GAP insurance) until he mentioned it. I didn’t feel pressured - I felt helped. I had trust in the salesman - I used that garage for servicing and he didn’t pressure me - just mentioned it and explained it”. F, 70’s, Cardiff, add-on, GAP insurance

“I was sold it at the till. The affordability of losing it (gadget) worried me. They harangued me - it was sold to me versus me buying it”. F, 50’s, Cardiff, add-on, gadget insurance

(a précis) “The garage sorted out the finance and more or less insisted on the GAP insurance as part of the deal. I really didn’t care about it. I felt it was something I had to do as part of the agreement as he kept throwing it in.The whole process was constant pushing and pushing. I felt pressured to have it. He was playing on everything. He was a very good salesman. I remember the thing that clinched it was he (car salesman) said that if either of us were taken ill and could not work the insurance could cover our payments for 6 months. That influenced me because my husband is self employed and I go into a panic if we can’t pay our bills!” F, 40’s, St Albans (Notes: on reviewing her policy after the research session, as agreed with the moderator, she could not find any reference to cover relating to sickness or unemployment), add-on, GAP insurance

“I bought it (GAP insurance) when I bought the car. They talked me into it - in case of anything going wrong. I didn’t look around because my daughter works for the company and we always buy our cars there ... they’re like friends”. M, 50’s, Cardiff, add-on, GAP insurance

“The girl wasn’t very helpful. She didn’t really understand what I was getting... I wanted to know what I was covered for and she said ‘an emergency’. I asked ‘what constitutes an emergency?’ but I don’t think she knew, she got quite belligerent. I felt irritated. She blustered a lot. She gave me conflicting information she didn’t say whether or not I was covered”. F, 60’s, St Albans, standalone, home emergency insurance

Reassurance and reputation of provider

“Quality is important so I’d rather deal with someone I’ve used before and am comfortable with. As long as the questions I have are answered I’d rather deal with someone I have a personal connection with”. F, 50’s, Cardiff, standalone, personal accident insurance

“I don’t think you can go wrong if you go with a big company like ‘X’ or ‘Y’”. F, 40’s Birmingham, add-on, travel insurance.

‘Serendipity’ or ‘by chance in a happy or beneficial way’

“They gave me a follow up call to see if I wanted to top up my policy. I was surprised they were offering added extras and gadget insurance was one. At the time my son was always losing his ‘phone and he’s got all of the gadgets so it was something that was on my mind”. F, 30’s, St Albans, add-on, gadget insurance

“Someone in our close had a problem with their water pipe freezing and had to have their whole drive dug up. I kept saying to my partner that we ought to get insurance just in case. After that, by co-incidence, I got a phone call from our home insurance provider who offered us a good deal for £15 pcm”. M, 40’s, Manchester, add-on, home emergency insurance

“Several things happened at once. My wife works as a secretary to a surveyor who often recommends in his report that people should have home emergency cover and so she said we ought to have it. It was then very cold and some friends’ boiler broke and they were freezing for a while. Meanwhile our electricians went when my wife was on her own and I was out with friends. So at this time it was on my mind and xxx rang me and I asked them to send me some information. They offered me 6 months free, as I was an existing customer, excluding the electricians which I could add on for £1 a month so I took it”. M, 60’s, Cardiff, add-on, home emergency insurance

Their personal orientation or beliefs

‘Habit’ e.g. travel insurance

“I don’t go anywhere without travel insurance”. F, 40’s, St Albans, add-on, travel insurance

“I always have GAP insurance for my cars because I know that when you drive the car away (from the garage) it depreciates so much”. M, 50’s Birmingham, add-on, GAP insurance

“I’ve always had life insurance attached to my pension. When I cashed in my pension I could not carry on with the life insurance so I decided to get personal accident insurance so that my family would have some protection if anything happened to me”. M, 50’s, Manchester, standalone, personal accident insurance

Underlying sense 'have to'. Believe it is a legal or corporate requirement

"Isn't it a legal requirement?" M, 60's, Cardiff, add-on, travel insurance

"Our cruise company wouldn't let us travel without it". M, 60's, St Albans, add-on, travel insurance

"I think they said they had to offer it (GAP insurance) under FSA guidelines or something like that". F, 40's, St Albans, add-on, GAP insurance

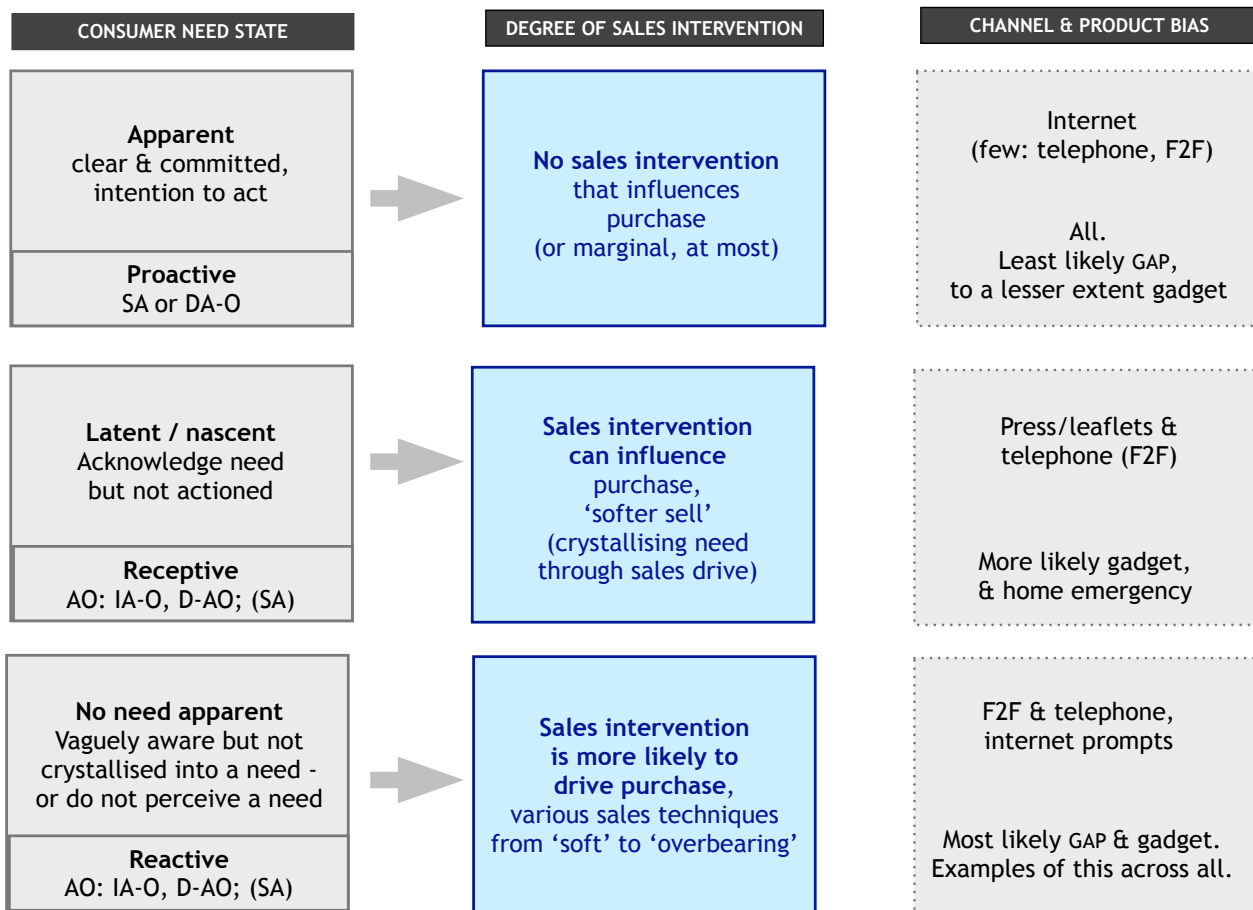
6.2.4 Sales situation - impact on purchasing patterns

Influence of sales situation on purchases

A recurring theme was the extent to which the sales situation did or did not influence purchase. The diagram below sets out three needs states (Apparent; Latent/nascent; No need apparent) and the degree of sales intervention for each of these. The channels most evident for each and a product bias is set alongside to provide an indication of which of these is more likely to feature within each need state.

The diagram shows that on those occasions where consumers recognise they have a need and are proactive in their search and purchase intention then there is less of a reason, on the part of the supplier, to prioritise a sales intervention beyond the obvious interaction at point of purchase. The less consumers recognise, or are aware of, a need then the greater the likely effectiveness of a sales intervention particularly if it is 'in person', be it on the telephone or face to face. The diagram does not, however, indicate whether or not such interventions are welcomed on the part of consumers or what should reflect the 'best balance' to achieve for consumers in terms of sales contact as these vary by individual, by occasion and this topic was outside the brief.

Does the sales situation influence purchase?

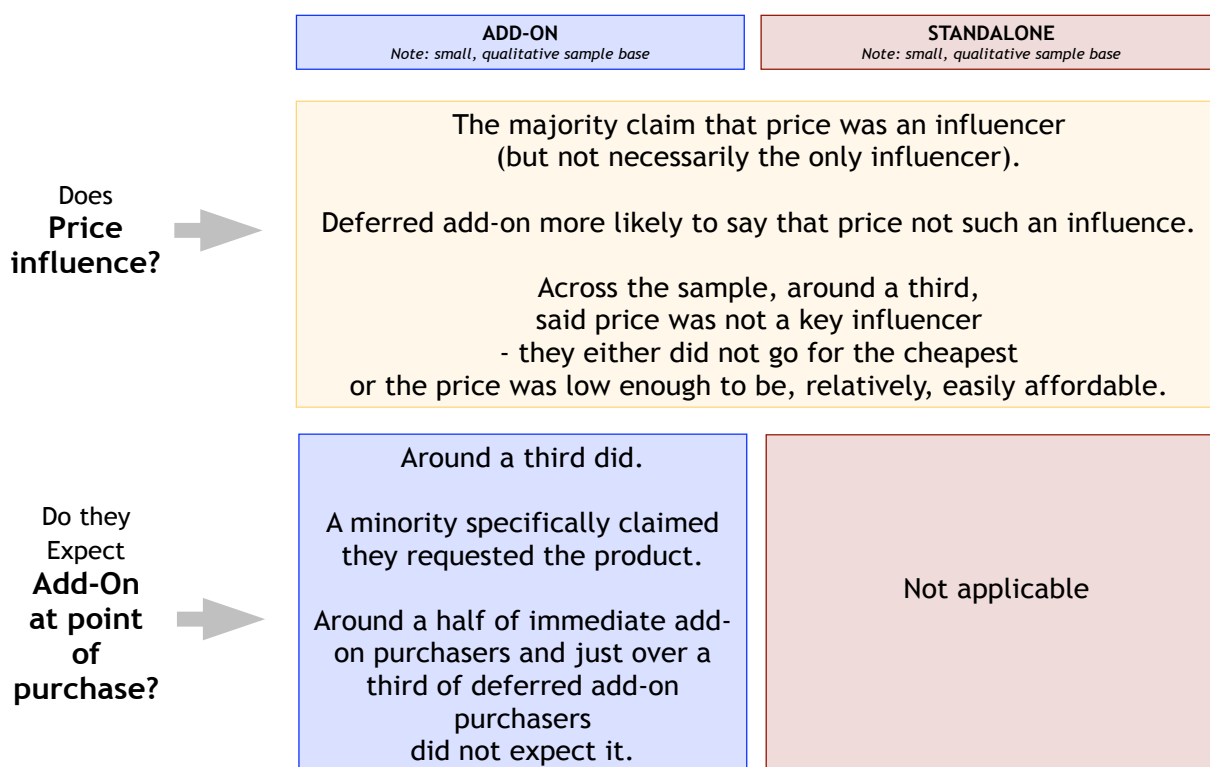


The following diagram considers and combines two further topics in greater detail, the influence of price and whether or not consumers' expected to be offered or buy insurance at point of purchase (POP), from the perspective of add-on versus standalone purchasers. As has been stated earlier, the sample here is very small as, during the course of fieldwork, it became apparent that a form of structured probing in these areas would be beneficial. As such, it merely provides an initial framework that will need further examination and testing.

It shows that, for the majority, price was an influencer regardless of purchase mechanism but that it was not the only influencer, or necessarily the most important influencer, with around a third of these consumers stating that it was not the key factor. For a proportion of this consumer sample the price they paid was considered low enough not to be a main consideration. However, as has been stated, some began to revise their initially accepting position when they spent more time, unprompted first and later prompted, reflecting on their total expenditure (across the commitment or per annum) and/or the comparative price of their insurance in relation to the primary product - and this shift was most apparent for gadget insurance. Those most likely to consider price, relatively, less of an influencer were the deferred add-on purchasers, as they were more inclined to have taken time to assess other factors than their immediate add-on insurance counterparts.

Generally standalone purchasers expected to purchase insurance at point of purchase, as they set out to purchase a product, but there were a few instances of those who bought their insurance policy on a standalone basis but as a result of a cold call. However a sizeable proportion of the add-on purchasers, particularly the immediate add-on purchasers, did not expect to be offered or to buy insurance at point of purchase (POP).

The buying process & influencers: further insights at point of purchase (POP)



As stated earlier, whilst the consumers in this sample were all recruited as current or recent purchasers of one of the five specified insurance products, they could also express views on some of the other insurance products under consideration as current non purchasers (either having never purchased or not purchased these other products recently).

These 'Non purchasers', who were generally inexperienced with a particular product, were often unclear or confused about many of the insurance products. As a result they were more likely to 'screen them out' if approached in a sales situation. Within this group there were some people who knew little, or nothing, about some of the other insurance products or were incorrect in their assumptions and, of these, subsets became more interested in purchasing an insurance product once they were better informed by other respondents, who were purchasers, or when exposed to the stimulus material.

Availability of alternatives at point of purchase (POP)

Lack of availability of alternatives at POP can be an issue if consumers purchase insurance on the telephone or face to face, and when it is linked to a single, primary supplier. Those most disadvantaged are add-on purchasers, especially immediate add-on purchasers, and this disadvantage is most apparent for GAP and gadget insurance.

Unsurprisingly, consumers perceive that they have a greater selection of alternatives on the internet. In turn, this is of advantage to standalone purchasers who are most likely to source and purchase on the internet. It also applies, albeit to a lesser extent, to deferred add-on purchasers some of whom will have checked out elements on the internet before purchasing through their primary provider.

Given that such insurance policies are generally relegated and not considered a focused, priority purchase, especially for immediate add-on purchasers, there is a disinclination to seek out or explore alternatives at POP unless they are explicitly apparent, easy and there

are clear benefits in taking further action. Even then, it may be that consumers elect to continue with their purchase without looking at alternatives (Note: detailed exploration of this topic was outside scope of this study).

Consumers are inclined to assume that a good range of alternatives will be made available via the internet and/or through an informed intermediary e.g. travel agent, broker, internet comparison site. There can be a presumption, by the consumer, that such intermediaries have preselected 'the best' option for them and this may not necessarily be the case.

Sales techniques at POP - used by firms in making the sale & purchase:

Throughout the study there is evidence of sales techniques and tactics being employed which could be very effective in generating sales of these insurance policies. Whilst these were most apparent and explicit through personal interfaces (face to face or telephone) some also applied to purchasing via the internet. The internet is, increasingly, being recognised as a proactive sales vehicle as well as an information source and purchase channel.

Consumers are, for the most part, aware of such techniques but not always sure in terms of whether, or not, they could do anything about them or turn them to their advantage. Sales techniques were capable of increasing elements of pressure to buy add-on products at point of sale; some were welcomed ('helpful', 'informative', appropriate) whilst others were not ('pushy', 'hard sell', 'felt very uncomfortable'), some were ignored. Consumers' reactions depended on a combination of the nature and context of the tactics employed as well as the receptiveness of an individual - with the some of the sales techniques capable of being appreciated by one person but rejected by another. Those most affected were immediate add-on purchasers.

Sales techniques at POP mentioned included the following:

- 'Grouping' with other costs to reduce overall payments/obfuscate insurance payment. When an insurance policy was grouped into part of the 'package' it can be difficult, impossible even, to unpick how much the additional insurance costs as distinct from other elements. This was most apparent for GAP, gadget insurance. A 'package' can include:
 - price reduction on the primary product
 - added extras on the primary product
 - discount on the overall package
 - working to consumers' budget (e.g. a set monthly payment) and 'hiding' the calculations behind this activity
- 'Passing you on' to finance expert or specialist who has the specific role of dealing with the financial aspects. For some this is unwelcome, as it takes them away from an established relationship with the salesperson, and the new representative may apply additional pressure. There were instances when this tactic was considered 'hard sell', 'bamboozling', 'intimidating'. It was most often cited in relation to GAP and gadget add-on insurance.
- 'Buy (right) now or miss out (on this great deal)'. The deal could, in consumers' minds, relate to the primary product they wished to buy or the price offered or both together.
- 'You can always cancel later' was a commonly cited chorus. Some bought on this basis, thinking that they would cancel later, and then many of these forgot to do so.

- ‘What if’ a disaster happens! This scenario was a typical ploy and one that could be effective, for example: e.g. “what if you drive off the forecourt and have an accident and write off your car”. One consumer was asked: “*would you throw £5,000 down the drain?*” implying that that’s what, potentially, she would be doing if she did not take out the GAP policy and something happened to her vehicle.
- Offers: e.g. ‘Free’ trial or ‘really cheap’ for ‘x’ period.
- Some sales people reportedly implied that the insurance product presented alongside their primary purchase or need was not available elsewhere and this was most prevalent for GAP. However, it became clear that some consumers could also presume that it was not available elsewhere and, if they mentioned this, might find that they were not persuaded otherwise. This latter position was most apparent when the insurance was linked to a primary product with which there was an established relationship and/or a known brand e.g. utility company, car brand. This leads into the next tactic:
- The supplier leverages, explicitly or implicitly, the primary brand strengths and dependencies; for example as a retail chain, proprietary brand, insurance provider.
- The sales offer includes some form of service offer so that there is a positive benefit as well as the cost of add-on insurance; e.g. service their boiler, a helpline and/or servicing for a gadget such as a PC or notebook.
- The timing of the add-on sale is such that consumers may feel, even subtly, pressured. “They spring it on you at the last minute” with no time to consider and little or no information to read at point of sale. This is particularly effective if the primary purchase has been a long, drawn out process such that a consumer can feel that ‘they wear you down’. It applies most to immediate add-on purchasers.
- Some sales people state or infer that they have an obligation to make an add-on policy available to the customer, some consumers believe that it then becomes part of the condition of sale (there were a very few examples in this study). These consumers stated that they were told the salesperson ‘has to offer it’ - implying that they should have it e.g. ‘a FCA requirement’ to offer it or that it is a ‘legal or company requirement’. In the case of the latter, it was mentioned most often as part of a primary travel purchase e.g. they need travel insurance if they are going skiing, a cruise company will not let them purchase a cruise without travel insurance. Also a very few consumers believed, without sales prompting, that travel insurance was a legal requirement.

Does this translate into a feeling of sales pressure at point of purchase?

When asked directly if they felt any sales pressure consumers tended to think in terms of ‘heavy handed’, ‘under duress’ sales pressure, and reject that notion, rather than general sales tactics or lighter weight pressure that was still capable of exerting influence and, for some, creating a level of discomfort. Many of the techniques cited above were not classified as ‘heavy handed’ and, as such, discounted when they assessed their sales experience in this context.

In addition there was an underlying sense that they must have made a rational and sensible decision in purchasing their add-on insurance, albeit often one that was made speedily and without as much consideration as their primary purchase or other, more important, insurance purchases. As a result of their ‘rational’ considerations consumers were more

inclined to reply that they did not feel sales pressure in the first instance.

Nevertheless, even within this more stringent framework, there was sufficient evidence of sales pressure for it to warrant further investigation. The two products most mentioned in this regard were GAP and, although at a far lower level, gadget insurance especially when these two were when sold face to face. There was some mention of pressure sales via the telephone for personal accident & home emergency but this was again less than the other two as consumers were more likely to enquire about these two policies. Pressure to buy travel insurance was marginal with most people claiming not to have felt pressurised.

It is worth restating that most of this qualitative sample did not, at least overtly, appear to feel any significant sales pressure in connection with these five insurance products. However, a minority felt that they did experience some form of sales pressure at point of purchase. Within this there is an indication of differing levels amongst the various purchase mechanisms:

- Standalone purchasers were more likely to agree that they did not feel any pressure than add-on purchasers.
- Conversely, add-on purchasers are more likely to agree that they felt pressure than standalone purchasers:
 - almost all deferred add-on purchasers do not feel pressured (their mindsets and behaviours are more closely aligned to standalone than add-on purchasers).
 - versus immediate add-on purchasers where most do not feel pressured but around third claimed to have felt pressured.

Conclusions: Purchasing activity

Unsurprisingly, given the diversity of the sample base and the specified general insurance products, consumers' reasons for purchasing these insurance products and making decisions at point of purchase were many and varied. The reasons cited have been grouped into six sections:

- Risk assessment and ameliorating risk
- Importance of price
- Value ascribed to the insurance product(s)
- Their own situational circumstances
- Sales experience
- Their personal orientation or beliefs

Much of their decision making depends on their needs state at point of purchase, the channel(s) being used, the purpose of the add-on policy alongside any relationship with the primary product, and the degree to which consumers then respond to perceived sales pressures.

The sales situation can, and does, influence purchases for both standalone and add-on purchasers although the latter are less aware of some of the products at point of purchase and are more susceptible to sales ploys, especially immediate add-on purchasers.

Whilst some activities are helpful and may be welcomed, there is sufficient evidence in this study that some sales techniques, tactics and pressures can be present in such a way as to warrant inclusion as a potential detriment, particularly through personal contacts.

6.3 CONSUMERS' POST PURCHASE APPRAISAL

Overall, these consumers claim to be positive about their add-on insurance products. However, for many their initial satisfaction is modified once they look at the products and their policies in greater detail. The study addressed their post purchase appraisals in several ways to understand initial impressions and whether or not views shifted once they had time to consider matters and/or felt better informed.

6.3.1 Satisfaction with their product

Consumers were asked how satisfied they were with their insurance product. Most of this total qualitative sample claimed to be satisfied with their insurance product. However a subset stated they were not satisfied. Levels of satisfaction across add-on and standalone purchasers appeared to be similar. Deferred add-on purchasers tend to be slightly more satisfied than immediate add-on purchasers, but levels of dissatisfaction appear similar across these two cells.

Interestingly, through these discussions, product level satisfaction appears to be high for: GAP insurance, home emergency cover and personal accident insurance. Travel and gadget insurance appear, relatively, lower. Those with travel insurance and gadget insurance are more likely to be dissatisfied.

It is important to note that claims experiences (see 'claims' page 61), whether positive or negative, seem to directly impact on levels of satisfaction and that, without such empirical knowledge, consumers' recognise that their satisfaction assessments could be regarded as spurious.

6.3.2 Consumers were asked whether they would buy their insurance product again

Most of this sample claimed they would be willing to buy again, although during the course of discussion some stated that this would not necessarily be from the same provider. Add-on and standalone purchasers hold similar views in this regard. Deferred add-on purchasers appear slightly more positive in terms of repeat purchase than their immediate add-on counterparts.

At a product level consumers claim that they are more likely to repeat purchase personal accident insurance, GAP insurance and home emergency cover. Travel and gadget insurance generate more mixed, but still very positive, responses. However a subset of gadget insurance purchasers appeared more likely than some of the other purchasers to claim that they would not purchase their product again.

6.3.3 What do consumers think about the insurance product they own? To what extent do they change their views on closer examination?

Consumers were asked to consider what they thought about the insurance product that they had bought and how they felt about owning it. They were asked to consider, and write down, how they felt about the product they owned early in the session and again, on the same basis, towards the end of the research session. This enabled an assessment of shifts in attitudes and an ability to explore their claimed reasons why any shifts occurred.

The initial findings accorded with satisfaction assessment noted above in that the majority of this sample felt positively disposed towards the product they owned. Only a few felt negatively disposed at this early stage in the proceedings.

Subsequently, having reviewed either their own policies or the stimulus material, those who were negatively disposed, a low level at the outset, increased substantially (still at a low qualitative level) of which most were add-on purchasers but the pattern was also reflected across all the subsets (Immediate add-on, Deferred add-on, Standalone). It is important to state that neither the orientation of the discussions nor the stimulus material in any way pointed them in the direction of problems. The focus on the subject matter and the presentation of unbiased information, towards the later part of the session, meant that many (but not all) had thought more about the market, their product(s) and their level of knowledge or understanding as a result of taking more time during these research sessions than they would normally spend thinking about such matters. Some expressed gratitude that they had been placed in this, 'relatively unusual', reflective or evaluative position as it had 'opened their eyes' and would help with future insurance purchases.

The reasons this minority cited for becoming more negative:

- predominantly revolved around quality issues e.g. do they have the cover they expected and/or will they be covered in the event of 'x'? There was uncertainty amongst some. Others discovered that they did not have the cover they thought they had purchased.
- whilst a subset also quoted price as an issue e.g.. If they had shopped around more or been aware that the product could be bought independently they may have paid less.

6.3.4 Claims

Claimants, views and experiences

(Note: extremely small sample)

Consumers report varying degrees of frustration or satisfaction with the claims process:

- Some consumers in this sample were pleasantly surprised and reassured when the process was deemed to be efficient, easy and their situation resolved fully. In turn this led to a propensity to be 'very loyal' to the particular insurer on a repeat purchase basis and, potentially, across different types of policy.
- Others were frustrated with the process even though outcomes could vary. Some of these frustrated claimants would be satisfied with the outcome whilst others would be disappointed. Those that were disappointed were less inclined to either purchase that add-on product again or repeat purchase from the same supplier.

As has been stated, consumers often start with a belief that insurance companies will 'do anything' to absolve themselves from paying out and, therefore, their efforts in terms of making claims are likely to be fruitless.

"I called them to be absolutely sure I was covered because insurances often have a 'get out'". F, 60's, St Albans, standalone, home emergency insurance

"I have an aversion to insurance companies. Anything they can do not to pay out they will do". M, 40's St Albans, standalone, GAP insurance

"I've heard people say that if you don't get it absolutely right (making sure you get the right cover) they (insurance company) can be really finicky e.g. they will give you a lie detector test over the 'phone". F, 40's, Birmingham, add-on, GAP Insurance

Many consumers are predisposed to accept insurance companies' reasons to minimise or absolve themselves of payouts for claims, potentially to their detriment as consumers, but are nonetheless resentful of this situation.

The claims process and outcome clearly has an impact on consumers' levels of satisfaction with their product. Many are clear that until they have need to make a claim, and they sincerely hope they do not have the need, they have little evidence on which to base any judgement regarding a policy and its value to them.

In general, there is only a vague awareness of claims process beyond 'there's a telephone number that I have to ring'.

Once they have made a claim three scenarios emerged in this brief assessment:

Successful and easy, happy & loyal,

These consumers are most inclined to renew without many/any questions.

Successful and difficult/traumatic

These consumers can polarise into happy and loyal or unsettled and sceptical when it comes to commenting on their experiences. They are inclined to state that they will shop around more next time, assuming there is a next time, from position of greater knowledge and understanding.

Unsuccessful

The process and experience within an unsuccessful claim can be easy or difficult, and it can be quick or over an extended period of time.

These consumers are most likely to be hugely negative and often resigned. They may cancel their policy and they are the least likely to renew. As a result they are highly likely to be wary and (much) more demanding next time around. Within this framework of post experience evaluation they claim to 'know' they will be penalised with higher premiums when they next purchase a policy, regardless of provider, which serves to fuel resentment.

"I was stuck in Morocco, as the flight had been overbooked, and the airline said they might not be able to get us on a flight for two or three days. I called xxxxx but it was Easter Monday and I was told that because it was a holiday there was no one on the claims side to speak to. When I eventually managed to get home I called ... as I thought I'd be able to claim for extra costs. But there was an answer phone message saying their system was down and they would call back - they didn't. I called them the following day and they said 'we won't cover it you need to deal with the airline'. They weren't very easy to get through to at all". M, 20's, St Albans, standalone, travel insurance

"I had a terrible experience when I claimed on my home emergency. First they sent someone who was a plumber and I needed a heating engineer. The second person they sent came with the wrong parts. When I spoke to them to complain they said that if they came out a third time I'd have to pay (but the preceding errors were not the consumer's fault!)". F, 30's, Cardiff, home emergency insurance

Just because a consumer has started to make a claim does not mean that they will complete the process. Consumers can give up on claims for a variety of reasons, including the previously stated belief that they are unlikely to succeed or that it's not worth the effort involved as well as citing the issues noted below.

Within this small sample the majority of successful claimants are satisfied with their outcomes. However just because claims are successful it does not necessarily mean that the consumer is positive about their claims experience. The majority of unsuccessful claimants were dissatisfied.

Emerging issues with claims processes

A lack of understanding, on the part of consumers, regarding precisely what will be required by the insurer in order for them to make a claim means that there is a requirement for improvements regarding this aspect of the sales process and post purchase handling e.g. information provision to be managed better from the outset and processes more efficient and consumer aware. During discussions it became clear that, however vague their understanding may be, in general these consumers did not contemplate the fact that their understanding or interpretations may be incorrect and need to be verified which meant that they did not think to look for claims related information at POP and neither were relevant aspects pointed out to them.

Examples of specific problems cited that occurred whilst claiming include:

- Not being aware of a requirement for receipts (sometimes photographs of the item and/or the item being worn by the claimant) - especially when certain items are so old that receipts are no longer available e.g. wedding rings, watches.
- Not being aware that they need to register individual items / gadgets with the insurer, including specifics relating to a model and specification etc.. That this applies when they first take out a policy and/or replace it with a newer model - some had registered at the time of taking out the policy but had not updated their policy subsequently.

“I had an iphone 3 which was covered by the bank for loss, damage and theft. The booklet was about 1 million pages! I then upgraded to an iphone 4 which was stolen on a night out. I was told I was not covered because the policy covered the iphone 3 and when I upgraded I should have notified them and given them details of the model, colour etc. So that money I’ve been payingis a waste of time I’m a bit sceptical now”. M, 20’s, Birmingham, add-on, gadget insurance

- That they have to act within a specified period from the event or claims are not valid (especially cited with regard to travel), and what that time period is.
- Being generally unaware of claim limitations which might have influenced whether, or not, they purchased the policy e.g. gadget insurance often allows only one claim per annum and/or has an upper limit on claims.
- Needing a police report number, which may not always be possible because of timings or location e.g. when there are no police stations in remote parts of Africa (one female respondent).

6.3.5 Conclusions: Post purchase appraisal

There is a clear notion that these consumers generally want and/or need these general insurance products, the policies can have a constructive and welcome role and consumers claim to be, in the main, satisfied with their purchase and most will at least consider buying that insurance product again either from the same or a different provider.

Many accept they may not invest time and effort thoroughly understanding their products and cover and/or managing the decision making and buying process as effectively as they might given that a key motivator to purchase is managing risk. However, they also state that insurance companies should shoulder their share of responsibility and make it easier and clearer for them, as consumers, to understand what they are considering buying, make more informed purchase decisions and be better prepared and able to make efficient and effective claims.

7. TECHNICAL REPORT

7.1 RESEARCH METHODOLOGY AND SAMPLE ACHIEVED

The overall methodology was constructed to provide width of information on consumer experiences based on sufficient representation of standalone and add-on purchasers so as to make comparisons between these two groups. Whilst a qualitative study, a sample of at least one hundred consumers was targeted to provide a degree of qualitative robustness.

There was an agreed methodology with a specified sample composition and structure for this study that took account of a geographic spread across England and Wales (Scotland and Northern Ireland were excluded at this stage). Whilst sound in terms of qualitative methodology, it does not purport to be representative of UK population demographically or in terms of add-on general insurance (GI) product ownership or purchasing patterns.

The study has addressed the specific objectives set out by the FCA (see Qualitative Research Aims, in the Background section, page 15). In addition it has, intentionally, expanded and stretched analyses to provide maximum insight and, therefore, some caution needs to be exercised in certain areas. Those areas where evidence is thin have been identified in this report and are, in the main, where individual products or channels are involved or detailed examples are provided as these may be based on individual experiences.

Fieldwork took place in six locations across England and Wales, as follows:
London, St Albans, Cardiff, Birmingham, North Manchester, South Manchester.

Fieldwork was conducted from 27th February through to 13th April 2013 and included:

- 6 extended group discussions (each was 2 1/2 hrs in duration), each group focused on up to three of the five add-on products to allow more time to explore each.
- 15 small groups with 3 consumers in each focusing on one insurance product (each was 2 hrs in duration).
- 10 face to face individual depth interviews (each was 1 1/2 hrs in duration) with claimants, each claimant depth focused on one product claim and whether or not it was successful.

The main recruitment criteria focused on recency of purchase and whether the purchasing method was 'add-on' (AO) or 'standalone' (SA) with a separate group of claimants.

Sample composition of Individual Respondents

PRODUCT	TOTAL CONSUMERS ACHIEVED	GROUP DISCUSSIONS & TRIADS		DEPTH INTERVIEWS	
		ADD-ON	STANDALONE	SUCCESSFUL CLAIMANTS	UNSUCCESSFUL CLAIMANTS
Gap Insurance	23	17	4	0	2
Gadget Insurance	23	14	7	1	1
Travel Insurance	23	10	10	1	2
Personal Accident Insurance	10	6	4	0	0
Home Emergency Cover	27	13	11	2	1
TOTAL	106	60	36	4	6

Individual products or channels

The study was not structured to enable individual product or channel reviews. Whilst these factors were recognised as having the potential to influence consumers' behaviours a methodology that built in additional and sufficiently robust cells of each, even for qualitative research, would have enlarged the study beyond the intended scope. In the body of this report they are identified and commented on at an overall level and, where appropriate, specific products and channels are referenced in terms of their differences. However, such detailed references need to be treated with a degree of caution as numbers are small with limited time allocated to exploring these perspectives during fieldwork. As a consequence, it will be important to verify these findings at a quantitative level.

7.2 RECRUITMENT OF CONSUMERS

Recruitment Criteria

Recruitment criteria for the groups predominantly focused on product ownership and add-on versus standalone purchasing behaviours. We aimed for a cross section of product representation across methodologies with a bias towards add-on purchasers, of circa 70%, and with a cell of standalone purchasers of circa 30%. All had to be aware that they had purchased these products and able to recall events such that they could contribute to the discussions.

Originally the FCA specified that respondents should have purchased their insurance policy during the three months prior to fieldwork. However, as recruitment progressed this requirement had to be extended as it became clear that it was too constraining alongside other more important criteria. Whilst we aimed for respondents to have purchased their add-on insurance policy as recently as possible, in some instances we had to extend the timeframe to around eight to nine months.

We also specified that:

- All respondents had to be either the main or joint decision maker in their household in relation to general insurance products.
- Social grade was specified as a break for the group discussions (B,C1 versus C1,C2,D) but not for the triads or the claimant depths.
- In addition we aimed for a spread of: gender; age; levels of interest and confidence when dealing with their personal finances and purchase channels to include face to face (F2F), online & telephone.

Those who had obtained their add-on policies through bank account bundles were excluded. However, there was some reference to this as many of the respondents had other policies separate from those that were the basis of their recruitment.

Recruitment criteria for the claimant depths was kept to a minimum as it was anticipated, correctly, that 'free finding' these ten respondents would be challenging. It was not specified whether they had to be add-on or standalone purchasers. The main criteria set for claimants were:

- product ownership: we aimed for around two claimants for each product, all to have

had their claim settled as recently as possible - ideally none longer than 12 months ago. In the event, we were unable to find and recruit personal accident claimants.

- different success rates: with around half to consider that they had a successful claim and around half to consider that they had an unsuccessful claim.

Recruitment issues

FCA's criteria was highly specific which meant that an already hard to reach sample became even more difficult to recruit.

Whilst recruitment for this study was not expected to be easy or straightforward, even so considerable difficulties were encountered. As a consequence fieldwork was extended and some of the peripheral criteria relaxed. There were several contributing factors including:

- (a) The recent nature of purchase engagement / experience required by the FCA, purchased policy within the last 3 months, proved very difficult and had to be loosened to include purchasers within the last 8 months.
- (b) In general recruiters reported that, as the add-on insurance product was not a primary influencer during purchase, many people who otherwise would qualify as purchasers of these insurance products failed to meet either the purchase 'recency' criterion (see above) or, if they had merely rolled over an existing policy without due consideration they were excluded from this sample.
- (c) Exclusion of bank account bundles, which were prevalent amongst many for some of these insurance policies, meant that it was more difficult to find some respondents, especially travel and gadget insurance holders.
- (d) Complications arose over explanations for, and consumers' understanding of, these insurance policies and the purchase situations, e.g.
 - 'gadgets' can mean 'kitchen / household appliances'
 - the difference as between add-on and standalone purchasing could be confused. Whilst this is not an issue for consumers, insofar as they are purchase mechanisms that have meaning within the industry (but not for consumers), it impacted on this study as we had to establish whether respondents were add-on or standalone purchasers at time of recruitment to meet the agreed sample framework.
- (e) The nature of 'free find' qualitative recruitment for minority samples and products such as these insurance policies can be problematic particularly if some of the topics can be perceived to be boring (e.g. insurance) or sensitive (e.g. finance). It should be noted that recruitment from insurance company customer lists, against specified products and behaviours, would be a far more effective and efficient method of recruitment for the quantitative research and if the FCA wish to conduct additional qualitative research.
- (f) Extended warranties were also an issue, as they can be confusing to consumers in terms of whether or not they are 'insurance policies' or form part of their insurance policy (they may think of warranties as 'an insurance' against things going wrong).

[Important note: the above meant that all our respondents were more informed and articulate than a cross-section of the population may be if randomly selected without the constraints imposed on this study]

7.3 AREAS OF QUESTIONING

The following are the main areas of questioning and exploration employed within the sessions:

IDENTIFICATION OF INSURANCE PRODUCTS & CONTEXT

Whether consumers hold any of these products, how they first heard about them / found out about them, how they bought them (from where, from whom, in what way), whether additional insurance was bought with a primary product and context, how they feel about the insurance product they own

SHOPPING AROUND (PRE PURCHASE)

What were the main things considered at the pre purchase stage in order to determine whether or not to buy the primary product (behaviour & mindset in lead up to purchase situation), buy the insurance product (behaviour & mindset in lead up to purchase situation)

Were they aware of the existence of insurance product prior to purchasing? Either as an add-on or standalone.

Did the primary product dominate or assist the purchase process? The decision?

Were they aware of additional costs?

Did they shop around for the insurance product?

What did they do? What happened?

Add-On purchasers: Did they consider the price (or other characteristics) of the insurance when selecting the provider/sales source of the primary product. How do these considerations compare with those who bought standalone?

DECISION CHOICE AT POINT OF SALE

Describe experiences during the purchase of the insurance products e.g. how long did it take, was it easy or difficult?

Or did they not notice / fail to be told about this insurance option?

How did it fit with experience and prioritisation of purchase of primary product (if relevant/add-on).

How did they feel about buying it? What benefits do they think it gave them? Were there any reasons as to why they should not have bought it? Did these influence them? How did they feel during purchase?

Do they recall any information provided at point of sale?

What alternatives, if any, did they consider?

Additional prompts if needed:

SA: were they offered the insurance product at point of purchase of the primary product?

AO: Did they intend to purchase the insurance before point of sale (of the primary product)?

What was their thinking? What (if anything) prompted/encouraged them to want to buy it?

Did they consider purchasing as standalone after it was offered at POS?

POST PURCHASE EVALUATION

Overall how comfortable/satisfied are they with their purchase? If dissatisfied did they think about claiming/claim?

What is their understanding of the product (cover) they've got?

Did they consider cancelling the product or switching suppliers after taking out the policy?

Facilitators? Barriers? Add-On versus Standalone?

If feasible:

If offered the product again would they buy it? Is there anything they may do differently?

How does having the product make them feel? Have their thoughts in relation to the product changed over time?

CLAIMS

What is their understanding of the claims process? What was their experience?

Facilitators? Barriers?

Did they consider that the product performed as expected and, if not, did they take any action? Claim?

7.4 STIMULUS MATERIAL

In order to facilitate discussions and ensure consistency of understanding amongst these consumers pre-prepared stimulus material was used at relevant times during the discussions. This is standard practice within qualitative research and assists in providing structure as well as presenting information in a standard format as and when required.

The stimulus provided by the FCA consisted of:

- a list of primary products (only to be used if needed and rarely needed as this had been a central part of the recruitment).
- five specified insurance products (travel, gadget, home emergency, personal accident, GAP)
- a description of typical benefits and exclusions for each of the five GI products (see Appendix B)
- a diagram, a way of getting consumers to think about their emotions. This was completed twice. Once early in the discussions to assess initial views of their products and again at the end of the session after they had discussed it in detail and been exposed to 'real' policies through a typical policy description and, where relevant, their own policy.
- a brief description of the FCA's role (none of the consumers were aware of the FCA as commissioners until the very end of each discussion)

Please see Appendices A and B for the detail contained within the FCA's product related stimulus.

Other stimulus material:

- to the typical policy benefits and exclusions was added, by a subset of consumers, their own policies* to review during the discussion
- self completion reviews covering whether they:
 - shopped around for these insurance products
 - felt any pressure to purchase the insurance
 - felt concerned about what might happen if they did not buy the insurance at time of purchase
 - were satisfied with the insurance they purchased
 - would buy the insurance product again

* It is important to note that respondents attending the triads and depth interviews were asked to bring copies of their insurance documentation in order that their understanding of their cover could be checked against the reality during the sessions.

7.5 INVESTIGATION AND ANALYSIS

TDT incorporated a range of techniques both into the consumer discussions and subsequent analysis including:

Investigation:

- open discussions with information exchange, clarification and challenges by other consumers and, where apposite, the moderator
- projective techniques and emotional diagrams (pre and post discussions)
- brainstorming, including problem definition and, where viable, solution identification
- litmus test self completions
- assessments of stimulus material policies (FCA originated) by all respondents and reviews of their own policies (sub sample), including consumers' appraisal of outcome (taking account of stimulus material policies as well as their policies), including perceived benefits derived from purchasing these policies

General analysis:

- Overall thematic analysis
- Customer journeys and influencers - with inputs from:
 - mindsets (including likelihood of risk) and needs
 - context, role and importance of primary purchases
 - context, role and importance of insurance purchases
 - perceptions, preconceptions (groups) regarding the five insurance products
 - decision making regarding these purchases (all): motivators, barriers (triads, claimants)
 - self completions (emotional diagrams, evaluative words, purchase experience)
 - mini case studies (triads and claimants) anchored by the 'reality' of their policies
- Where viable, differences as between channels and products have been identified
- Behavioural insights & biases (by purchasing journey / scenario, by individual) feeding into all aspects
- Other key influencers to compare and contrast overall: channels & individual products
- Supporting checklists from FCA: Flow Chart; Evidence from consumers' grid
- Recommendations by consumers to FCA
- Video and audio capture and reviews enabling analysis using discourse analysis, individual interactions and group dynamics. Where appropriate to the projects' objectives research topics are cross-referenced, as between groups and individuals, so as to provide insight into revealed processes and decision-making. Extracts were used in presentations to illustrate significant points of interest or to provide emphasis and clarification.
- The report contains some elements that are repetitious, in order to present key findings by topic, and others, especially examples or quotes, that could apply to more than one topic.

APPENDICES

APPENDIX A: FCA PRIMARY PRODUCT DESCRIPTIONS

Car

Utilities (gas / water / electricity)

Home insurance

Gadgets (such as: laptop computer, iPad, portable game console, MP3 player, Sat Nav device, digital camera or camcorder etc.)

Travel (airline or travel tickets, holidays)

Financial products that also have insurance policies as optional extras e.g. credit cards, home catalogue purchases

APPENDIX B: Stimulus material

Personal Accident Insurance

What is it?

- If you are injured in an accident it pays a lump sum to help you with additional costs you might have or reduction in your income.
- It is not:
 - Critical illness cover
 - Income protection cover
 - Payment protection insurance

Where and how can I buy it?

- As an optional add-on to your home or motor insurance which you pay extra for
- As a standalone policy that you find for yourself
- In connection with a financial commitment such as a credit card, bank account or home catalogue

What is typically covered?

- Permanent or total disability
- Total loss of sight either in one or both eyes
- Total loss of one or two limbs
- Total loss of hearing in one or both ears
- Total loss or total loss of use of fingers or toes

How much am I covered for?

- The amounts vary and you might have the option to choose the scale of cover you want
- Some examples are a range from £375 for a fracture and £25,000 for death to £250,000 if you lose the use of both arms and both legs
- If the policy includes cover for time you spend as an inpatient in a hospital this might range from £25 for each day up to £100 per day, but probably not until you have spent more than several days in hospital. For example you might be covered after five days

What isn't covered?

- It does not cover illness or disease
- If the cover is an add-on to your motor insurance it will only cover you for injury as a result of a car accident
- Cover outside of the UK might be restricted
- Some typical examples of when injury is not covered are:
 - Participating in dangerous pastimes for example rock climbing, parachuting, motor racing
 - Excessive alcohol or use of illegal drugs
 - If you deliberately or recklessly expose yourself to danger

What if I don't buy personal accident insurance?

- You might have cover with your employer
- Car and home insurance policies often include some personal accident cover as standard
- A Financial Adviser can advise you whether a different type of cover would be better for you, for example income protection
- Payments may affect your entitlement to benefits so it is always a good idea to get independent advice

Travel Insurance

What is it?

- Covers you for losses in connection with your holiday or other kinds of travel

Where and how can I buy it?

- At the time you arrange your holiday or travel plans
- As a standalone policy that you find for yourself - either for an individual trip or annual cover
- As part of your home insurance
- With your bank account or credit card

What does it do?

Travel insurance typically provides cover for some or all of the following:

- Medical emergencies
- Personal Accident
- Lost or delayed baggage / personal possessions
- Lost money or travel documents
- If you have to cancel or cut short your holiday or trip

How much am I covered for?

- This will vary depending upon the policy you buy
- For cover for medical emergencies the range is £1m up to unlimited
- Personal baggage (if included) ranges from around £250 to £3000

How much does travel insurance cost?

- The cost varies a lot depending upon:
 - The length of your trip
 - If it is annual cover
 - How many people are travelling and their ages
 - If anyone travelling has existing medical conditions
 - Where you are going - Europe or Worldwide
 - If you want to be covered for certain activities and sports
 - What level of cover you want
 - Whether you want all sections of cover

What isn't covered?

- Not all policies provide cover for anywhere in the world or many sports - you need to pay extra for these
- Medical emergencies as a result of an existing medical condition - unless agreed with the insurer beforehand
- Cost for medical treatment covered under the European Health Insurance Card (previously E111) or similar for non-EU countries
- Medical costs relating to an accident whilst under the influence of alcohol
- If you are over a specified age - the range varies but a typical age limit is around 65 years old
- Cancellation or cutting your trip short due to circumstances that you knew about, or should have known about, before prior to booking the trip for example ill-health of a close family member

What if I don't buy travel insurance?

- The Foreign and Commonwealth Office (FCO) advises against travelling without insurance or your EHIC card for emergency medical treatment in Europe
- As travel insurance offers different levels of cover you might not need some of the extra cover such as personal belongings and baggage - check your home insurance policy

Home Emergency Insurance

What is it?

Help if you have an emergency in the home. For example one or more of the following:

- Boiler or heating not working
- Burst or leaking water pipe
- Electricity not working
- Blocked drains

Where and how can I buy it?

- As an optional add-on to your home insurance which you pay extra for
- As an add-on sold to you in connection with your utility supplier - water, gas, electricity
- As a standalone policy that you find yourself

What does it do?

- It saves you having to hunt around for a plumber, electrician, heating engineer etc. when something goes wrong in the home
- Pays for some repairs up to policy limits
- Provides a helpline to talk you through an emergency in the home for example a leaking radiator valve, a dripping tap or how to turn off the main stop cock.

How quickly will an engineer come to fix the problem?

- If your home emergency cover provider decides it is a priority it is likely to be within 2 hours but service commitments vary
- If not, they will book an appointment for an engineer to come out at another time

How much does home emergency cover cost?

- The cost varies depending upon the level of cover you choose
- It ranges from as little as £3 a month up to as much as £30 a month

What if I want to cancel my policy?

- Home emergency insurance cover is most likely to be an annual policy
- If you cancel the policy before the next renewal date it is likely that you will not get any refund

What isn't covered?

Some typical examples of what is not covered are:

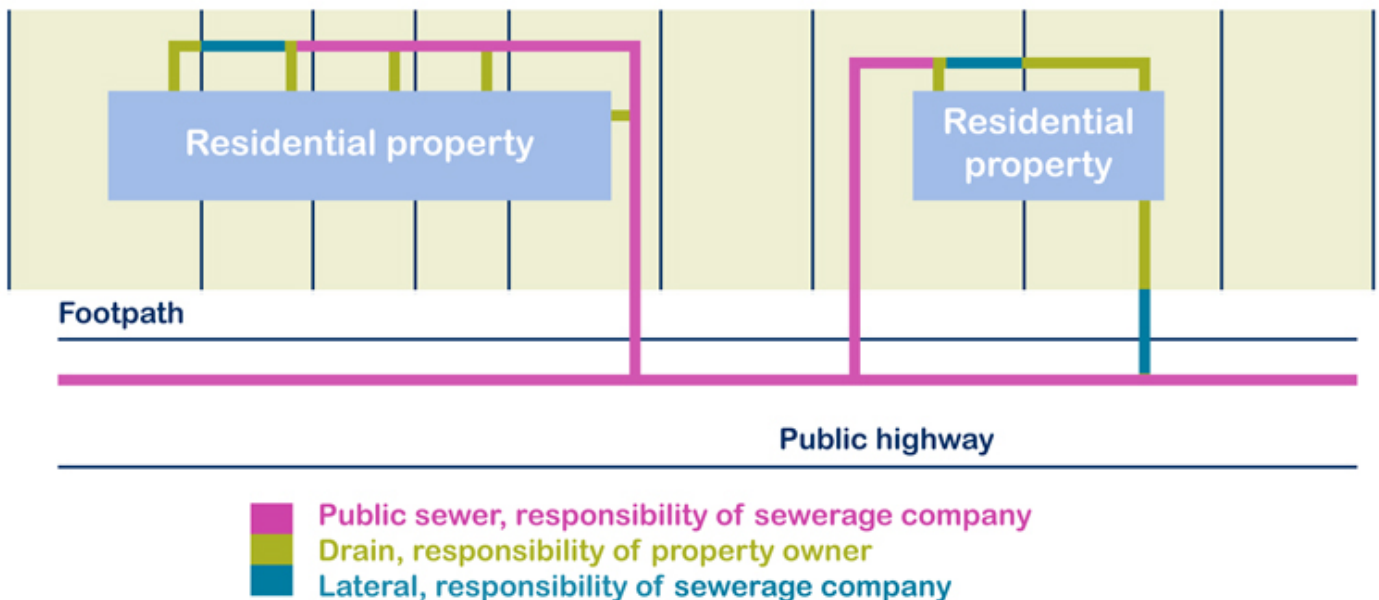
- Anything that is covered elsewhere, for example under your home insurance
- Anything that you are not legally responsible for, for example sewer or water pipes that are the responsibility of the utility company (see diagrams)
- The cost of making good, for example redecorating or surface of a driveway or path that has to be dug up
- Wiring in outside buildings or routine maintenance
- Repair or replacement of appliances or fittings (taps, sanitary ware)
- If your boiler is 'beyond economical repair' and is more than 7 or 8 years old
- If it is not an emergency for example toilet repairs where this another toilet in the house

What if I don't buy home emergency insurance?

- Your home insurance - standard cover includes things like burst pipes, temporary accommodation, emergency helpline, sewerage pipes including accidental damage to service pipes
- Some home insurance policies include additional home emergency cover as standard
- Your Water Company
- Your Sewerage Company
- The free National Gas Emergency Service
 - National Grid engineers will always 'make safe' when called to a suspected gas escape. It includes repairs to appliances or installation pipework that can be completed within 30 minutes

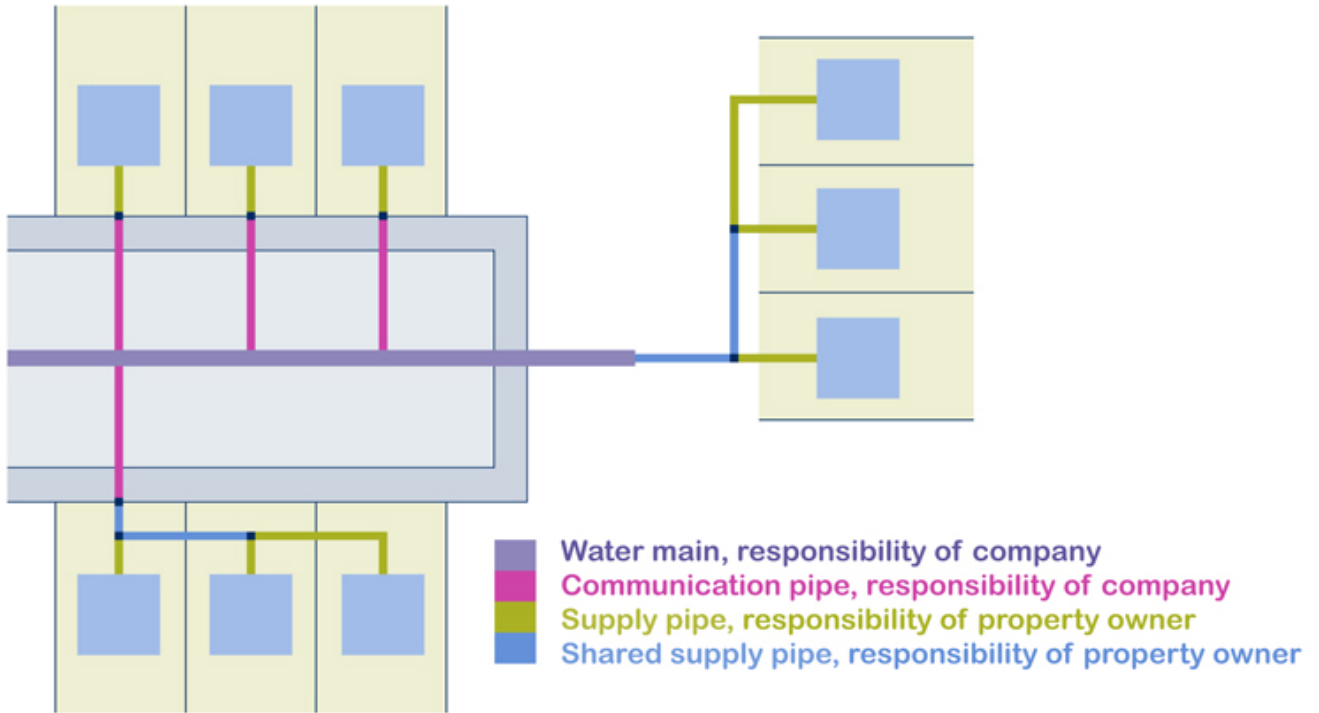
Sewers and drains

Responsibility for sewers and drains is shared between property owners, water and sewerage companies, local authorities and the Highways Agency.



Water pipes

Responsibility for the pipework that supplies clean water is shared between property owners and water companies.



Gadget Insurance

What is it?

- Covers you for breakdown, damage, or loss or theft of your electronic device such as a laptop, computer, tablet, kindle, iPod, camera etc

Where and how can I buy it?

- As an optional add-on to your home insurance which you pay extra for
- As an add-on sold to you when you purchase an electronic device
- As a standalone policy that you find yourself

What does it do?

- Pays for repairs or replacement up to policy limits
- Is likely to also cover your gadget if you go on holiday abroad

How much does gadget insurance cost?

- The cost varies depending upon the gadget and its purchase price
 - For example: £3.49 a month (£41 a year) to cover a £150 - £250 tablet
- Or multi-gadget cover for around £10 a month (£120 a year)

What is not covered by gadget insurance?

- Examples of what is not covered are:
 - Repair or replacement covered by the manufacturer's guarantee
 - More than one claim for accidental damage or theft in a 12 month period
 - Small claims, for example under £50
 - Loss or theft if left unattended unless there is evidence of forcible entry and damage to the building or vehicle
 - Theft from a locked car unless the item is in a locked glove compartment and all the windows and doors were locked and alarm activated
 - If the item was being used by someone who is not a member of your family, living with you
 - If the cover is limited to members of your family living with you this would exclude, for example, a son or daughter living away at university
 - Repairs carried out by anyone not authorised by the insurer
 - Wear and tear
 - Accidental damage if deliberate or negligent, or if you do not follow the manufacturer's instructions
 - Gadgets that you cannot provide proof of purchase for

What if I don't buy gadget insurance?

- Your home insurance - standard cover is likely to include your gadget whilst in the home for accidental damage or theft
- Some home insurance policies include additional gadget cover as standard
- For an extra charge you can add cover to your home insurance for your personal possessions outside of the home, and worldwide. This would include your gadgets.

GAP Insurance

What is it?

Guaranteed Asset Protection (GAP) is an insurance that you buy to top up your comprehensive car insurance cover in case your car is written off or stolen.

It can help you to cover additional costs of replacing your car, or clearing the finance on your car, if your comprehensive car insurance does not cover the full cost.

Where and how can I buy it?

- You might be sold this insurance by a motor dealer, for an additional cost, if you are buying a new or second hand car
- You can also buy it independently from buying your car, for example online

What does it do?

- There are different types of GAP insurance
- These are always to top up your car insurance pay out. For example, to:
 - Cover the additional cost of replacing your car with a brand new one
 - Pay off the outstanding finance on your car loan
 - Buy a replacement car of the same price you paid originally

How much does GAP insurance cost?

- The price depends on the purchase price of the car. It might be as a percentage or in bands, depending upon the purchase price
- If you buy the cover with the car you are likely to pay a single premium or add the premium to your finance
- The premium may well be for the whole period of cover - perhaps 3 or 5 years
- If you buy the cover separately to the car you can get monthly cover

How much and how long am I covered for?

- This will depend on the type of cover you buy. The most common options are:
 - The difference between the market value of your car at the point of total loss (or theft) and the:
 - purchase price paid for your vehicle
 - outstanding finance on the car
 - cost of a replacement vehicle matching the original vehicle specification, age and mileage
- You choose how long you want the cover for but typically between 3 and 5 years. For example, to match the period of your finance agreement.

What if I want to cancel my policy?

- If you cancel the policy after an initial 14 days and you have paid the premium for the full period of cover you might not get a refund
- Some policies do refund the premium for each full month left on the policy

What isn't covered?

- GAP insurance does NOT include cover you might already have under your car insurance policy for a new replacement car
- It will exclude dealer options, warranty charges, insurance premiums (including GAP), road fund licence and any other warranty/add on
- Most policies say that:
 - only finance specific to buying the vehicle is covered under the policy
 - the finance must be in the policyholder's name
 - the vehicle must be owned by the policyholder
 - you must always have comprehensive motor insurance
- GAP insurance only pays out if you make a valid claim under your car insurance, and there is a shortfall
- The usual exclusions apply such as if the car is being driven by someone not insured to drive under your motor insurance or by someone who is under the influence of drink or drugs
- GAP insurance will sometimes cover part of your excess. For example up to £250, but not if you were not at fault in the accident and could reclaim the excess from the other party

What if I don't buy GAP insurance?

- It is very likely that your comprehensive car insurance will include cover to replace a car that is less than 12 months old, at the time of the loss, with a brand new one - if it doesn't you can shop around for car insurance that does include this cover

Your comprehensive car insurance will cover you for the market value of your car which should enable you to replace it with a car of a similar model, age and mileage

APPENDIX C: DEFINITIONS OF ADD-ON & STANDALONE USED FOR RECRUITMENT PURPOSES

PERSONAL ACCIDENT INSURANCE

ADD-ON

Bought, for an additional cost, alongside another product e.g. home insurance, credit card, home catalogue purchase

Or

Bought following a cold call e.g. after taking out another financial product such as a credit card, home catalogue purchase

This does NOT include cover that you already have if it is part of the standard cover under another insurance policy such as your home Insurance. This means it is not an optional extra and you do not pay a separate cost for the cover.

STANDALONE

You found and arranged this independently from any other product or service you have

TRAVEL INSURANCE

ADD-ON

Bought, for an additional cost, at the same time and with the same company that you booked your holiday/lights/travel with

Or

As an optional extra to your home insurance, for an extra cost.

This does NOT include cover that you already have if it is part of the standard cover under another insurance policy such as your home Insurance. This means it is not an optional extra and you do not pay a separate cost for the cover.

STANDALONE

You sought the cover separately and bought it directly through an insurance broker/online or from an insurance company as either a single trip policy or annual cover

HOME EMERGENCY COVER

ADD-ON

Purchased, for an additional cost, from the same company that provides your utilities (gas/electricity/water supplier) or someone acting on their behalf

or

Provided as an additional option and cost on another insurance policy e.g. home insurance policy

This does NOT include cover that you already have if it is part of the standard cover under your home insurance policy. This means it is not an optional extra and you do not pay a separate cost for the cover.

STANDALONE

You found and arranged this independently, from any other product or service you have (e.g. separate from your utility provider or home insurer)

GADGET INSURANCE

ADD-ON

Bought at the same time and from the same supplier who sold me the gadget* for an additional cost

Or

Through a follow up or cold call from the supplier who sold me the gadget* for an additional cost

Or

As an optional extra for an additional cost under your home insurance

This does NOT include cover that you already have if it is part of the standard cover under another insurance policy such as your home Insurance. This means it is not an optional extra and you do not pay a separate cost for the cover.

**This does NOT include extended warranty provided by the manufacturer (either free or for an additional charge) that extends the usual 12 months guarantee for breakdown of the item, and does not include cover for accidental damage or loss*

STANDALONE

You found and arranged this independently from any other product or service, either with the company you bought your gadget from or a separate company.

CAR GUARANTEED ASSET PROTECTION (GAP) INSURANCE

ADD-ON

Bought from car dealer, for an additional cost, when buying my new/second hand car

This does NOT include cover that you already have if it is part of the standard cover under another insurance policy such as your home Insurance. This means it is not an optional extra and you do not pay a separate cost for the cover.

STANDALONE

Bought independently from my car - from my dealer or through an insurance company

APPENDIX D:

Consumer generated individual product policy reviews: product specific triggers for purchasing, misunderstandings and surprises

The following section outlines some of consumers' product specific triggers for purchase alongside illustrations of misunderstandings and/or surprises these respondents cited when examining (a) their own policies and (b) the stimulus material.

These illustrations are not presented in any particular order. Note: the following may reflect the views of several people or just one.

GAP Insurance

GAP insurance policies were often taken out when:

- they bought a new car
- the vehicle they bought was very expensive for them - especially when combined with the point above
- they had taken out finance and could not afford to keep up the payments if the car was written off and they lost their collateral
- they had a track record which involved a car accident / write off
- they were 'scared' into 'what if' scenarios by sales people with some instances of pressure being applied by family / friends.

(a) Examples of a lack of clarity and/or misunderstandings through examination of their own specific policies

- Some do not realise that the product may not cover the full terms of their finance e.g. product = 3 years and full term = 5 years (commonly cited).
- Many add-on purchasers think that GAP insurance is part of the package and/or a pre-condition of sale, and that it is tied in with their finance deal.
- Some dealerships 'group' GAP insurance with other products e.g. paintwork protection/dent repair or the final price being charged. Consumers can become confused e.g. think that GAP insurance helps to protect the value of the car.
- A dealership needs to offer GAP insurance as it is part of a FCA (FSA) directive and, by implication, something that they need to purchase.
- GAP insurance covers your payments in the event of unemployment and sickness (this was either misinformation or combining of PPI with GAP insurance).
- That GAP insurance means that they will not have incurred (as much) 'wear & tear' if claiming on their car. This emerged as a grey area and one that consumers found hard to articulate.
- Many were unaware that they must not accept settlement under their car insurance before they have communicated with the GAP insurance provider.
- Some were unaware/unclear GAP only pays out if their car insurer pays out. This was not a topic that occurred to them nor did they consider the implications that could be substantial, as instanced by one unsuccessful claimant.

(b) Examples of misunderstandings brought to light through the stimulus material

- Consumers were often unaware of the availability of other sources of cover or the ability to buy cover independently.
- Consumers were often unaware that there were different types of cover. The majority of this sample assumed GAP was to cover finance gap.
- The fact that comprehensive car insurance will generally cover the cost to replace a car that is less than 12 months old. This frequently led to queries regarding whether, or not, it meant that their GAP insurance payments might involve a ‘wasted first year’ of cover. The very few that were aware of this, and they were standalone purchasers, stated that they had to purchase their GAP policies within a short period of time, e.g. six months, from the purchase date of their vehicle and so were unable to take advantage of the first year’s exemption.
- An assumption existed that their GAP insurance will automatically cover the same period of time as the duration of their finance agreement, and this was not always the case. Timing simply was not something that occurred to them to check and was not mentioned by the dealerships; the add-on purchasers did not claim to have had any say in choosing the duration of their policy.
- There was a lack of awareness that it may, on occasion, not cover the excess on their car insurance policy.
- There was some evidence that they may have been led to believe that a finance agreement is either dependent on taking out a GAP policy and/or a requirement of the FCA.
- Some were unaware that fully comprehensive car insurance is most often a requirement for GAP insurance to be valid.
- Many add-on purchasers were unaware that they could get a monthly cover if they purchased their policy as a standalone. However the most savvy of the few standalone purchasers encountered stated that, in their opinion, this was a sensible way of buying the policy as, in the event of a claim, they would not have paid out the whole amount.

Gadget Insurance

Gadget insurance policies were often taken out when:

- there were children in the house and gadgets became expensive vulnerabilities.
- they bought more expensive and/or multiple gadgets e.g. ipads, iphones
- they were more inclined to take gadgets 'out and about' than had previously been the case e.g. Kindle
- there was a crucial link with their work or interests (e.g. laptop with important records)
- a small subset had determined that it was better and/or cheaper for them to take out separate gadget insurance over and above their household insurance (protects household no claims, lower excess levels, may be easier / quicker etc.) and use their household insurance as a fall-back if they were unsuccessful with their gadget claim. There was evidence of some using their household insurance for this and home emergency claims.

Notes:

- (i) There was often confusion regarding whether or not a policy was a warranty or an insurance policy, not least because some consumers considered a warranty to be a form of insurance against problems with their gadgets.
- (ii) Gadget insurance seemed to be a more recent addition to these consumers' repertoire(s), a function of acquisitions of more expensive and portable equipment such as iphones, tablets and portable computers for themselves and their children. It also seemed to be the most disjointed in that they may have individual policies for individual gadgets and not have considered grouping them into one policy.

Again their gadget policy may be linked to a helpline or service offer and a particular retailer which, in turn, can restrict their inclination to shop around in the first instance and subsequently.

(a) Examples of a lack of clarity and/or misunderstandings through examination of their own specific policies

- A cross-section of consumers do not realise that they have to have a receipt as proof of purchase in order to claim - this was commonly cited across the study by those who had not had to make a claim, or by those who had suffered through a past claim.
- Some 'forget' that they have added benefits as part of their policies e.g. technical support helplines. Subsets of these stated that it was either not clear at point of purchase or they had simply forgotten. For others, these benefits were a main reason for buying the add-on policy in the first place.
- Some did not realise their excess was so high, e.g. £75/£100, and when they stopped and thought about this in relation to the price of the goods, called into question the value of their policy. This was especially apparent if they considered other insurance policies that they had that might cover the gadget without the need for additional insurance. For example: often there was confusion regarding whether, or not, they were covered under their household insurance. This could lead to increased criticisms of gadget insurance, particularly when considered in combination with the next two points.
- Many did not realise that they could only claim on one or two products in a year. They thought that the policy would cover as many gadget claims as was needed.

- Some did not realise that there are maximum limits to the amount they can claim e.g. £1,100. This could come as a shock as they might have one gadget alone worth £1,200.
- Once they started to consider specifics relating to their policy and the whole arena, many felt that there was a lack of clarity regarding situations wherein the policy will pay out e.g. ‘mishaps exclusions will apply’, ‘neglect/abuse’ - what do these and other phrases really mean?
- Many do not realise that some policies require them to register the serial numbers, make and model of the gadget(s) otherwise any claim can be invalid. Also that their registration needs to be kept up to date.
- Some think that because they pay monthly they can cancel at any time not realising that if they cancel after the cooling off period they (may) have to pay the outstanding balance on the policy.

(b) Examples of misunderstandings brought to light through the stimulus material

- That consumers may not be able to have more than one claim for accidental damage or theft per annum.
- Consumers were unclear as to exactly what was meant by, and differences between definitions of:
 - ‘left unattended’ versus ‘lost’ and how does this differ from other statements that suggest that loss is covered?
 - ‘accidental damage’: who determines whether this is an acceptable claim or an exclusion as it appears to fall under both? Also whether the fault lies with them, the consumer, or the manufacturer or retailer as this appeared to be another grey area.
- There was surprise and concern regarding several of the exclusions mentioned. For example:
 - ‘Theft from a locked car unless the item is in a locked glove compartment and all the windows and doors were locked and alarm activated’. They asked questions such as: ‘surely if the car is locked and the item out of sight then it should be covered?’ and ‘my portable won’t fit in my glove compartment’ and so on. In essence they wanted to know when is gadget covered when in a car and how can they ascertain whether the exclusion is fair?
 - An item being used by someone who is not a member of your family, living with you.
 - Gadgets for which you cannot provide proof of purchase.
 - Someone away at university.
 - Small claims, for example under £50. They wanted to understand both why and who determines the level of claim?
- They were unsure whether or not such policies covered new for old?

Personal Accident Insurance

Note: Holders of personal accident insurance were the most difficult to recruit and represented the lowest sample in this study.

Personal accident insurance was not a policy that was top of mind for many, nor one that was in the consideration set for many of our sample. A cross-section stated that the reason they had not personally considered personal accident was that they were covered by their employer and which should be sufficient if the need arose, as was most likely, through work related incidents.

Personal accident insurance policies were often taken out:

- to protect the family (e.g. young children, partner not working etc.)
- when jobs were such that there was an inherent danger (e.g. machinery, heights, self employed or single parent and could not afford to lose wages / salary etc.)
- when travelling to particular countries
- by players of more dangerous sports or hobbies (e.g. rugby, mountain climbing)

(a) Examples of a lack of clarity and/or misunderstandings through examination of their own specific policies

These policies were the ones which respondents appeared to feel the most comfortable / satisfied with as they had, possibly, thought more about their needs and criteria before purchase and so were less inclined to be surprised when reviewing policies.

There was an underlying sense that personal accident policies are tailored to the individual - but, as this sample was extremely small and this was not a product review, more work needs to be undertaken to understand the dynamics of this and the other products.

(b) Examples of misunderstandings brought to light through the FCA's policy

- Surprise was expressed that there was a relative disparity between compensation for death (lower amount) versus loss of limbs (a higher amount).
- Some expressed surprise that they were unlikely to be covered for first few days in hospital.
- They were unclear about definitions of:
 - 'excessive'
 - and 'deliberately/recklessly exposing themselves to danger'.
- A cross-section were unaware they may be covered by home and car insurance. Regarding the latter, they could be unclear that it was limited to motor accidents.
- A few murmured that they were unaware that they might not be covered outside the UK.
- One respondent who had purchased the product as 'free for 3 months' did not realise that it excluded illnesses and disease.

Home Emergency Cover

Home emergency insurance policies were often taken out when:

- consumers get older and are no longer as able to deal with such problems
- some consumers in the project stated that they were concerned about their skills or be able to deal with such issues. These views were more likely to be expressed by women - or men on their behalf.
- households with an occupant that may be suffering in some way in some way (e.g. child with certain conditions, a disabled person etc.)
- people consider that they are not good at 'DIY' or don't move in circles where these skills are available
- home emergency problems have been experienced before and such a service would have been, or was considered to be, most helpful
- something about the property is considered to warrant such a policy
- it was part of another service package such as boiler servicing, offering 'good value
- they were unaware that aspects could be covered under home insurance (whereas others thought that it was and, potentially wrongly, believed that their home insurance would cover all emergencies and so did not consider a home emergency policy).

(a) Examples of a lack of clarity and/or misunderstandings through examination of their own specific policies

- Some did not realise that there are financial limits to the work that will be undertaken (commonly cited).
- Some see or hear the phrase 'unlimited call outs', often during the sales stage, and misinterpret this as a blanket cover and that 'everything will be covered' (regardless of financial cost and the number of claims).
- Some did not realise that for a claim to be valid they have to register their problem within 'x' hours of the problem arising e.g. 24 hours.
- Some did not realise their excesses were so high e.g. £250 for water damage.
- Some did not realise sanitary ware was excluded.
- One was unsure, even having read her policy, whether it would cover her emergency immersion heater which is electric.
- Some did not know that they were, or whether they were, covered for some emergencies e.g. pest control, roof damage.

(b) Examples of misunderstandings brought to light through stimulus material

- The exclusion section came as a surprise to many. Most often cited were exclusions:
 - of repair/replacement of appliances
 - based on age of boiler
 - of second toilet
 - of drains and / or areas of responsibility (unless specified)
 - cost of making good
- That there were policy limits on payouts
- There was also a lack of awareness of helplines.
- There were instances of consternation regarding when something would or would not be considered 'an emergency'. In these people's minds, if something basic goes wrong then it is an emergency - otherwise why take out the policy?

Travel Insurance

Older consumers felt that they had, increasingly, less choice and were disadvantaged either because 'normal' travel insurance excluded them through age or because they were increasingly prone to problems associated with medical conditions.

Travel insurance policies were often taken out when:

- there was a specific need (holiday, work travel, health issues, older people etc.)
- a firm involved in their travel specified that it was required (e.g. cruises, skiing)
- holidays that would involve potentially risky activities (e.g. hang gliding, skiing)
- destinations that were considered to warrant specific insurance (e.g. USA for health reasons, parts of Africa)
- there was a belief that it was a legal requirement
- out of habit
- there was an example of one partner travelling separately, needing their own insurance as the policy they had with their bank account only covered the secondary account holder if the primary account holder was travelling with them

(a) Examples of a lack of clarity and/or misunderstandings through examination of their own specific policies

- Some did not realise that their specific health condition may not be covered.
- Some did not realise that the price differential between policies reflects the amount of cover provided. For example: they may assume that price differentials quoted on a website were based on age/health of applicant rather than looking more closely at the stated differences.
- Some were surprised by specific limits imposed on health cover e.g. £25 a day to a maximum of £400.
- They did not always realise that there could be restrictions on cover for sports equipment e.g. if ski equipment is over 3 years old the policy only pays 30% value - the respondent had assumed he was fully covered.
- One did not realise that he was not covered for off-piste skiing, and had presumed he was covered.
- Some were surprised to discover that their policies did not cover baggage.

(b) Examples of misunderstandings brought to light through stimulus material

- There is a lack of awareness of what is covered by the European Health Insurance card and, therefore, what (type of) cover is really required. Several of these consumers who travelled to Europe had not heard of the card and did not possess one, thinking that all their health needs would be covered by their travel policy. Some others who had the card were unclear regarding its role and fit with their travel insurance.
- General surprise was expressed that medical costs relating to accidents whilst under the influence of alcohol could exclude them from claims. It was queried by many e.g. how/who determines this and it's a likely scenario when they are on holiday!

- General surprise was expressed that medical costs relating to circumstances you knew about/should have known about - e.g. elderly relatives who may be suffering from long term illnesses - could exclude them from claims.
- Many did not realise that travel insurance could be bought as an add-on to home insurance.