

Motor Insurance: Consumer Research on Attitudes and Behaviour

Conduct Supervision
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Foreword

The Malta Financial Services Authority (MFSA) has embarked on this research with the purpose of gaining an insight into consumer understanding of the identity of their motor insurer. The research also addressed, more generally, the elements which effected policy holders when deciding what motor insurance to purchase, as well as information on consumer satisfaction with the service received.

The MFSA commissioned a third-party provider to undertake the fieldwork part of this study. This included telephone interviews and online surveys with 400 motor insurance policy holders who had purchased their motor policy through a retail intermediary, such as a broker an insurance agent or a tied insurance intermediary or directly from an insurance company in the past five years.

A summary of the key findings, as well as a more in-depth analysis, follows. The results of this research will inform the MFSA's work in the field of motor insurance.

Key Findings

Consumer knowledge of the identity of their motor insurer was mixed

- 80% of respondents stated the name of an insurance undertaking when asked who the provider of their motor insurance policy was.
- 20% of respondents replied as follows:
 - 6% did not know who the provider of their motor insurance policy was
 - 14% stated the name of an insurance intermediary rather than of an insurance undertaking authorised to provide motor cover.

Satisfaction with the service of current motor insurance was high

- 90% of respondents stated they were 'satisfied' or 'very satisfied' with the service provided by their motor insurer, based on their last interaction with them.

The majority of consumers retained their current provider at last renewal

- About 85% of respondents renewed their motor insurance with the same insurance company.
 - About 80% of respondents contacted only their current insurer when the motor insurance was up for renewal.
 - A further 11% of respondents contacted two insurers when the motor insurance was up for renewal.
 - Around 9% of respondents contacted more than two insurers when the motor insurance was up for renewal.

This shows that the majority of local consumers of motor insurance policies do not carry out research in order to determine whether they can obtain better motor insurance arrangements than their current ones.

Limited Awareness on the procedure to be followed in case they need to submit a complaint with respect to their motor insurance policy provider.

- More than 66% of respondents did not know what measure to take in case of unsatisfactory complaint handling by their motor insurance policy provider.
- Around 38% of respondents who affirmed to know what measure to take in case of unsatisfactory complaint handling, said they would contact the complaints department of their insurer.
- Around 26.5% of respondents who affirmed to know what measure to take in case of unsatisfactory complaint handling, said they would contact the consumer affairs office (MCCAA)
- None of the respondents mentioned the **Office of the Arbiter for Financial Services (OAFS)**.

This shows that the majority of local consumers of motor insurance are not aware of the procedure that need to be followed in case they need to lodge a complaint against their motor insurance provider. Furthermore, the findings show a lack of awareness of the Office of the Arbiter of Financial Services to whom recourse may be made by policyholders who are unsatisfied with the manner in which their motor insurance provider has dealt with their complaint.

Introduction

1.1 Background to the research

The purpose of undertaking this research was to gather evidence-based information to increase the Authority's understanding of the attitudes, preference and behaviours of consumers when these are choosing their motor insurance arrangements.

In particular, this research sought to identify:

- the awareness of the policyholders of their insurers (i.e. the entity actually providing the cover);
- the level of customer satisfaction with respect to the cover being provided by locally available motor insurance policies; and
- the level of knowledge of the policyholders of their rights with respect to complaint handling.

1.2 Methodology

A third-party provider conducted this survey by telephone using its own in-house Computer Assisted Telephone Interviewing (CATI) capabilities. Interviewers involved in the project were briefed on the purpose and method of the survey and conducted interviews under the supervision of an experienced research supervisor. Fieldwork took place between 16:00 and 20:30 from Monday to Friday, and between 09:00 and 13:00 on Saturdays. The dates of the fieldwork work were the 15th and 16th November and the 23rd, 25th, 26th and 27th November 2019.

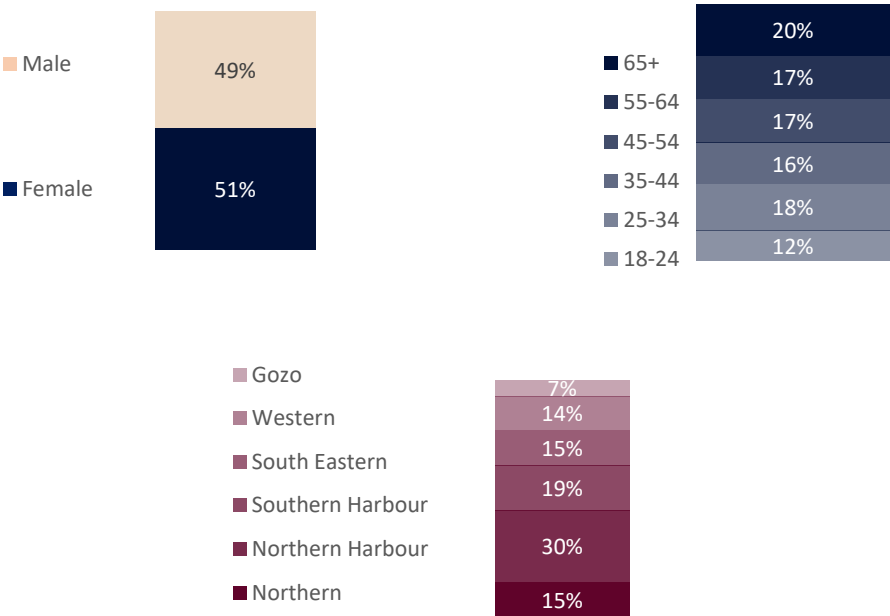
The sample size was of 400. Respondents were aged 18 years and over and had purchased a car insurance in the past five years before the survey. Respondents were sourced through a random digit-dialling sample approach whereby the third-party provider called random telephone numbers, including mobile numbers. The margin of error with 95% confidence limits is +/- 5%.

The sample was nationally representative of age and gender and the six geographical regions into which the National Statistics Office divides the Maltese Islands.

Sample Profile

Base: 400 respondents

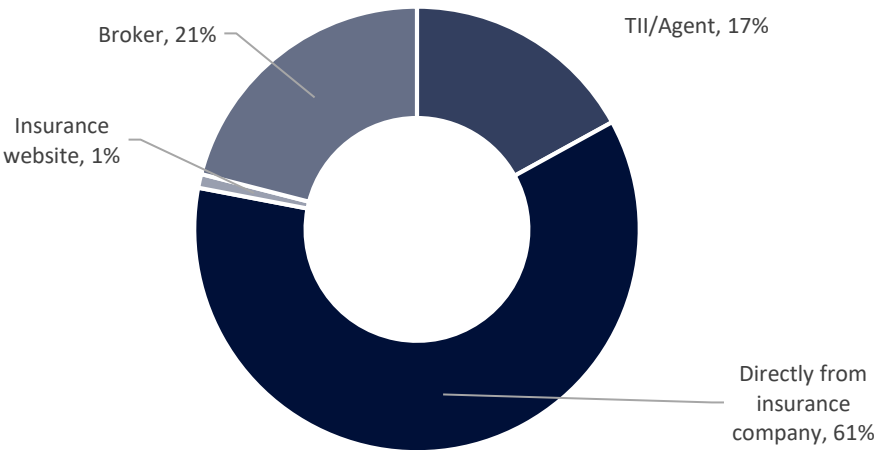
Figure 1



All respondents had purchased a motor insurance policy in the past five years. The majority (61%) stated that that they initially bought their policy directly from the insurance company.

Figure 2: How was motor insurance purchased most recently?

Base: 400 respondents



Roughly 10% more females purchased directly from insurance company or insurance website than males, whereas retail intermediary usage was about 10% higher for males.

Main Findings

2.1 Knowledge of motor insurer

The survey analysed whether respondents knew the identity and location of the undertaking issuing the motor insurance policy which they purchased.

- 80% of respondents stated correctly the name of an insurance undertaking when asked who the provider of their motor insurance policy was.
20% of respondents replied as follows:
 - 6% did not know who the provider of their motor insurance policy was
 - 14% stated the name of an insurance intermediary rather than of an insurance undertaking authorised to provide motor cover.

The younger respondents (18-24 age bracket) appear to be more aware which company issues their motor policies, while there is a clear correlation between the education level of the respondents and the knowledge of the identity of the insurer.

Figure 3: Respondents who don't know or confuse the identity of their motor insurer: By age range

Base: 400 respondents

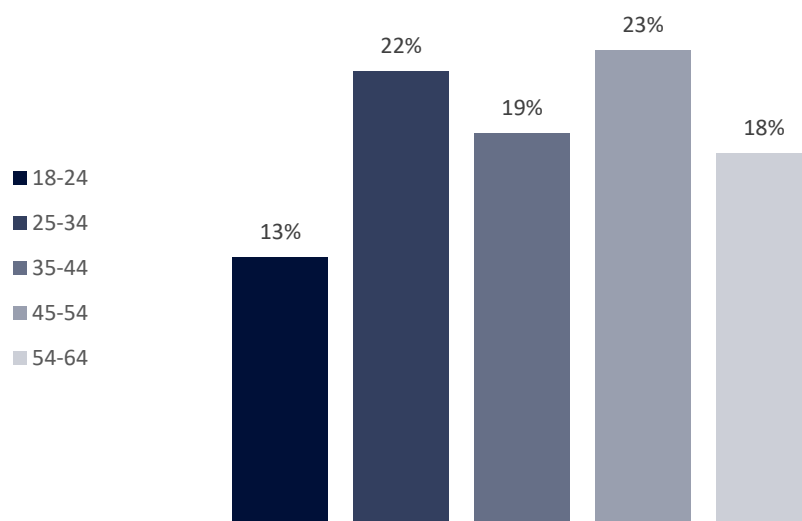
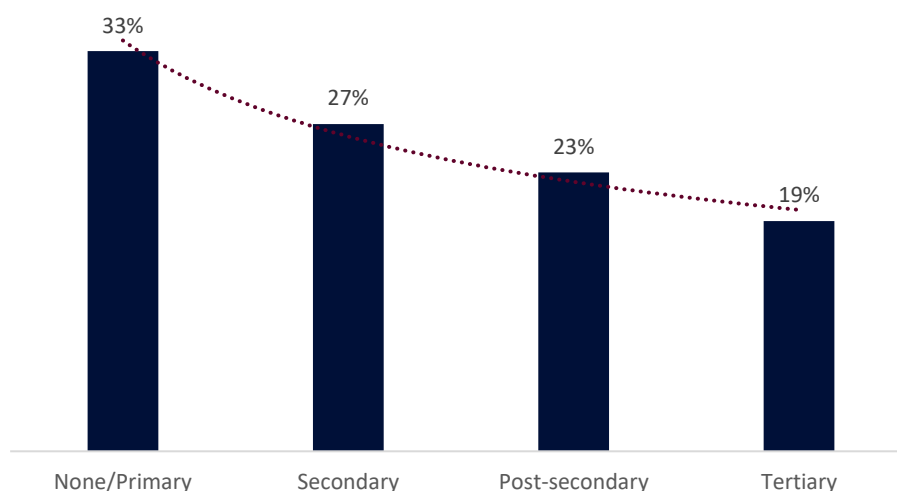


Figure 4: Respondents who don't know or mistaken the identity of their motor insurer: By education

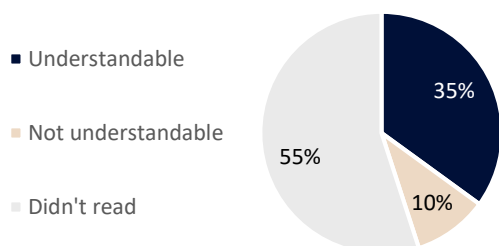
Base: 400 respondents



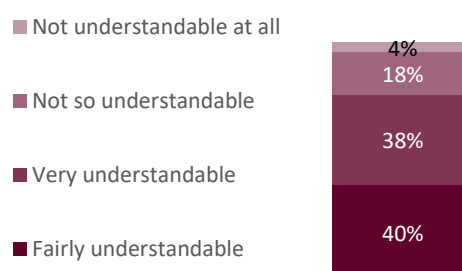
About 55% of the respondents stated that they did not read the applicable terms and conditions before purchasing their motor policy. Of the 45% of respondents who read the applicable terms and conditions, 78% stated that the document was very or fairly understandable, while 22% found the terms and conditions not so understandable or not understandable at all.

Figure 5: Respondents who read and understood T&Cs before buying the policy

Base: 400 respondents

**Figure 6: How understandable are the T&Cs of the motor policy?**

Base: 180 respondents



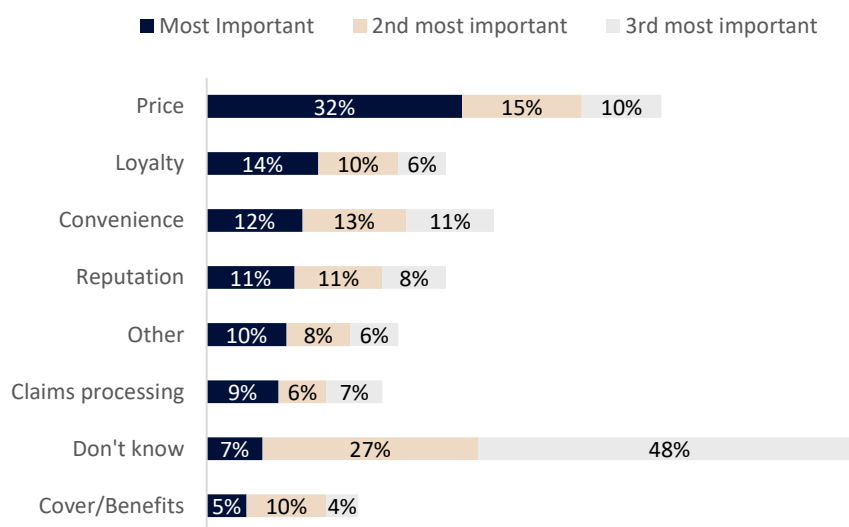
2.2 Buying Motor insurance

When respondents were asked to indicate the most important factors that influenced their purchase of a particular motor insurance policy over another, price was the primary driver, with 32% of respondents stating that price was the most important factor. 13% cited convenience as their second key factor and about 8% stated company reputation as their third key factor.

Around 7% indicated that they did not know what their main driver was when buying a motor insurance policy, while less than 10% cited the cover/benefits as their main driver.

Figure 7: Key purchase criteria in motor insurance

Base: 400 respondents

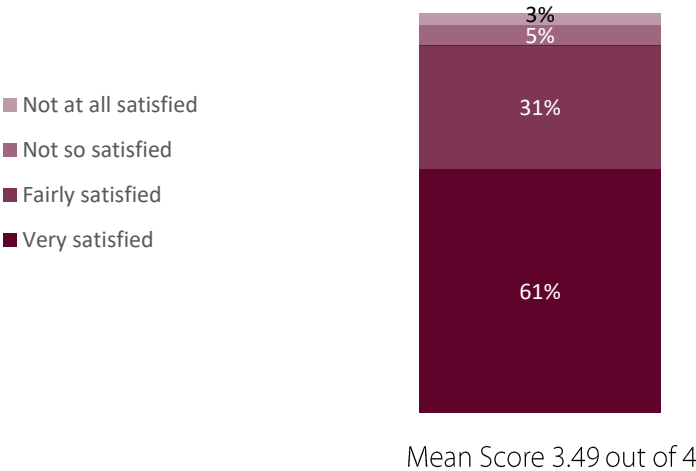


To investigate further consumers' behaviour when buying a motor insurance policy, respondents were asked about their level of satisfaction with their last interaction with the undertaking issuing their current motor insurance policy, their level of shopping around at renewal and their overall renewal decision.

Consumers' satisfaction rates with the level of service received from their motor insurance providers, based on their last interaction with them, were high overall.

Figure 8: Level of satisfaction with motor insurance provider based on the last interaction

Base: 400 respondents



Over 85% of respondents last renewed their motor insurance policy with the same insurer or through the same insurance intermediary. This high rate was common throughout age, gender, region of residence, occupation, level of education and gross annual income.

At their last renewal, 80% of respondents contacted their current motor insurance provider in order to get a quotation, while only 3% contacted more than three insurers for this purpose.

Figure 9: Number of companies contacted

Base: 400 respondents

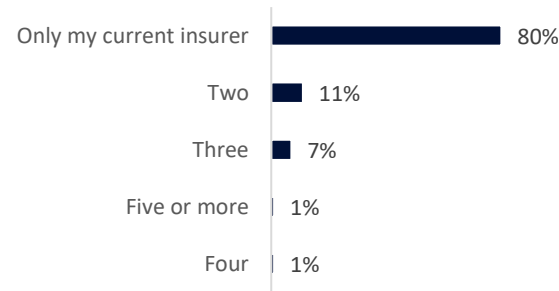
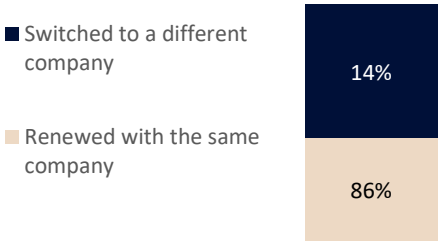


Figure 10: Renewal outcome

Base: 400 respondents



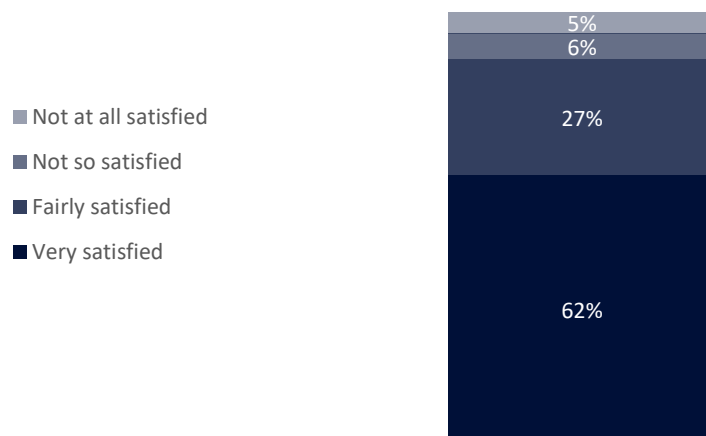
2.3 Dealing with Motor Insurance claims and complaints

The survey also focused on claims and complaints and the respondents' satisfaction with their handling.

48% of respondents opened at least one claim with their current insurer. 89% of the respondents who lodged at least a claim were very or fairly satisfied with the claim handling.

Figure 11: Claim handling satisfaction

Base: 191 respondents

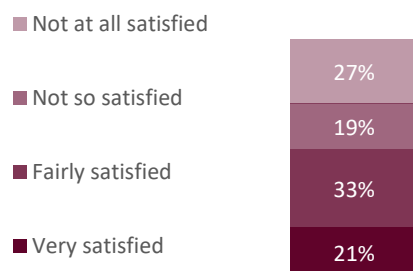


Mean Score 3.45 out of 4

Only 12% of the respondents lodged at least one complaint in the last five years. 54% of the complainants were fairly or very satisfied with the way their complaint was processed.

Figure 12: Satisfaction towards complaints handling

Base: 48 respondents



Mean Score 2.48 out of 4

Figure 13: Satisfaction towards complaints handling according to gender and age.

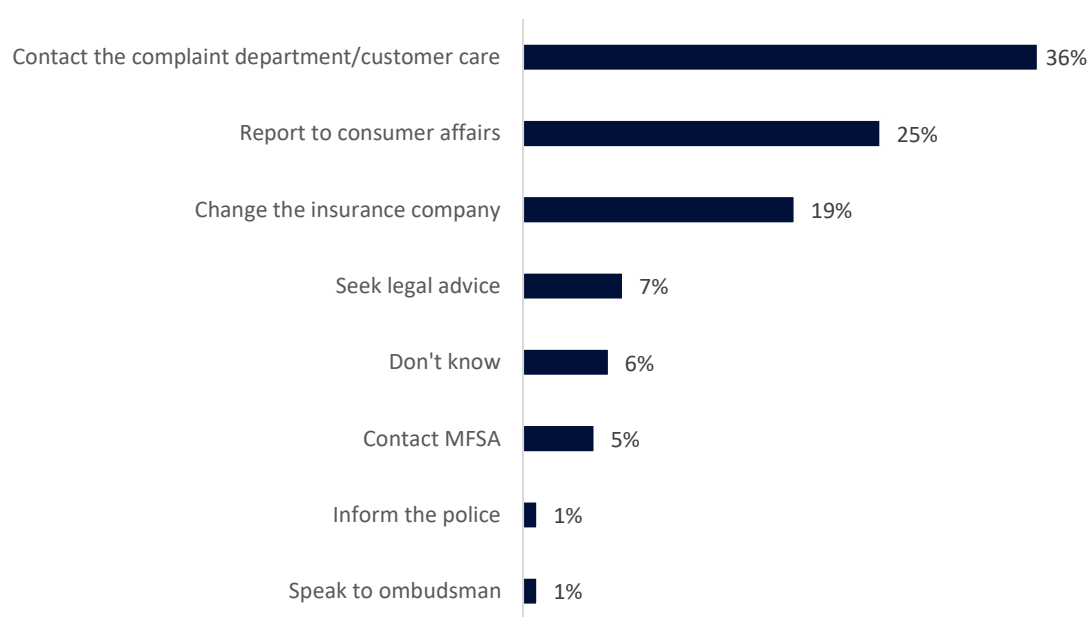
	Not Satisfied	Satisfied
Male	55%	45%
Female	38%	62%
Under 34	67%	33%
35-54	38%	63%
55+	43%	57%

The survey also explored the knowledge of the respondents with regard to measures that need to be taken should they not be completely satisfied with the way a complaint is handled by their insurance intermediary or undertaking. 36% of the respondents declared to know what action to take. However, there was no mention of the possibility to escalate the complaint to the Office of the Arbiter for Financial Services (OAFS).

36% of the respondents who stated they knew what steps to take should they remain unsatisfied with the manner in which their insurance undertaking or intermediary addressed their complaint, indicated that they would contact the complaints department or customer care department of their intermediary or undertaking again. 25% would report the problem to the Malta Competition and Consumer Affairs Authority (MCCAA) and another 19% would change the insurance company. About 5% said they would contact the MFSA.

Figure 14: Measures proposed by respondents in case of unsatisfactory complaint handling

Base: 143 respondents



2.4 Dealing with Motor Insurers within the European Economic Area

Another aspect which the survey addressed was whether the domicile of the motor insurer has an influence over respondents' attitudes and purchasing decisions.

30% of respondents said that it mattered to them whether their motor insurer was based in Malta or in another EEA state, while 56% stated that it did not.

Figure 15: Attitude to domicile of insurer

Base: 400 respondents

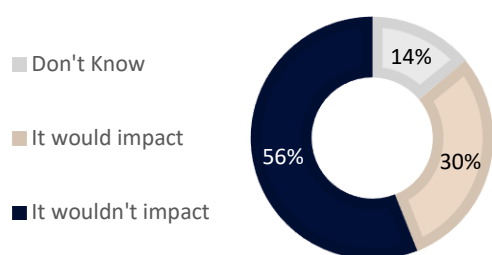


Figure 16: Attitude to domicile of insurer by gender and age

	The domicile of insurer would impact their decision to purchase a policy	The domicile of insurer wouldn't impact their decision to purchase a policy
Male	28%	60%
Female	32%	52%
Under 34	25%	61%
35-54	37%	55%
55+	27%	52%

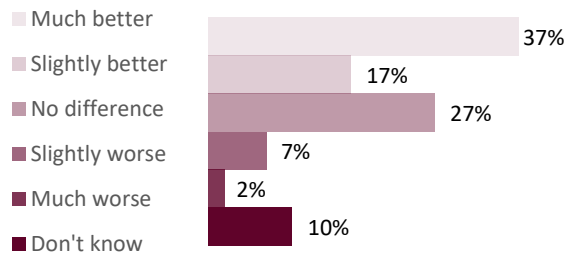
Two other questions were posed to determine whether buying from a Maltese or non-Maltese domiciled insurer was regarded as better or worse for the consumer, and to ascertain whether the respondents would be likely to choose an insurer based outside of Malta in future.

In the first instance, when asked whether they thought buying from a Maltese-domiciled insurer was better or worse for the consumer, 54% stated that it would be better, 27% stated that it would make no difference, and 9% said it might be worse for the consumer.

Respondents were asked to indicate whether it is likely that they would choose a motor insurer based outside Malta. 69% indicated that it is unlikely that they would choose an insurer based outside Malta, while 7% were unsure.

Figure 17: Consumers were asked whether they thought that it is any way better or worse for them to buy their insurance from a company based in Malta rather than an insurer based in another EEA Member State.

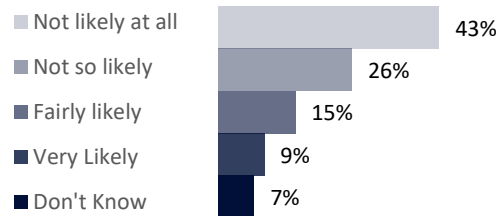
Base: 400 respondents



Mean Score 3.50 out of 5

Figure 18: Future Preference towards non-Maltese insurers

Base: 400 respondents



Mean Score 1.76 out of 4

Conclusion and Way Forward

This consumer research has highlighted an apparent lack of knowledge as to who is the ultimate insurer provider. This could be indicative of a situation where the consumer does not distinguish between the different roles of an insurance company and an insurance intermediary such as a broker, agent or tied insurance intermediary. The findings of this survey have also indicated that there is an apparent lack of awareness among consumers of the existence and the role of the Office of the Financial Services Arbiter.

The reluctance of the local consumers to change their current provider has also been highlighted in this survey. This may be due to cultural tendencies or lack of consumer education. This can also account for the perception that customers are better off purchasing their motor insurance needs from a local licence holder rather than from an EEA-based insurance undertaking.

MFSA will be further examining and considering the results of this survey to address the deficiencies indicated by the findings, insofar as this is possible. In particular, it plans to embark on a number of consumer education initiatives with respect to insurance products and also to carry out further reviews of the current regulatory framework to assess whether any changes are necessary to address certain shortcomings which resulted from this survey.

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