

Consumer
Research

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Financial Services Authority

*Motor legal
expenses insurance:*

Consumer market research

Qualitative research:

Prepared for the Financial Services Authority
by Atticus Research Limited

Quantitative research:

Fieldwork conducted by TNS Capi Omnibus

February 2013



Acknowledgements

The qualitative research was commissioned by the FSA. It was conducted by Atticus Research Limited, who wrote the main text for this report.

The quantitative research was conducted by TNS Capi Omnibus. The findings from this quantitative research have been incorporated into the report in boxed, differently coloured, text.

Further details of the research programme are given in the appended Technical Report.

The views expressed in this report are those of the authors and not necessarily those of the FSA (nor do they reflect FSA policy or constitute guidance to firms).

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Glossary

The report contains a number of industry terms and specific descriptions of participants in the research.

Term	Meaning
MLEI	Motor legal expenses insurance, also known as legal cover and referred to by this abbreviation throughout the report.
Motor legal cover or legal cover	The common term used by the industry and consumers to describe motor legal expenses insurance (MLEI).
Add-ons	A term used to describe the additional options offered to consumers purchasing an insurance product. The add-ons to motor insurance commonly include MLEI, personal accident cover, medical cover, windscreen cover, breakdown cover, courtesy car and protected no-claims.
Consumers	A collective term to describe participants of the market research projects, who were also consumers of financial products.
Respondents	A collective term to describe participants of the market research projects.
Financial confidence and capability	Participants who took part in the qualitative research were screened using a number of questions to gauge their levels of confidence in dealing with their money and finances, as well as a short series of questions to define their levels of capability when choosing which financial products to purchase.
Opt-in	An approach to selling referred to by participants where they are left to choose if they would like to select MLEI as an add-on to their motor policy.
Omnibus survey	An omnibus survey is a method of quantitative research where data on a wide variety of subjects is collected during the same interview. Usually, multiple research clients will provide proprietary content for the survey, while sharing common demographic data collected from each respondent.

1 Executive summary

This report primarily focuses on results from qualitative consumer research carried out between July and September 2012. A quantitative study was also undertaken with a representative sample of consumers using an omnibus survey to understand if key findings from the qualitative research were reflected across the wider population. Findings from this quantitative research are clearly highlighted throughout.

Consumer attitudes to car insurance

There appears to be little or no relationship between consumers and car insurance providers and many consumers were quick to explain why: the lack of any reward or incentive for loyalty; the spiralling cost of car insurance, the lack of transparency in the way insurance is presented and sold; the tendency for providers to increase premiums but then later match a lower quote; and the purchase process becoming dominated by selling extras and making more money for the insurer/intermediary rather than providing the appropriate cover, service or advice for individual consumer needs.

Many also admitted they did not feel they knew how car insurance worked in general or what would happen if they needed to make a claim. There was an assumption among consumers that in the event of an accident, car insurance would simply cover them. On reflection, however, many expressed concerns that their car insurance might not do what they thought it should, or that they wouldn't necessarily have the right cover for their needs, and that this would only become clear in the event of making a claim. Many described car insurance as a 'grey area', with too many caveats, variables and a general lack of clarity or transparency.

Consumer attitudes to comparison websites

Comparison websites are applauded for being independent and allowing consumers to undertake a search of many providers, quickly and easily. As such, they are largely trusted and allow consumers to feel they have shopped around and made a good decision. On reflection, however, many did express a concern that they rely too heavily on the comparison websites, and the way information is presented to them can stop them from interrogating the information further.

The car insurance purchase process

Cost dominates the purchase process, being easy for consumers to understand and compare, but this is not the whole story. Many searched for the lowest cost but disregarded the quotes from an unknown provider in favour of a more recognised brand. This challenges a common assumption, that consumers

will claim they always shop on price and buy the cheapest. Actual behaviour demonstrates a preference to pay more for the reassurance of a known brand or a better quality product.

Consumer attitudes to additional options and features

The splitting out of options and features (described here as add-ons) was largely taken at face value by consumers: many believed that this method of offering add-ons put them in control and allowed them to select the options that are important to them.

On reflection, however, many expressed concerns about add-ons, both because they were unsure whether they would need them, but also because of a perceived lack of consistency in terms of what the add-ons cover or include across the different insurance providers.

Attitudes to add-ons segmented between those that consumers felt they knew and understood, including: Windscreen; Breakdown; Courtesy Car and to some extent Protected no-claims discount, and those they felt were intangible and less fully understood: Legal Cover; Personal Accident and Medical Cover.

The former group of add-ons are felt to be clear and tangible, with an obvious benefit for the consumer and to a large extent an essential purchase, all about keeping the consumer on the road.

The latter group of add-ons are felt to be more of a discretionary purchase, added extras offering an additional level of cover. Many suggested these were the equivalent of private healthcare insurance, which would offer a more premium level of cover compared to the basic NHS cover we all have. Building on this point, it became clear that many consumers believed that whether they selected Legal Cover as an option or not, they still had a basic level of cover within their car insurance as standard.

Awareness and understanding of Motor Legal Expenses Insurance

The subject of MLEI is a great leveller. Many who took part in the research, including those with varying degrees of financial confidence and capability, and those with and without Legal Cover, did not know how MLEI worked, nor whether it would be the right product for them.

Consumers' spontaneous definitions of MLEI were extremely consistent. It was seen as a cover-all for any situation where a legal issue might arise. There was a clear order of priority, in terms of what those with MLEI were buying into: first, protection from litigation or legal action if they are at fault; second, that they will be protected if hit by an uninsured driver; third and finally, legal support to pursue costs arising from a no fault accident.

Consumers were therefore deciding whether or not to purchase Legal Cover based on inaccurate assumptions and little or no knowledge about what the product is, how it works and whether or not they need it.

Quantitative research revealed that among consumers with MLEI there was widespread misunderstanding about what their policy covers. MLEI operates to allow the policy holder to pursue their legal rights to recover uninsured losses when they are **not at fault** for a motor accident. However 81% of consumers with MLEI incorrectly said that their policy would pay any legal costs associated with an accident if they were **at fault**. Along with this, 78% incorrectly stated that the MLEI policy would pay the legal costs to defend them if they were sued by another driver and they themselves were at fault (covered by the core motor policy not MLEI).

Reasons for purchasing/not purchasing Motor Legal Expenses Insurance

Those who had purchased MLEI tended to be risk averse and have a more careful outlook on life in general, seeking to limit the potential impact of a car accident. Some admitted to being susceptible to the tactics of salespeople during the purchase process who had suggested there could be negative implications or financial risks from not having MLEI.

Quantitative research revealed that 51% of consumers were main holders of a motor insurance policy. Of these 49% took out MLEI cover with their policy and 13% were unsure if they held MLEI or not. The primary reasons given for purchasing MLEI was 'peace of mind', with 38% ranking this as their top reason for purchase. The second highest ranked reason was that it was included in their expiring policy (24%). 12% recall looking carefully at the cover and deciding that it was useful, but 8% didn't know or couldn't remember why they had taken out the cover at all.

Those who had not purchased MLEI tended to have a more optimistic outlook on life in general, that it will 'never happen to me', combined with the expectation that comprehensive car insurance itself would still offer them some level of protection, and that MLEI would therefore be largely unnecessary.

Affordability was also a factor in decision-making, with those on tighter budgets tending to be more dismissive of 'add-ons' by necessity, where those with more money were able to afford to take out MLEI and ask themselves, 'what's an extra £30?'

Reactions to a definition of Motor Legal Expenses Insurance

When a definition of MLEI was revealed, many expressed genuine surprise and concern that it only works in a no-fault situation. This left those who had purchased it feeling less secure and somewhat cheated, having assumed it would act in all situations where there was a legal dispute. Many were especially concerned that either the insurer or legal cover company could make the decision based on prospect of success without consulting the customer. As a result, many also started to question just how well covered they were by their car insurance.

Communication about Motor Legal Expenses Insurance

Very few could recall seeing or hearing anything about MLEI at any point before, during or after the purchase process. Some recalled it being offered when purchasing over the telephone, but complained that they found this to be more of a selling exercise than informing the consumer, and that nothing had been mentioned about the limitations of MLEI, e.g. no fault or prospect of successful recovery.

What consumers feel should be done

Overall, respondents felt that one of the following should happen as a result of this research:

- Car insurers should explain clearly during the sales process both how having or not having MLEI could affect the customer. This should include clarity on the policy providing cover only where the customer is not at fault in an accident and how the 'prospects of success' decision is part of the product.
- Deciding whether or not to take MLEI is considered to be a difficult decision and many suggested that if it is a good thing for motorists to have, it should be included on all car insurance policies as a matter of course, and if not, it should not be offered in any form, with the decision effectively removed from the consumer domain.
- The way it is offered as an opt-in, alongside more tangible and easily understood add-ons, can be too simplistic and misleading. Some suggest the option should be offered further into the purchase process, separately from the 'add-ons', to increase impact and engagement.

The experience of those who have made a MLEI claim

NB. Please note that the following section is based on the responses of claimants. Caution is required interpreting these findings as the number was small in comparison to the total sample of participants.

The MLEI claim tended to be initiated by the car insurer, with claimants suggesting they would have no idea how or whether to make a claim.

It was assumed that a claim using MLEI was all part of a single process, and with the same provider. Once claimants discovered how it worked and that it generally comprised a separate company, this undermined confidence and, as a result, consumers felt less certain of the outcomes.

Unsuccessful claimants had raised the subject with their insurer, not overtly requesting a claim, but mentioning associated costs. They were simply advised that they would not be able to claim. While disappointed, these consumers tended to be accepting, assuming they were not covered as they had thought, and blaming themselves as much as their insurer. This is partly a result of their limited understanding of MLEI or what they are covered for. Consumers were more likely to exercise their frustration by changing car insurer at renewal than by stopping taking MLEI in future.

Successful claimants were understandably positive about MLEI and tended to advocate the product, with the successful claim acting as confirmation that their decision to take it was a good one.

All claimants felt that their accident was not their fault. As a result, the unsuccessful claimants felt that the decision by their insurance provider not to pursue the claim was unfair, arbitrary and lacking a clear rationale.

Levels of understanding were very low and claimants were just as shocked as other respondents to discover how MLEI works, and the limitations of the cover. Successful claimants still felt they would continue to select it, but only the most risk averse unsuccessful claimants felt they would do so.

2 Background

Motor Legal Expenses Insurance (MLEI) is offered to consumers with their car insurance policy, usually as an optional add on, though in some cases as part of the standard motor cover. MLEI typically allows the consumer to recover their uninsured losses when they are deemed not at fault for the accident and when there is a reasonable prospect of success.

In December 2011 the Office of Fair Trading asked the FSA to ensure that consumers are being provided with appropriate information when purchasing MLEI. In addition to this the FSA, in its 2012 Retail Conduct Risk Outlook, highlighted as an area of conduct risk 'add on products' and those of 'limited value'. MLEI has the first of these characteristics, with its value to consumers needing to be assessed.

As a result, in addition to work with firms (insurers and intermediaries), the FSA decided to carry out research to provide empirical evidence of how well consumers understand MLEI, their experience in purchasing the product, and how it had operated when they tried to claim.

In June 2012, the FSA commissioned Atticus Research Limited to undertake an extensive programme of qualitative consumer research. This was followed by a quantitative study with a representative sample of consumers to understand if key findings from the qualitative research were reflected across the wider population. This was commissioned separately from TNS Capi Omnibus.

This report focuses on findings from the qualitative research. Where these findings have been researched quantitatively, this is clearly highlighted throughout by text boxes and coloured text.

3 Objectives

The initial stage of qualitative consumer research had the following aims.

To understand if consumers are being given sufficient information about MLEI to enable them to make an informed choice about whether the product might meet their needs and deliver value for money. Specifically to understand:

- consumer experiences of the sales process;
- information provided in the sales process and the extent to which this was understood;
- levels of clarity about what the MLEI policy covers;
- expectations in relation to the product, whether consumers know when the policy will respond, e.g. when the customer is not at fault for an accident and there is a reasonable prospect of successful recovery;
- reasons for purchasing or not purchasing MLEI; and
- the extent to which MLEI was felt to offer value for money and how is this judged.

Also, to understand consumer experiences of using or trying to use MLEI. Specifically:

- when and why they wanted to use their MLEI;
- what happened;
- what the policy offered; and
- the extent to which their MLEI met expectations.

When looking to cover these objectives, the qualitative research also considered the wider context in which MLEI was purchased, which included consumers' experiences and attitudes in relation to purchasing their motor insurance policy and motor insurance more generally.

The objective of the quantitative research was to understand if key findings from the qualitative study were reflected among a representative sample of consumers. In particular the quantitative research measured:

- the number of consumers holding MLEI and their socio-demographic profile;
- the channel by which they purchased their motor insurance and MLEI policy;
- self-reported reasons for purchasing or not purchasing MLEI; and
- consumer understanding of MLEI.

4 Methodology and sample

For the qualitative research a multi-strand approach was applied, including group discussions, triads (comprising three respondents), individual depth interviews and follow-up telephone interviews with consumers who had recently purchased a motor insurance policy and had taken, or decided not to take, MLEI. The sample also included those who have claimed, or tried to claim, on their MLEI. A full breakdown of the sample structure can be found in the Technical Report section of this report.

When undertaking the qualitative research we drew on principles from the field of Behavioural Economics as a means of explaining some aspects of consumer behaviour. These principles are referenced throughout this report and explained in more detail in the Technical Report.

With regard to the quantitative research element, an omnibus survey was conducted by TNS Capi Omnibus during September 2012 on behalf of the FSA. The survey was of a representative sample of 2,115 adults from across Great Britain interviewed face-to-face in their own home. Please see the Technical Report for detail related to the quantitative methodology.

5 Consumer attitudes towards car insurance

5.1 How consumers feel about their car insurance

Consumer attitudes towards car insurance were very mixed and many stated that while they understood what car insurance should do, they lacked confidence that it would deliver on their expectations.

The assumption was that they would be covered in the event of an incident involving their car, but beyond this, few felt they understood precisely how car insurance works, what the exclusions or limitations on their policy might be or what they would find if they did ever need to make a claim.

'I don't really know what I'm covered for.'

Aged 20-40 years, lower financial confidence, without MLEI

'You see all these options but you don't really know what they are for'

Aged 40-60 years, higher financial confidence, with MLEI

'You choose someone reputable and just hope for the best.'

Aged 20-40 years, lower financial confidence, without MLEI

'It's very complicated, there's a lot of small print.'

Aged 40-60 years, higher financial confidence, with MLEI

Many also expressed concerns that they might lack the correct cover for their needs, but would be unlikely to know this until it is too late, and when they need to make a claim.

5.2 The relationship with car insurance providers

The underlying feelings of uncertainty expressed by consumers in the research are due in part to the way they are treated by car insurance providers. Many also felt this had eroded any sense of trust and resulted in little or no relationship between the consumer and car insurance provider. Specifically, consumers cited a number of reasons for these feelings of antipathy.

- There are no rewards for loyalty and consumers have discovered to their cost that there are penalties for remaining loyal to a car insurance provider, with higher premiums compared to those available elsewhere or via comparison websites, which in turn has cemented the role of

the comparison sites. Many had also become aware that if they acquired a lower quote elsewhere, their current provider would often match it. This compounded the belief that car insurance premiums are artificially inflated, and further undermined the relationship between consumer and insurance provider;

- The cost of car insurance is felt to have spiralled in recent years. Those who took part in the research were unsure of the reasons for this, and by default felt the car insurance industry was simply over-charging drivers. The increase in cost has also presented an ongoing challenge for consumers who find they have to try and keep the premium down by deciding which features are a priority. In doing so, some were worried that this could result in the wrong cover, or not being covered for the things they need.
- Consumers felt the purchase process and car insurance in general were unnecessarily complex, lacking clarity and transparency, and with hidden catches that could trip up the unwary. This effect was cemented by policy documents which were felt to be hard to understand and full of small print and 'legal speak', which many interpreted as financial service providers hiding the truth from consumers.
- The process of taking up car insurance was felt to have changed in recent years, now being more about selling extras than about offering consumers useful information or advice to help them select the right type of insurance cover for their needs. Many felt that this left them in a vulnerable situation, having to make snap decisions about cover options and features with little information or time to consider them. There was also a perception that the adviser would be heavily biased, being incentivised to sell extras, irrespective of whether consumers need them.

The result is that car insurance has become even more of a grudge purchase. Consumers felt they were over-paying for something they are legally obliged to have but are unlikely to need, and without confidence that it would pay out in an accident. Many described car insurance as a 'gamble', hoping for the best but far from certain that they have the cover they think they have.

'I do find that companies say they will do your insurance for £250 but when it comes to renewal, it shoots up.'

Aged 40-60 years, lower financial confidence, without MLEI

'When I get that renewal letter... I start to get a bit panicky, even though I've got plenty of time... You know it's more than likely it's going to go up and you've got to try and do things and almost give up some sort of thing to try and bring the price down.'

Aged 20-40 years, lower financial confidence, without MLEI

'I'm always really worried I'm going to have an accident and that what I've chosen is going to be missing that one thing. I always feel scared that when I hit the 'done' button it's the wrong one and I'll never really know until I have an accident.'

Aged 20-40 years, lower financial confidence, without MLEI

5.3 How consumers research and purchase car insurance

The research and purchase process tended to be concentrated into a short period of time and had become habitual, following a predictable path. Action was often triggered by the renewal letter, at which point many visited their preferred comparison website to look for the lowest cost car insurance.

There were some exceptions, with younger drivers having an on-going interest in car insurance costs, and often discussing it with friends and peers outside the renewal period. This was a function of the large costs they face for car insurance, and the degree of pre-occupation that results.

While consumers declared that they seek out the lowest price car insurance, actual behaviour suggests otherwise. Many rejected the cheapest premium and opted for a combination of lowest cost but from a recognised brand, demonstrating that quality and cost are factors in decision making, and that consumers also look for a degree of reassurance from brand recognition.

'I always worry about the reliability of the company. They may be the best price but if you have an accident are they going to be reliable enough to pay up?'

Aged 20-40 years, lower financial confidence, without MLEI

'I think you get what you pay for.'

Aged 20-40 years, higher level of financial confidence, with MLEI, Successful claimant

The final stage of the research and purchase process can produce a number of results. Some committed to purchase online through the comparison website, but many preferred to go direct to the insurance provider, either online or via the telephone, often believing that they would be able to negotiate a better price or that they would acquire a more accurate premium quote.

Some went back to their current provider with the quote to request a price match. This was evidence of a preference among consumers to stay with their current provider, believing that: it was easier; they would have their details; they would 'know us' as customers; and this was a safer bet and the route of least resistance.

A small number of respondents saw the whole process as a challenge or a game of wits, pitting themselves against the car insurance providers, looking for all the 'tricks of the trade' and actively selecting options that reduced costs, or 'haggling' with the insurers to achieve the lowest possible cost.

Quantitative research revealed that just under two thirds (64%) of main policy holders renewed their motor insurance with their existing insurance provider and 35% took out a policy with a new provider. Older participants were more likely to renew with their existing provider compared with younger participants, with 71% of those aged 65+ compared with 40% of those aged 17-24 remaining with their existing motor insurance provider.

It is important to note that while the majority have renewed with their existing provider, this may not necessarily indicate that consumers are not shopping around. As suggested by the qualitative research, consumers may shop around and then go back to their existing provider to accept renewal or request a price match.

5.4 The role of cost in the research and purchase process

The insurance premium dominated the research process and consumers were focused on getting this as low as possible. The aim of the research and purchase process was to find a premium lower or the same as the previous year, and this became the measure of success.

The way information is presented on comparison websites contributes to this, with the search functionality of the comparison websites focusing consumers on identifying lowest cost options. It was evident that for many, cost is easy to understand and compare, and this works for consumers who can say to themselves, *'I don't know much about car insurance, but I do know paying less is better.'* This is partly because the quality or features of the product felt much harder to gauge, being less transparent, often being different in terms of level of cover, and therefore harder to directly compare.

'You have to be really careful because if they put you in at a £200 or £300 excess, if you lower that or higher that, all that changes what the premium is. All these extra things break down and some include things and others don't. It's very hard to get a true comparison.'

Aged 40-60 years, medium level of financial confidence, with MLEI

Many were also aware, however, that the headline cost was not necessarily what they would end up paying once they looked more closely at what was included or excluded in the policy. This was likened by some to purchasing a flight, where taxes and additions add a significant cost to the initial

headline cost. While there was a degree of acceptance that this is the case, it was still considered to be a 'catch', and contributed to the sense of uncertainty and insecurity about car insurance. Many expressed a desire for more easily comparable car insurance policies, feeling that it would be almost impossible to fully interrogate and compare all the different attributes and features as things stand.

Consumer reactions showed that the reference point they use in researching car insurance is often the cost of the insurance premium for the previous year, and they set out to 'match' this for the current year. Paying more than the previous year can feel like a 'loss' and many seek to avoid this at the exclusion of other factors such as the quality or range of cover. In many cases, consumers also reference the lowest cost that appears following the comparison website search, and use this when assessing the cost of other premiums.¹

'You start with the comparison sites, see what sort of prices come up.'

Aged 40-60 years, higher financial confidence, with MLEI

'You know you've succeeded when you find it for less than you paid last year.'

Aged 20-40 years, lower financial confidence, without MLEI

'I guess it's all about the price. What can I afford with a name I recognise.'

Aged 40-60 years, medium level of financial confidence, with MLEI

5.5 Purchase channel preferences

The purchase channel used segmented according to the qualitative sample criteria, which included a mix of those who purchased online and over the phone, but reasons for preferences were very consistent.

Those who preferred to make the purchase using the telephone did so for the reassurance that the company definitely exists, to ask questions, to check the process is correct and customer data is being answered correctly, that the right insurance cover has been selected, and in some cases to negotiate a better price or to discuss ways of cutting costs.

In spite of these advantages, many across the sample were aware that the telephone channel also exposed them to the risk of being 'sold to' by customer service staff. Consumers were prepared for this and many described a strategy of declining options that are offered, as a means of maintaining control over the purchase process and ensuring that the opportunity of being sold to is limited, the theory being that if the consumer expresses an interest, it will be a case of 'give an inch and take a

¹ Behavioural economic principle - Reference Dependence, explained in detail in the Technical Report.

mile.’ In a few cases consumers took the opposite approach and simply said ‘yes’ to everything to get through the process and get the advisor off the phone as quickly as possible.

‘Personally I just want it done. I don’t want anything to do with them. I want them to come up with a name you sort of recognise at a price you can live with. Click, done! You get afterwards, “Do you want this?”, “Do you want that?” No! I just want you to leave me alone.’

Aged 40-60 years, medium level of financial confidence, with MLEI

Many spontaneously suggested that this was the wrong time to ‘sell’ extra features and described having to make decisions too quickly and under pressure. A few consumers were re-contacted within a week or two of taking out their car insurance and offered MLEI, feeling this was a much better time and allowed for more considered decision making.

Those who expressed a preference for the online channel did so because it was quick and easy, being a natural extension of using the comparison site to research car insurance, and easier visually to see all the options or add-ons and whether these were included or excluded, or which ones they had selected. These consumers also described the online channel as being a means of keeping the car insurer at arm’s length, and making it harder to be sold to by the car insurance provider.

‘I hate it when you get to the end and then you have to phone. I dread talking to them, that’s when they try and sell you all the stuff you don’t need, and knowing me I’ll take it!’

Aged 20-40 years, lower financial confidence, without MLEI

‘I prefer to purchase online because you’ve got it all in front of you and you can click and unclick. If someone on the phone is asking you, do you want this and that, you can lose track.’

Aged 20-40 years, lower financial confidence, without MLEI

The qualitative research indicated that the purchase channel appeared to play a role in the decision to take MLEI, with those who completed the process over the phone being more exposed to and therefore susceptible to messages about it. However, no evidence was found in the quantitative research to indicate purchase channel to play a role in the take up of MLEI.

‘I remember being told there was a risk if I didn’t take it. That was enough for me!’

Aged 20-40 years, lower financial confidence, with MLEI

‘They are going to give you the hard sell about why you should take it out. If you get the right person selling it to you, you’re going to take it. That’s why I do it on the internet.’

Aged 20-40 years, lower financial confidence, without MLEI

'If it's on the internet, the onus is on you to read the small-print, on the telephone, you're being sold something. These people are there to sell you the bits... they may not have your interests at heart.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

Quantitative research revealed the most common means of purchasing a motor policy was over the telephone from an insurance company or broker, with 44% of main policy holders purchasing their motor insurance via this method. 27% purchased their insurance through a price comparison website and 19% through an insurance company or broker website. In terms of demographics, age appears to influence purchase channel, with older participants preferring to use the telephone and younger participants, price comparison sites.

This data refers to the final channel by which a consumer actually purchased their motor insurance, we recognise that consumers are likely to use a variety of channels to research their insurance before buying. For example, they may research via a comparison site and then go on to arrange their cover over the telephone directly with an insurance company or broker.

The table below provides a breakdown of age by chosen purchase channel.

	Total %	17-34 %	35-54 %	55+ %
Price comparison website	27	43	29	17
Insurance company or broker website	19	18	22	16
Telephone - insurance company or broker	44	37	42	51
Face to face	5	1	3	10
Can't remember	4	1	4	6
Unweighted Base: Main policy holders	1021	197	390	434

Table 1: Age by chosen purchase channel

5.6 Attitudes to comparison websites

Comparison websites were widely used and applauded for presenting a range of products in a simple way. They were felt to enable consumers to find insurance cover at a low price, quickly and relatively easily. This made consumers feel good about themselves, that with limited time and knowledge they had been savvy and done the right thing by shopping around and comparing car insurance.

The comparison websites were specifically praised for allowing the consumer to search most of the market in one hit, making it easy to identify the cheapest premium, and enabling consumers to adapt the results or search on specific features.

'There's a lot of information but you can work through it, and you can change your details and adapt it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'It's fantastic. You go on. You enter your details. You get 30 quotes!'

Aged 20-40 years, lower financial confidence, without MLEI

'All these extra things: breakdown, some include things, some don't. It's very hard to get a true comparison.'

Aged 20-40 years, higher financial confidence, without MLEI

'You have to be really careful because if they put you in at a £200 or £300 excess... all that changes the premium.'

Aged 40-60 years, medium level of financial confidence, without MLEI

On consideration, many also expressed concerns that the results on the comparison websites were less transparent than might first appear, with the level of cover, options or excess, varying and therefore making true comparison impossible. Some also felt they were over-reliant on comparison websites, taking the simple way they present information and options at face value rather than interrogating the policy or exploring what it covered. Many consumers described doing this because they felt that interrogating the detail would be hard work and present them with difficult choices.

In this instance, consumers demonstrated a preference to get the job done quickly and easily rather than fully engaging with the product or its implications.²

'It stops you digging beneath the surface into what you are buying and if it's worth it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'I have never looked at the detail, I just looked at the ticks and thought yes I want that no I don't want that to reduce my price down, it wasn't until I had my accident that I looked at the detail.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

² Behavioural economic principle - Present Bias, explained in full in the Technical Report.

'You get the fundamentals immediately, it doesn't necessarily tell you the full price because when you go in you can make adjustments to it.'

Aged 20-40 years, lower financial confidence, without MLEI

'It's well set out but I'm a suspicious person. I don't believe what I see initially, and even though I'm looking at that price, I know it's not going to be that price in the end.'

Aged 40-60 years, medium level of financial confidence, with MLEI

5.7 Attitudes to 'add-ons'

The splitting out of product features offered as additional options (add-ons) was taken at face value, and in many cases these were described in positive terms as putting the customer in control and allowing them to choose the cover they need.

'If they all have ticks I will click the links to the specific sites and see what the detail is.'

Aged 20-40 years, lower level of financial confidence, with MLEI, successful claimant

This was particularly the case among those on tighter budgets, some of whom felt that these options allowed them to select the cheapest possible car insurance which otherwise could be unaffordable.

'For me it does come down to price. To have all of the things on the checklist you'd be spending a lot.'

Aged 20-40 years, higher level of financial confidence, without MLEI

On reflection, some did express concerns about the process of selecting 'add-ons', and described this as feeling like a risky or confusing decision. In part this was due to a lack of understanding about some of the options available, and the lack of consistency in terms of what is included, and exactly what each 'add-on' comprises. This also meant that consumers felt that a true comparison would be hard to do, and as a result questioned the validity of their own decision making when selecting car insurance.

Consumers also gave voice to the possibility that add-ons are simply a means of car insurance providers making more money from their customers.

'Have I made the right choice? Have I included this? Have I included that?'

Aged 40-60 years, medium level of financial confidence, with MLEI

'I always feel like it's a bit of a risk I'm taking by not including all of the options...'

Aged 20-40 years, medium level of financial confidence, without MLEI

'It feels like money making - trying to catch as much money from customers as possible.'

Aged 20-40 years, lower financial confidence, without MLEI

'I think the fact they break everything down gives you the illusion that you are in control, and it's your own particular personal insurance, just for you.'

Aged 40-60 years, medium level of financial confidence, with MLEI

Attitudes to the different 'add-ons' differed between those that consumers felt they understood, that have a clear, tangible benefit, and those that are less well understood or lack a clear sense of relevance or benefit.

The former group included:

- 'Windscreen cover', viewed by many as an essential and very much the business of car insurance, in the sense that it is directly connected to motoring, is about repairing or replacing a damaged part of the car and has been a part of car insurance cover for as long as many could remember. It was also felt to be an easy option to evaluate, with many able to recall needing a windscreen replacement in the past.
- 'Courtesy car' was felt to be equally straightforward, and easy to make a decision about, with those who relied on their car viewing this option as an essential to keep daily life functioning.
- 'Breakdown cover' was well understood and many consumers felt they understood the different levels of cover available, and the optimum cost for this, with a mix of those preferring to take it as part of their car insurance, and those who felt it was better value to shop around and purchase elsewhere.
- 'Protected no-claims' had a more mixed response and some found it less clear precisely what it is or how it works, and some even described it as a 'con', and not worth paying extra for. Many, especially older drivers, saw their years of no-claims driving as an investment, worth protecting to keep costs down.

These options were generally felt to work well as 'add-ons', with evidence that consumers feel able to make a good decision about whether or not to select or include them.

In contrast, there was a lack of understanding about the other 'add-ons', with Legal Cover, Personal Accident and Medical Cover all felt to be harder to define, with each perceived to do a bit of the same thing. This resulted in a degree of confusion with consumers left wondering which, if any, they needed to include. Many considered that of the three, MLEI had a better fit with car insurance, with medical cover and personal accident feeling less relevant to motoring and potentially covered elsewhere by specific insurance policies or home insurance.

Consumers claimed that the way that MLEI was presented to them on comparison websites also influenced their decision making. Being placed alongside the more tangible options that they felt they understood, some felt they must know what MLEI is, associating it in their minds with the options it was placed with, and that they do understand.³

Some also felt that in context of the other add-ons, the word 'Legal' had stand out and seemed important compared to other options. For others, MLEI appeared 'difficult' in comparison to the easy to understand, tangible add-ons, and they were less inclined to engage with it.

³ Behavioural Economic principle - Framing and Saliency, explained in detail in Technical Report

6 Consumer awareness and understanding of MLEI

6.1 Awareness of MLEI

General awareness of MLEI was high and consumers felt they knew if they had it as part of their car insurance, although on further exploration, this was proved to not always be the case.

Commonly referred to as ‘Legal Cover’, the term sounded familiar and safe, and contributed to consumer perceptions that they must know what it is. The interpretation is that ‘legal’ means anything that involves the law or litigation, solicitors and courts. ‘Cover’ is also interpreted literally as meaning the consumer would be covered and protected in full for anything legal.

For consumers, the perception that they knew what Legal Cover was also became a barrier in itself to engaging with the product or interrogating how it worked or if they really needed it.

In the quantitative research main motor policy holders were asked if they had taken out MLEI cover with their motor insurance. Nearly half (49%) said they had taken out MLEI and 13% did not know whether they had it or not.

Older motor policy holders were more likely to have taken out MLEI compared with younger respondents, with 54% of those aged 55+ holding MLEI compared with 41% of those aged 17-34.

Over half (52%) of those who renewed their policy with their existing provider took out MLEI as opposed to 44% who took out a policy with a new provider.

There were no significant differences by purchase channel as to who had taken out MLEI, however, those who took out their motor policy through a personal process (telephone or face to face) were more likely to say that they didn’t know if they have MLEI or not.

The table below provides a breakdown of age and if renewed with an existing or new provider, by whether or not MLEI was purchased.

	Total %	17-34 %	35-54 %	55+ %	Existing provider %	New provider %
MLEI holders	49	41	49	54	52	44
No MLEI	38	46	38	33	35	44
Not known if have MLEI	13	14	13	13	13	13
Unweighted base: Main policy holders	1021	197	390	434	651	357

Table 2: Age and if renewed with existing or new provider by MLEI purchase

6.2 Understanding MLEI

By contrast with the higher levels of awareness of MLEI, understanding of what it is and how it might work were extremely low. The very act of asking consumers what MLEI is and how it works, challenged their perceptions that they already knew this. The effect was sudden and profound, with many feeling shocked to discover they had in fact little or no idea precisely what it might cover or how it might work. Many admitted that they had completely over-looked the subject of MLEI and taken it at face value, having assumed it works as a kind of failsafe and covers anything extra beyond car insurance in the event of an accident.

'I've always had it as an add-on but I've never read the small print as to what it gives me.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'I'm a bit confused as to what it actually is. The whole point of being insured is you are covered and there would be people to help if you needed to go to court. I don't really know why they bought in this option of MLEI.'

Aged 20-40 years, lower financial confidence, without MLEI

'I'm not even sure what legal cover is, but I always put it on there... I hope what it is, is legal support when you need it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'My knowledge is limited... I wasn't sure exactly what it would cover, how much it would cover or exactly what the legal team would do.'

Aged 20-40 years, medium level of financial confidence, with MLEI, Successful claimant

'I'm quite unsure about it; it has got to cover you. Hopefully it will provide me with everything I need to help me.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'It would cover me for everything really, loss of earnings, injury and all the legal stuff.'

Aged 20-40 years, medium level of financial confidence, with MLEI, unsuccessful claimant

The research findings emphasised that consumers are coming to MLEI with little or no knowledge about what it is or how it works and by default, making inaccurate assumptions about what it will do for them in the event of an accident.

6.3 How consumers think MLEI will work

Consumers across the sample were consistent in describing what they felt MLEI would do, and what those with it wanted it to do for them in the event of an accident: in essence, that it would cover them for any or all legal eventualities that involved their car. This also revealed something of a hierarchy of expectations from MLEI, and these were influencing the decision of those who purchased it:

- in the first instance, a belief that MLEI would protect the driver from litigation or legal action if they were to be the cause of an accident, or at fault;
- second, that they would be protected were they to be in an accident caused by an uninsured driver;
- third, that the consumer would get legal support if they were not at fault and wanted to pursue the other driver for compensation in the event of an accident.

'I assumed that it would help me out in the case of accidents with uninsured drivers or if I was to do something catastrophic, that I would have some sort of backup with legal cover.'

Aged 40-60 years, Medium level of financial confidence, with MLEI, unsuccessful claimant

Comments demonstrated that consumers believe MLEI will cover them for each of these situations that might give rise to a legal dispute, and this was a key motivation in the decision to select MLEI for those who had done so. This once again suggests that consumers lack a clear sense of what MLEI will cover them for, or the actual benefits of the product as compared to their main motor policy.

In the quantitative research, to gauge consumers’ understanding of MLEI we asked respondents who had purchased MLEI what they thought their policy covered in relation to a number of scenarios where they were deemed either at fault or not at fault as the driver.

The findings revealed that among those with MLEI there was widespread misunderstanding about what their policy covered. MLEI operates to allow the policy holder to pursue their legal rights to recover uninsured losses when they are **not at fault** for a motor accident. However, 81% of consumers with MLEI surveyed incorrectly said that their MLEI policy would pay any legal costs associated with an accident if they were **at fault**. Along with this, 78% stated the MLEI policy could pay the legal costs to defend them if they were sued by another driver and they themselves were at fault (covered by the core motor policy not MLEI).

In addition, 61% said that their MLEI would defend them in court against criminal charges of dangerous driving when they were at fault. It may be that this assumption is correct, but only if their MLEI policy includes motor prosecution cover, which is included by some providers but not others.

This misunderstanding was common, however, older participants were more likely than younger participants to say that their MLEI would:

- pay any legal costs associated with the accident if they were at fault (81% aged 55+ compared with 75% of those aged 17-34);
- pay the costs to defend them in court if they were at fault (66% of those aged 55+ compared to 50% of 17-35 year olds); and
- pay the legal costs to defend them if they were sued by the other driver (81% of those aged 55+ compared with 65% of 17-34 year olds).

In relation to other variables measured, while not statistically significant, the trend was for those who bought through an insurance company or broker’s website appearing more likely to think that they were covered across all the specified scenarios, compared with other channels.

The table below shows the percentage of consumers who think they are covered for various scenarios when at fault for an accident.

	Pay any legal costs associated with the accident	Pay the legal costs to defend you in court against criminal charges (dangerous driving)	Pay the legal costs to defend you if sued by the other driver
	%	%	%
Covered	81	61	78
Not covered	6	18	6
Not sure / cannot say	13	21	16
Unweighted base: Main policy holders with MLEI	498	498	498

Table 3: Perceived coverage in cases where the respondent is at fault

6.4 Awareness of the price of MLEI

Awareness of the price of MLEI was high and consumers were able to suggest it would cost somewhere between £25 and £35 when offered as an additional option. Consumers also felt this would be good value for what they thought MLEI would do: cover them for anything legal.

'It is nothing, it really is nothing, for what it is and what it gives you.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

Comments suggested that the way MLEI is presented to consumers played a part in their value perceptions. MLEI appeared especially good value in comparison to the total cost of the car insurance premium.⁴

For some, MLEI seemed too cheap and they wondered how it could be that such an amount could cover legal fees. This was largely due to a perception that anything legal would be very expensive, which in itself was an additional trigger to take up MLEI.

'At that price, you do wonder how good it will be.'

Aged 20-40 years, lower level of financial confidence, without MLEI

For the most risk averse, the cost of MLEI was a side issue and their focus was on the potential negative effects of a legal action following a car accident. Some felt that the repercussions could be severe, and result in losing money or even putting their home at risk. As a consequence, these consumers demonstrated a preparedness to pay whatever necessary to ensure they were protected from the risk of litigation or legal action.⁵

'You do worry, you could end up losing your house!'

Aged 40-60 years, medium level of financial confidence, with MLEI

'Worryingly if they asked for more you'd probably swallow it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'If it was £50 I would still have it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

⁴ Behavioural economic principle - Reference Dependence is explained in detail in the Technical Report.

⁵ Behavioural economic principle - Risk Aversion, explained in detail in the Technical Report.

Overall, for those who see a need for MLEI, the cost is low enough not to be a barrier to purchasing it, and in many cases, it felt like good value for what it was perceived to do.

6.5 Reasons for taking / not taking MLEI

A fundamental difference in mindset and attitudes appeared to influence the decision whether or not to take MLEI and this spanned the sample in the qualitative stage of research, irrespective of age, gender, social grade and confidence dealing with money and finances.

Those without MLEI were characterised by a more 'happy go lucky' attitude to life in general, having a more positive and optimistic outlook: that it will 'never happen to me'. Many were happy to take the chance of not having MLEI and did not anticipate the risk of a negative outcome from this decision. They were also more likely to dismiss messages about MLEI during the purchase process as 'sales-speak'.

There was a common belief among those without MLEI that their car insurance must include a basic level of cover as standard, and that the legal cover offered by providers is essentially an upsell or means of making more money from consumer.

'It feels like you are paying for another insurance on top on your insurance.'

Aged 20-40 years, medium level of financial confidence, with MLEI, unsuccessful claimant

'I thought legal cover should come as standard.'

Aged 40-60 years, medium level of financial confidence, with MLEI

Some among this group also believed that they would be able to get the same cover free of charge through a 'no win, no fee' provider. This was felt to be better value and another justification for not selecting MLEI.

Those with MLEI tended to have a very different mindset and attitude characterised by a more careful outlook in general, and a mindset dominated by the question: *'what if it happens to me?'*⁶

In this instance there was evidence that many were over-reacting to the probability of needing MLEI, and actively seeking to avoid risk or mitigate the potential outcomes of a negative event by

paying extra for the certainty of peace of mind. They tended to take out MLEI and rationalise the decision by suggesting it would be 'just my luck' not to have it and then need it.⁷

'I think it is an important part of the insurance...it is the just in case.'

Aged 20-40 years, medium level of financial confidence, with MLEI, unsuccessful claimant

This group also appeared more susceptible to sales messages in the purchase process, especially where legal cover was offered to them and framed as a potential loss that could be incurred by having to cover their own legal costs in the event of an accident. This felt like a risk and tapped into the fear that has been propagated by the increasing noise around 'no win, no fee' claims, as well as a belief that anything legal could cost a huge amount. Consumers with this mindset tended to believe that MLEI would protect them from this risk.

There was also evidence of the tendency to favour information that confirms preconceptions or previously held beliefs, regardless of whether they are true.⁸ This was in cases where consumers were warned of the potential cost of not having legal cover, which related to what they already believed about the high cost of solicitors or any legal action, and the increase in litigation in the UK.

6.6 The influence of affordability

In spite of the view that MLEI appeared good value for money for what it was perceived to do, affordability did play a key role in the decision making process. Those with more money were able to look at it and think, 'it's only another £30, I may as well have it'.

'It was offered to me as an add-on extra for not very much money, so I just took it and then I just took it from then onwards. They told me lots of things about it on the phone but there was lots of legal language and what they told me was much more than what I digested.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

'It was something the insurance company said to me was an add on and it wasn't too expensive, and that I could claim for things that I weren't covered for my fully comprehensive cover.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

In contrast, those on tighter budgets were by necessity more focused on keeping the cost of their car insurance to a minimum, and whether or not they perceived a need for it, felt they would have to rule out any non-essentials, including MLEI.

⁷ Behavioural economic principle - Risk Aversion, described in detail in the Technical Report.

⁸ Behavioural economic principle - Confirmation Bias, described in detail in the Technical Report.

6.7 How different consumer attitudes influence take-up of MLEI

Following on from the previous points, the research findings suggest that the market for MLEI broadly falls into four groups or types of consumer, defined by those who are more or less risk averse, and those for whom the product is more or less affordable.

Those who are more risk averse and find MLEI to be affordable are the most likely to have it. This group tended to be slightly older or in the family lifestage, with a sense that they had more responsibilities and therefore more to protect. They were also influenced by their life experience that had taught them the unexpected can happen.

Those who are equally risk averse but for whom MLEI was felt to be unaffordable, tended to be living on much tighter budgets and in some cases struggling to make ends meet with the increase in both car insurance and the cost of living generally. While worried about not having MLEI, many in this group felt they had no choice but to reject add-ons and extras to keep costs to a minimum. While some felt this would expose them to risk, they would tend to comfort themselves with the belief that comprehensive insurance itself would offer the necessary protection.

Those who are less risk averse and find MLEI unaffordable were the least likely to have it and also the most comfortable with this, sharing a belief that 'it will never happen to me'. This was underpinned by circumstance, with many driving older cars which they felt meant they had less to protect, and a general cynicism towards insurance, believing there is never any guarantee it will pay out, whether MLEI is included in the policy or not.

Those who are less risk averse and find MLEI to be affordable included a mix of those with and without MLEI. While consumers in this group did not necessarily perceive a need for it, some took the view that MLEI was low in cost relative to the insurance premium and therefore worth having. Others, however, took the view that they could afford not to have MLEI on the basis that they would be able to cover their own potential losses or deal privately with any legal implications following an accident.

In the quantitative research respondents with MLEI were asked to provide their main reason for purchasing this cover. The main reasons given were ‘peace of mind’ (38%) and that it was included in their expiring policy (24%), 12% said they looked carefully at the cover and decided that it was useful, and 8% said they didn’t know or couldn’t remember why they had purchased MLEI.

There were no differences by age in relation to reported reasons for taking out MLEI, other than that older participants (25% of those aged 35-54 and 27% of those aged 55+) were more likely to claim they took out the cover because it was included in their existing policy compared with younger participants (15% aged 17-34). The table below shows the main reasons reported for purchasing MLEI.

	Total %
Cheap compared with overall cost of the policy	7
Provides peace of mind	38
Insurance company / broker pre-selected as an add-on to the policy	7
Renewing policy and had legal cover in expiring policy	24
Bought without much consideration at the end of a long process	4
Looked carefully at the cover and decided it was useful	12
Don’t know / can’t remember	8
Unweighted base: Main policy holders with MLEI	498

Table 4: Reason for purchasing MLEI

As expected, those who renewed their policy with an existing provider were more likely to say they took out the cover because it was included in their expiring policy compared to those who renewed with a new provider.

The quantitative research also revealed purchase channel to influence reasons given for taking out MLEI, with more consumers who purchased their policy through a price comparison site (14%) stating they took out the cover because it was cheap compared with the overall cost of the policy, in comparison to other purchase channels (face-to-face 2%, over the telephone 5%, or through an insurance company or broker website 5%).

Those who purchased their policy through a broker or insurance company website (19%) were more likely to state they carefully considered the cover and decided it was useful, compared with those who purchased the policy face to face (0%) and those who had purchased through a price comparison site (8%).

The table below provides a breakdown of purchase channel by main reason provided for purchasing MLEI.

	Total %	Price comparison website	Insurance company/broker website	Phone	Face to face
Cheap compared with overall cost of the policy	7	14	5	5	2
Provides peace of mind	38	45	33	37	29
Insurance company / broker pre-selected as an add-on to the policy	7	8	5	4	22
Renewing policy and had legal cover in expiring policy	24	13	29	31	15
Bought without much consideration at the end of a long process	4	3	5	4	5
Looked carefully at the cover and decided it was useful	12	8	19	13	0
Don't know / can't remember	8	10	4	5	26
Unweighted base: Main policy holders with MLEI	498	131	96	229	33*

**treat with caution due to low base*

Table 5: Channel and main reason for purchasing MLEI

Quantitative research found that of those who didn't have MLEI, 54% reported that they had looked carefully at the cover and decided they didn't need it, 28% said they didn't know why they hadn't taken out MLEI, and 18% claimed it to be too expensive.

Among those who didn't have MLEI, a larger proportion of younger respondents compared with older respondents claimed to have looked at the cover and decided they didn't need it (60% of those aged 17-34 and 58% of those aged 35-54, compared with 44% aged 55+).

Of those over 55 years old, 39% couldn't remember or didn't know why they didn't have MLEI, compared with 22% of 17-34 year olds and 23% of those aged 35-54. The table below shows the age of participants by main reason provided for not purchasing MLEI.

	Total %	17-34	35-54	55+
Too expensive	18	18	19	17
Looked carefully at cover and decided didn't need it	54	60	58	44
Don't know / can't remember	28	22	23	39
Unweighted base: Main policy holders without MLEI	383	88	151	144

Table 6: Reasons for not purchasing MLEI

Participants who bought their insurance via an insurer or broker's website or over the telephone were more likely to say they didn't know or couldn't remember why they didn't have MLEI compared with those who purchased through a price comparison site. Also, those who renewed with an existing provider were more likely to say they didn't know or couldn't remember why they didn't have MLEI, compared to those who took out their motor insurance with a new provider.

6.8 How those with MLEI feel about having it

Even though they admitted to not knowing precisely what it is or how it works, those with MLEI felt more confident knowing they have it, describing it as offering peace of mind, a sense of security, and acting as a safety net. This points to consumers purchasing MLEI more out of a fear of not

having it and what might happen as a result, than because they understand what it is and have bought into the cover it offers.

'It sounds important but what exactly is it? You don't want to omit it in case you actually need it.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'You feel like your insurance isn't adequate if you haven't put that on.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'You could be personally sued for everything you've got!'

Aged 40-60 years, medium level of financial confidence, with MLEI

'It's a gamble not to have it.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

7 Consumer reactions to definitions of MLEI

7.1 Reactions to a definition of MLEI

Respondents were shown a definition of MLEI, along with a number of examples of how it might work in practice, as follows:

If you are involved in a motor accident, legal expenses pay the legal costs (up to £100,000) for you to recover your uninsured losses from the other driver to the extent that the accident is not your fault (in other words there must be reasonable prospect of successful recovery from the insurer of the at-fault driver).

Your uninsured losses could include:

- The excess on your motor policy
- The costs of hiring a car of similar quality to your own
- Compensation for death or injury
- Loss of earnings

In addition some motor legal expenses insurance policies provide:

- Cover against the legal cost of defending you if you are being prosecuted for a criminal offence relating to your car (such as dangerous driving)

The definition of MLEI had a profound impact on respondents across the sample. It threw many consumer beliefs and assumptions about MLEI into doubt, and raised questions for both those with and without it. The extent of this reflection was far reaching, with many asking themselves not just how MLEI works but what car insurance is for in the first place: how it really works; and what they are really covered for. This at once challenged the assumption that MLEI would cover them for anything and everything that might result in legal action. The key areas of concern related specifically to the prospect of successful recovery and the driver being not at fault, both of which undermined the sense of complete cover and security that consumers had assumed MLEI would deliver.

'I always thought that if you were in a really bad accident and just needed a bit more legal cover, your insurance would give it to you.'

Aged 20-40 years, lower financial confidence, without MLEI

'They don't tell you that on the comparison websites.'

Aged 20-40 years, lower financial confidence, without MLEI

'The holes in the safety net are certainly bigger! "Reasonable prospect of successful recovery" - it's legal speak.'

Aged 40-60 years, medium level of financial confidence, with MLEI

Following the face-to-face research sessions, a number of consumers were re-contacted to explore their more considered views, back in the 'real world' and out of the research environment. Many had talked to friends, family and colleagues about what they learned in the research about MLEI and all confirmed that others were equally shocked and surprised to hear this information, specifically that MLEI would only work in a no fault situation, or that it would only be taken on by the insurer if there was a prospect of successful recovery. As with respondents in the research itself, these others responded this way on learning that MLEI was not at all what they expected it to be, and were equally unaware of these facts.

'No one I have talked to have a clue about it - they are always shocked to hear.'

Aged 20-40 years, higher financial confidence, with MLEI

Overall, consumers were left feeling less secure and somewhat cheated, including those who had made a successful claim in the past. Many had assumed that either comprehensive car insurance, or MLEI, would act in **all situations** where there was a legal dispute. Consumers also concluded that if they could be this wrong about MLEI, they could be equally wrong about other aspects of car insurance. It was not the product itself that consumers objected to as much as the way it had been sold and presented to them, and their consequent misunderstanding of what it would cover.

On reflection, those without MLEI and who saw it as largely unnecessary, reassured themselves with the belief that they should be able to get this cover via a no win, no fee company, or that MLEI would be so full of caveats, it would not offer anything above standard car insurance.

'I don't know anyone who's ever needed it before.'

Aged 20-40 years, lower financial confidence, without MLEI

'Do we need it these days, with personal injury lawyers?'

Aged 20-40 years, lower financial confidence, without MLEI

Those without MLEI but who firmly believed that it would be included as a standard part of their car insurance were very concerned to learn that this would not be the case.

'I think it is disgusting they don't tell you.'

Aged 40-60 years, lower financial confidence, without MLEI

'It makes you wonder what you are paying for with your car insurance.'

Aged 20-40 years, lower financial confidence, without MLEI

"If you don't have legal cover, what's the basic car insurance for?"

Aged 40-60 years, medium level of financial confidence, with MLEI

A number of specific questions and concerns were raised in response to the definitions of MLEI. Some were uncertain precisely what a 'no-fault' situation would be, or what would happen if both parties felt that it was the other's fault.

Some also raised questions about the policy covering legal costs up to £100,000, in particular that it might not be enough to cover a typical legal case. The lack of context rendered this number meaningless, although the suspicion was that it is used in order to show the MLEI policy cost to the best advantage. Some assumed that this is a pool of money from which any losses are repaid, and at this stage few understood that it would be used to pay court or solicitor fees.

Learning for the first time that they might have to pay the excess on their insurance claim, even if it was not their fault, was a surprise to many and once again, raised questions about car insurance, what it covers and how it works.

'Would they be supplying the solicitor - who does that? I would expect the insurer to do it.'

Aged 20-40 years, lower financial confidence, without MLEI

'You'd have to prove it wasn't your fault.'

Aged 20-40 years, higher financial confidence, with MLEI

"It means nothing really. They probably use a big number like that to make it seem like a bargain!"

Aged 40-60 years, lower financial confidence, with MLEI

The range of questions raised emphasised the lack of awareness about how MLEI and how it works.

7.2 Reactions to 'prospect of successful recovery'

The definitions included an explanation of 'prospect of successful recovery', the concept that MLEI would only act for consumers in a situation where it was likely that any losses would be recovered from the other driver.

This information was received with both surprise and concern by consumers. Many felt it represented a major loophole in the policy and a serious limitation in the scope of MLEI. Some interpreted this as a 'win win' situation for the insurer, as they would only ever act when certain of success, whereby any costs would be reclaimed from the other driver, meaning that there would never be any financial risk to the insurer. Consumers felt this confirmed their negative view of the car insurance industry, that it is designed with the benefit of financial service providers and their profits in mind.

One of the key concerns about this element of the way MLEI works was that a decision not to pursue a case could be made without any consultation or involvement with the consumer. Many felt that if the accident was not their fault, but the fault was disputed, there was a risk the insurer would not necessarily pursue the case. This felt like an arbitrary decision, out the consumers' control, and with the potential to result in an injustice.

Referring to one of the key research findings documented earlier in this report, it was largely because the strength of relationship between consumer and insurer is not there that many did not trust the insurer to make this decision about prospect of recovery, and assume that the decision would be made to suit the insurer rather than with the needs of the consumer in mind.

This aspect of MLEI seriously undermined the almost complete sense of security that those with MLEI had, before learning about how it works. Those without MLEI felt it entirely justified their decision not to have it.

'It's basically picking and choosing what they pursue.'

Aged 20-40 years, lower financial confidence, without MLEI

'If you're paying extra for it, they should fight for you.'

Aged 20-40 years, lower financial confidence, with MLEI

'I feel quite impotent, it's almost been taken out of your hands.'

Aged 40-60 years, higher financial confidence, with MLEI

Many spontaneously claimed that no information had been given to them by their insurance provider about the prospect of successful recovery. Just one respondent did recall this being explained, and had declined to take up MLEI as a result.

All felt the prospect of successful recovery was a key element of MLEI and should be made very clear at the point of purchase, as it would counter the inaccurate and misleading 'cover all' perceptions that the term 'legal cover' engenders in the minds of consumers.

7.3 Likelihood to take-up MLEI in future

Although consumers were shocked and disappointed when they learned MLEI does not do what they expected, many of those with MLEI still felt they would continue to take it as a part of their car insurance policy in future. These consumers felt it would be better to have some cover than none, and some of the most risk averse consumers began to wonder if they now needed something else in addition to MLEI to ensure they had the complete cover they wanted.

Consumer reactions go back to the root of what many want to feel they have: car insurance that simply covers them for all eventualities.

7.4 Summary of reactions to MLEI

The research process itself represented something of a journey for consumers. Many began by feeling they knew what they were doing, and that they are largely doing the right thing in terms of the research and purchase of car insurance. This also applied to MLEI and it became clear that few had ever had cause to reflect or consider what MLEI is, how it works, or if they really needed it.

As soon as the first question was asked, the effect was something of a 'light bulb' moment for consumers, and the sudden realisation that they may not have known as much as they thought. The subject was also a great leveller and irrespective of age, social grade and financial confidence, consumers went on the same journey and arrived at the same conclusions about MLEI.

Consumers with MLEI, and those who felt they already had this cover as standard, initially felt secure and confident that by having MLEI they would get a 'helping hand' and someone who would 'fight their corner' in any legal dispute whether they were at fault or not. During the course of the research sessions and when shown a definition of legal cover, this was replaced with feelings of anxiety, that MLEI was not at all what consumers had expected and wouldn't offer anything like the protection they had thought.

It was clear that for consumers the whole point of choosing to take MLEI was the security and certainty that they would be covered for anything extra on top of standard car insurance that might be required, or where a legal issue of any sort arose. Once consumers became aware that such a certainty had never really existed, the result was a strong sense that they had not been dealt with in a fair or transparent manner by their car insurance provider. What they learned about MLEI had a negative halo effect, confirming in the minds of consumers that the car insurance industry is opaque and self-serving in the way it deals with them.

'It's really depressing, there's too many grey areas.'

Aged 40-60 years, Medium level of financial confidence, with MLEI, successful claimant

8 MLEI claimant experiences

8.1 The MLEI claim process

In many cases MLEI claims were instigated by the insurer once the consumer had reported the accident. None of the claimants in the research sample felt they would have known how or whether to make such a claim and that this was perceived to be the role of the insurer.

In many cases, claimants had assumed that the process of making a claim on their MLEI was part of a single claim process, and only in some cases had they become aware that the legal expense claim was being handled by a third-party organisation. This realisation came as a surprise and initially undermined confidence in the process and the potential outcomes, especially where consumers were handed over to an unknown MLEI company without clear explanation of the process or the rationale for this division of responsibility and cover.

'You wonder who these people are... it's a bit of a shock at first.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

'I thought they would have a legal department that look after this sort of thing.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

The claim process itself could be extremely variable. Those who had a positive experience cited a number of reasons for this, including one or more of the following: the process being explained at the outset and expectations managed; provision of a clear timeframe for the process with key milestones; good communication and regular updates during the process of the claim; and the process being 'owned' and handled by their car insurer from start to finish. These consumers described feeling in control and completely supported throughout the process.

'I didn't have to do a thing. They just took care of everything.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

'I didn't really do a lot. They asked me a few questions and that was it. They asked me if I wanted to claim for this, claim for that.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

Those who had had a negative experience described what was essentially the other side of the same coin, citing a number of reasons including: no updates or timeframe being provided; feeling kept in the dark about the process and how it works; being handed over to a third-party MLEI provider without warning or explanation; and a lack of communication between the car insurer and MLEI provider.

These consumers described feeling out of control, unsupported and unsure of the potential outcomes, with their confidence in the process seriously undermined. In a number of cases claimants felt they had to take matters into their own hands and contact both the car insurer and MLEI provider on numerous occasions to get updates, apply some pressure or resolve the matter.

'It dragged on and on and I had to call and hassle them all the time.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

'There was a complete disconnect between the insurance company and assistance. They just passed me back and forth. I spent hours at work trying to chase them to get answers.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

'If I'd known who the legal provider would have been and it was made clear to me and there was information about that company I could look into, probably I wouldn't have taken that policy in the end.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

In some instances, consumers were very dissatisfied and described some negative experiences, including one who had been offered a BMW courtesy car for the duration of the process, and only on asking at the point of delivery if the cost would be covered was she advised that the cost would only be covered if the claim was successful, otherwise she would be liable for the hire cost at £1,000 per week.

In spite of the variation in the claim process, many indicated that the core measure of the experience was the outcome, and comments indicated this remained the focus throughout.

8.2 Reactions to the claim outcome

Understandably, reactions segmented according to the outcome of the claim. Successful claimants were the most positive about MLEI, interpreting the result as proof that choosing to take MLEI was the right decision. Expenses and expectations were met, and in spite of variation in the claim process, these consumers tended to be advocates of the product and committed to including in their car insurance policy in future.

'I've always had it and wondered if I needed it. Then I had an accident and was injured, and I'm absolutely having it now!'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

'Having car insurance without it would be nonsensical. To have to go through a court procedure yourself with the time and expense would be too hard. They're specialists in what they do.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

The unsuccessful claimants had a very different experience and view of MLEI. The nature of the claim varied. There were some who reported the accident and associated losses or costs arising from damaged property or injury, and were simply told by their insurer at this initial stage that they would not be able to make a claim. Others were put directly in touch with the MLEI provider, having mentioned the costs or losses associated with the car accident to their insurer, but then later advised that they would not be able to make a claim.

While dissatisfied with this outcome, the unsuccessful claimants also tended to have a degree of acceptance when advised they would not be able to claim. Many were either unquestioning or felt they lacked the confidence and conviction to challenge the outcome, and in some cases, blamed themselves as much as the insurer, reflecting that perhaps they weren't covered for what they had thought. These reactions were largely a function of the lack of true understanding among consumers about how car insurance works and the level of cover they had.

Some unsuccessful claimants still felt very let down and disappointed by their car insurer because they had not been on their side as they had expected and the MLEI hadn't acted as they had thought it should.

'You hear all sorts of horror stories. My motivation was, it's a bit of a safety net. Well it wasn't for me!'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

In this case the wisdom and knowledge was perceived to lie with the car insurer and consumers were inclined to take their word as final.⁹ There was also the tendency for this information to confirm previously held beliefs about car insurance, in this case, that it is designed not to pay out.

It is also worth noting that, as consumers explained it, there was no obvious difference between successful and unsuccessful claimants in the nature of the incident leading to the claim, and the outcome, and that across both these respondent type, they all had a perception that theirs was a no-fault accident, but that this had little impact on the claim outcome, further emphasising what seems for consumers a very grey area and arbitrary decision, made at the whim of the insurer. It was the opinion of these consumers that they were not at fault. These views are possibly a result of the general confusion about the product among consumers, or the lack of an effective explanation of the outcomes by their MLEI or car insurance provider.

8.3 Propensity to purchase MLEI in future

As described earlier, successful claimants were largely happy with the outcome of the claim and keen advocates of MLEI. They were also the most likely of all consumers in the sample to purchase it in future.

The attitudes of unsuccessful claimants was mixed. Some felt that the experience had demonstrated to them that the potential costs associated with a car accident could be high, and therefore it would still be safer to have MLEI in future in order to provide a degree of extra protection. Their thinking was that even though it had not worked for them on this occasion, it may work for them in future. Furthermore, this group of consumers indicated that they would be more inclined to exercise their dissatisfaction at the unsuccessful claim by switching car insurance provider at renewal, than by opting not to take MLEI.

'There would be ridiculous expenses if I didn't have it that I couldn't afford.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

Other unsuccessful claimants took the opposite view and were appalled at how things had worked out and determined never to take MLEI again in future.

'I expected to have the back up of legal cover and for someone to fight for me.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

'They're very happy to take your money but when you go for a claim they look at any which way to get out of it.'

Aged 20-40 years, medium level of financial confidence, with MLEI, unsuccessful claimant

⁹ Behavioural economic principle - Authority Bias, explained in detail in the Technical Report.

'I always thought I was protected by legal cover and that it would help me out in the case of any issues. I've found to my own expenses it's not as helpful as I thought.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

8.4 Understanding of MLEI

As with other consumers who took part in the research, understanding of MLEI was extremely low, even among those who had made a claim. The assumption was that MLEI would cover the consumer for any legal eventuality. Claimants were equally shocked and surprised to learn that MLEI is limited to no fault claims and where there is a good prospect of successful recovery. There was a clear gap between this and what they had expected, and all considered that something should be done to ensure that consumers are made aware about how MLEI works, so expectations are better managed.

It was clear from the reactions of claimants that taking MLEI as an add-on had set an expectation that it was going to be complete cover for all eventualities, so when the worst happened and MLEI did not deliver, it knocked consumer confidence in the car insurance.

'Totally contrary to what I thought it was going to be. It never entered my head it would only benefit me if I wasn't at fault.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

'Had it been explained to me, I may still have taken it. Accidents do happen. But it wasn't.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

Re. Prospect of successful recovery: *'I don't recall ever being told that.'*

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

9 What consumers want to happen in future

9.1 Improved communication

Consumers spontaneously claimed that nothing had been said, and no information had been given to them, about MLEI by their insurance provider. All that could be recalled, in some cases, was MLEI being offered during the telephone purchase process. Some also mentioned that it had been framed as a potential future loss, for example, 'you are at risk by not having MLEI as part of your insurance', which was also felt to have been an effective purchase trigger. In addition, those who interrogated their policy documents found the results confusing and inconclusive. While consumers admitted that this element of their car insurance cover may not have been the focus of their attention during the research and purchase process, all felt a key piece of information such as no fault or prospect of successful recovery would have had an impact and been possible to recall.

'They didn't explain it in too much detail, they did send us a booklet but I did start to read it and it wasn't that easy to read and it wasn't that interesting.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

'I hear lots about figures, "just for £24.95, just £3 a month you could get £10,000 legal cover..." It sounds like a good deal but they are not telling you anything, they are selling.'

Aged 40-60 years, higher level of financial confidence, with MLEI

'They've got to tell you the truth, but I don't think they volunteer it.'

Aged 40-60 years, Medium level of financial confidence, with MLEI

'There needs to be clarity in the selling of these add-ons. Things need to be explained.'

Aged 20-40 years, lower level of financial confidence, without MLEI

The research findings demonstrated that consumers need more help than they are currently getting to make an informed and active decision about whether or not they need MLEI. Many felt the key messages about no fault and prospect of success were extremely important and powerful enough to cut through, and that this would allow them to make an informed decision in future.

'It needs to be explained better so we know exactly what it is and people can make the choice.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'You're already asked a set of questions you need to focus on answering. To then be asked a big decision on top of that is a lot to think about. Maybe you should be offered a cooling off period.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'The insurance companies should make sure their customers know what it is and why they should buy it as an add-on.'

Aged 40-60 years, medium level of financial confidence, with MLEI

'If it was properly explained to me beforehand and during, I'd be more likely to accept it.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

'It needs to be more transparent and a lot more regulated.'

Aged 20-40 years, higher level of financial confidence, with MLEI, successful claimant

Consumers consistently recommended a combination of interventions during the purchase process to communicate key messages about MLEI, both as a pop-up text box online when MLEI is selected, and as a scripted description during a purchase made over the phone, both with a focus on clarifying the extent and the limits of MLEI cover, as well as typical circumstances where a consumer might benefit from having MLEI. This was felt to be a potentially effective means of ensuring consumers are provided with the means to make a decision based on fact, as opposed to incorrect assumptions about MLEI.

9.2 MLEI included as standard

Many consumers also suggested that MLEI felt like a complex product and the decision whether or not to include it in their car insurance was a difficult one to make, especially in the context of the speed and pressure of researching and purchasing car insurance. Even when the product had been discussed and definitions shown, many still felt far from certain whether they really required MLEI. So many came to the conclusion that MLEI might be a product that simply doesn't work as an 'add-on', and if it is felt by the industry or the FSA that consumers really need it, then it should be included in all policies as standard. If, however, it was felt that there was little or no benefit to consumers from having MLEI, then it should not be available in any form.

Consumers felt this would be the optimum solution to the problem of selling MLEI and benefit the consumer by helping them to achieve what they want, car insurance that has the necessary cover to meet their needs but without them having to make what can feel an impossible decision.

'Unless you are legally minded, you can be bamboozled. It should either be there, or not.'

Aged 40-60 years, medium level of financial confidence, with MLEI, unsuccessful claimant

'It shouldn't be an option, it should just be there.'

Aged 20-40 years, lower financial confidence, without MLEI

'I think it should be part of the product and should be part of the product as standard. I don't think it should be optional, when it is optional it is more complicated to choose, especially if you

don't know the depths of it, you are trying to pick and choose. It would be easier for people like me who don't understand it all.'

Aged 20-40 years, lower level of financial confidence, with MLEI, successful claimant

'I would like legal cover to be (included as standard), it is quite specialist but most people probably don't know about it...people don't think they would need.'

Aged 40-60 years, medium level of financial confidence, with MLEI, successful claimant

9.3 Positioning MLEI separately from other add-ons

Presenting MLEI as an 'add-on' can influence the way consumers respond to it. Because it is often placed as an option alongside other more easily understood car insurance options, such as breakdown or screen cover, it could also frame MLEI as straightforward in the mind of the consumer, as something they feel they know or understand better than they do.

In addition, it was being offered in a way and at a time when consumers were less likely to engage with it, the focus being on achieving the lowest cost with the best cover from a recognised brand.

Many considered that in order to improve levels of engagement, it would be more effective to place the MLEI option separately from the other 'add-ons', and later in the purchase process.

'It should be separated out - it's too important to just throw in with all the other options.'

Aged 20-40 years, higher level of financial confidence, without MLEI

'It makes you feel legal cover is less important presented as an add on because you could think I haven't had an accident I don't need legal cover.'

Aged 20-40 years, medium level of financial confidence, with MLEI, successful claimant

TECHNICAL REPORT

1 Qualitative research methodology

For the qualitative research a multi-strand approach was applied, including group discussions, triads (comprising three respondents), individual depth interviews and follow-up telephone interviews.

The total sample from the qualitative research was over 60 respondents, with a broad and representative cross-section of consumers, including a mix of social grade, age/lifestage and financial confidence, and included a sub-group of those who have claimed or tried to claim on their MLEI.

1.1 Sample structure

Those who have taken car insurance within the last four weeks:				
Group	Have taken MLEI	Purchase channel	Financial confidence/capability	SEG
1	Yes	Telephone	Low	C1C2D
2	No	Telephone	Mixed	C1C2D
3	Yes	Online	High	BC1
4	No	Online	Mixed	BC1
Triad				
1	Yes	Telephone	High	BC1
2	Yes	Online	Low	C2D
Depth				
1	Yes	Telephone	High	50/50 mix of BC1 and C2D
2	Yes	Telephone	High	
3	Yes	Online	Low	
4	Yes	Online	Low	
5	Yes	Telephone	Low	
6	Yes	Telephone	Low	
7	Yes	Online	High	
8	Yes	Online	High	
9	No	Telephone	High	
10	No	Online	High	
11	No	Telephone	Low	
12	No	Online	Low	

Consumers who have claimed on their MLEI in the past				
Triad	Successful claim	Purchase channel	Financial confidence/capability	SEG
1	Yes	Mix	High	BC1
2	No	Mix	High	C1C2D
3	Yes	Mix	Low	BC1
4	No	Mix	Low	C1C2D
Depth				
1	Yes	Telephone	High	BC1
2	Yes	Telephone	Low	C2D
3	Yes	Online	High	BC1
4	Yes	Online	Low	C2D

1.2 Recruitment criteria

- All were the main or joint financial decision maker and the one making the decision about which car insurance product to select (and for it to be for their own vehicle).
- All were aware that there are different add-ons and options when buying car insurance (Windscreen, Breakdown, Courtesy Car, etc).
- All were financially responsible in the sense they currently manage their own money, pay household bills themselves, etc.
- All were either active searchers of car insurance OR to have switched provider this time around.
- A mix of those who had purchased direct from an insurer or broker, or through a price comparison website.
- A mix of those who have purchased their car insurance online, and those who have done so over the phone.
- A mix of social grade, gender, and age (20-60 years).
- All were using a mix of insurance providers, but with a maximum quota placed on those that include MLEI as standard.

1.2.1 How financial confidence and capability was determined

Consumer financial capability and confidence were determined by using two sets of questions within the recruitment screening questionnaire, which was itself designed to ensure we recruited a good mix of respondent types.

The first set of questions were derived from the 2005 Baseline Survey of Financial Capability, which was designed by the Personal Finance Research Centre on behalf of the FSA to measure the four domains of financial capability that had been identified in earlier exploratory work with consumers. Original analyses of the survey data identified five distinct aspects of financial capability across the four domains: making ends meet, keeping track, planning ahead, choosing products and staying informed.

For the purposes of this research, a short version of the baseline survey was used, focusing on choosing financial products. This comprises questions to explore which financial products consumers have taken out in the last five years and which sources of information or advice most influenced their decision making and how their choice was formed.

Answers to the questions are given a value and used to indicate financial capability within this parameter.

A second question was posed using a battery of attitudinal statements, again to understand how confident consumers felt in dealing with money and finances, as follows:

Q. Thinking about your general attitudes to dealing with your money and finances, can you tell me which of the following best reflects you?

I'm generally confident when dealing with my money and finances.

I often feel I know which financial products are going to be right for my needs.

I am fairly confident when dealing with my money and finances, but I do sometimes struggle to know which financial products are right for my needs.

I'm not at all confident dealing with my money and finances, and I often find choosing which financial products are for me a real challenge.

1.3 Pre-task exercise

Before each face-to-face session, respondents completed a brief pre-task questionnaire designed to explore:

- how they research and purchase motor insurance;
- which 'add-ons' and options they are aware of and consider;
- awareness and understanding of MLEI (NB. This was a self-rated understanding of all the add-ons available to consumers and MLEI was not singled out at this early stage); and
- whether it was included or they selected it when they purchased their motor insurance.

This ensured we captured actual vs. claimed behaviour, and had a number of very positive outcomes for the research:

- 'Warming-up' respondents and allowing us to gain the maximum from them in the time we had in the research sessions.
- Avoiding asking complex questions 'cold', or relying solely on recall, reducing the risk of respondents post-rationalising their behaviour and decision making in the sessions.
- Respondents tend to commit to their own views once they have completed the pre-task and stick to them in the face-to-face sessions, instead of following the more dominant respondents.
- When people commit their thoughts to paper on an individual basis, they also tend to be more open, honest and confessional about what they do and what they think.

1.4 Areas of questioning

The following areas of questioning and exploration were employed within the sessions.

- What they thought about or felt at the stage of receiving the car insurance renewal. What else in life was this like, and the opposite of this feeling.
- What were the things most important to them at this point or that dominated their thinking. What were the priorities, what were they trying to achieve. The extent to which they were just trying to find new car insurance before old policy runs out as opposed to weighing up the options and features of different policies.
- How they typically research and purchase car insurance. Where they begin and what happens next, who they talk to / what information or advice they receive. Which channels do they tend to use to purchase car insurance and reasons for preferences.
- How they feel about the way car insurance is presented on comparison websites. Which information were they are drawn to and what aspects dominate. How they navigate through these.
- How easy or difficult to find the right policy. How easy or difficult to know which options or 'add-ons' they might need.
- When and how during the process did they receive any information or advice. How they feel about it. Extent to which it met their needs and how and why.
- How important is car insurance in relation to other financial products they might have.
- How they describe the relationship they have with comparison websites/car insurance providers.
- Perceptions of risk: How likely they think it is they would need to make a claim on their car insurance. Had they ever considered this factor when taking out car insurance. How likely do they think it is that they would need to make a claim on any of the features or additional options associated with car insurance.
- How they feel about the way some features are presented as options or 'add-ons'. Which do they tend to focus on when looking at screenshots of the comparison sites. How this

affected their decision making. Other areas of life where they are offered add-ons in this way, how they deal with them, how they fit with car insurance.

- Spontaneous reactions to MLEI, awareness and understanding, what it is perceived to offer customers. What would be the difference between a car insurance policy with or without it. The extent to which it feels like value for money. When and how they would expect to use it. How it compared to other add-ons. Recall of being offered MLEI and what was said about it.
- Prompted reactions to MLEI and descriptions of it, when and how it works. How this affected their attitudes to MLEI. Who do they think would take it - someone like them or different from them, is it something they perceive most people to have. What would happen if they did / didn't have MLEI.
- Awareness and understanding of prospect of successful recovery, what this means and how they thought it would work. Reactions to a definition of prospect of successful recovery and the impact on their attitudes to MLEI.
- What advice they have for the car insurance industry going forward. What consumers want to see happening. Whether or not consumers would make different decisions about their car insurance or MLEI in future.

1.5 Projective and enabling techniques

A range of projective and enabling techniques were applied to help respondents articulate their views.

A card sort and ranking exercise was adopted, where respondents were provided with a set of sort cards, each describing a motor insurance option or 'add-on' (including MLEI). To begin with, we asked respondents to work together to group the cards in any way they liked: which fit together and which sit apart from one another, and then re-grouped based on which they feel they understand and which they do not. The purpose of this was purely to understand spontaneous responses to MLEI and how it fitted into the other considerations in the purchase process.

Comparison website screen-shots were used effectively to help respondents re-live the experience of researching and purchasing car insurance, describing their reactions to these, how they navigate through them, which information and options they are drawn towards, and what they prioritise at this stage.

1.6 Telephone reflector interviews

Finally, a proportion of respondents were re-contacted following the face-to-face sessions. These short conversations were extremely revealing and designed to capture views from respondents once they have gone back into the real world, and their everyday lives, when they automatically reflect on what was discussed in the research.

2. Quantitative research methodology

An omnibus survey was conducted by TNS Capi Omnibus during September 2012 on behalf of the FSA. The survey was of a representative sample of 2,115 adults from across Great Britain interviewed face-to-face in their own home.

TNS applied a limited amount of corrective weighting to ensure that the sample is representative of the British population in terms of known population data on age, gender, social class and region. Please note that all quoted percentages in this report are based on weighted data.

To begin the survey we asked consumers if they were the main policy holder of motor insurance. 51% of consumers reported being the main policy holder, 14% stated they were on someone else's policy, and 35% did not drive or have access to a vehicle. As the focus of this research was on consumers' experiences when purchasing MLEI, only main policy holders were questioned further as it was felt that those on someone else's policy were unlikely to be responsible for purchasing the insurance and not sufficiently aware of the decisions around policy coverage. Of course, those who did not drive or have access to a vehicle were also not questioned further.

As a result an **unweighted** sample of 1021 respondents took part in the remainder of the survey.

3 Behavioural economics

The qualitative research drew on theory from the field of Behavioural Economics (BE) to understand and explain some of the consumer behaviours identified. The following outlines some of the BE principles that appeared to influence aspects of consumer behaviour highlighted in the research.

3.1 Reference dependence

This theory demonstrates that consumers may not assess outcomes in their own right, but rather as gains and losses relative to a reference point. Psychologically, losses are felt roughly twice as much as gains of the same magnitude. As a result, consumers under-estimate gains and over-estimate losses. However, the same outcome can be framed as a gain or a loss depending on the choice of reference point. So consumer choice can be unstable and vary depending on which reference point is chosen.

In this instance, reactions appeared to show that the reference point is often the cost of the insurance premium for the previous year, and consumers set out to 'match' this for the current year. Paying more than the previous year can feel like a 'loss' and many seek to avoid this at the exclusion of other factors such as the quality or range of cover. In many cases, consumers also reference the lowest cost that appears following the comparison website search, and use this when assessing the cost of other premiums.

3.2 Present bias

Some consumers admitted to being over-reliant on comparison websites, taking the simple way they present information and options at face value rather than interrogating the policy or exploring what it covered. Many consumers described doing this because they felt that interrogating the detail would be hard work and present them with difficult choices.

This is potentially an example of 'present bias', where people can have excessive urges for immediate gratification, overvaluing the present over the future. Present bias can lead to self-control problems such as procrastination, or in this instance, a preference to get the job done quickly and easily rather than fully engaging with the product or its implications.

3.3 Framing and salience

As people have limited attention, framing and salience can determine what information is processed and how that information is processed. Even when the economic benefits of particular choices are identical in two situations, consumers may make different choices depending on how the decision problem is framed, i.e. what it draws attention to.

Consumers claimed that the way that MLEI was presented to them on comparison websites influenced their decision making. Being placed alongside the more tangible options that they felt they understood, some felt they must know what MLEI is, associating it in their minds with the options it was placed with, and that they do understand. So the way the add-on was framed appeared to influence consumer perceptions.

3.4 Risk aversion

Those with MLEI appeared more risk averse and susceptible to sales messages in the purchase process, especially where legal cover was offered to them and framed as a potential loss that could be incurred by having to cover their own legal costs in the event of an accident. These messages seemed to tap into the fear that has been propagated by the increasing noise around 'no win, no fee' claims, as well as a belief that anything legal could cost a huge amount. Consumers with this mindset tended to believe that MLEI will protect them from this risk.

3.5 Confirmation bias

Some consumers also appeared to demonstrate 'confirmation bias'. This is defined as a tendency to favour information that confirms preconceptions or hypotheses regardless of whether it is true. This was particularly seen where consumers were warned of the potential cost of not having legal cover, correlating with what they already believed about the high cost of solicitors or any legal action, and the increase in litigation in the UK.

3.6 Authority bias

'Authority bias' demonstrates that people will often default to the wisdom of a perceived authority figure, and this seemed to be the case particularly for unsuccessful claimants. Here the wisdom and knowledge was perceived to lie with the car insurer and consumers were inclined to take their word as final. There was also further indication of confirmation bias, that occurs when people tend to favour information that confirms the beliefs or preconceptions they already have, in this case, that insurance is designed not to pay out.

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