

Home Insurance:
Consumer Research on Attitudes and
Behaviour

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Foreword

The Malta Financial Services Authority (MFSA) has embarked on this research to gain an insight into consumer understanding of the identity of their home insurer and of the insurance cover they currently have. The research also broadly addressed the factors which affected policyholders when deciding what type of home insurance to purchase, as well as information on consumer satisfaction with the service received.

In the last quarter of 2020, the MFSA commissioned a third-party provider to undertake the fieldwork part of this study. This included telephone interviews and online surveys with 700 respondents. Respondents were categorised as those who:

- own the house they live in (with or without a mortgage);
- do not own the house they live in but have purchased a property (with or without a mortgage) with the intent that it will be their home in the near future;
- are renting the house they are living in.

A summary of the key findings follows. The results of this research will guide the MFSA's work in the field of home insurance.

Key Findings

A large portion of respondents have never bought a home insurance policy; a small proportion are 'unsure'.

- 24% of respondents have never purchased a home insurance policy.
- 6% of respondents are unsure if they have ever bought a home insurance policy.

Bank loan requirement is the main reason to purchase and maintain a home insurance policy.

- 60% of respondents who bought a home took out a loan.
- Over 44% of respondents purchased their home insurance policy through the bank when taking out the loan.
- 56% bought a home insurance policy only to satisfy the bank's requirement. This tendency is more pronounced in younger respondents, decreasing with age.
- Among respondents who are still repaying a home loan and who purchased a home insurance policy, almost 70% plan to maintain the policy after their loan is fully repaid.

The sum insured for Buildings is mainly connected to the bank loan requirement

- Over 50% of respondents insured their Buildings for the sum stipulated by their bank.
- On the other hand, for their Contents sum insured, over 50% of the respondents opted to choose a more accurate sum so that their claims could be paid in full.
- About 54% of the respondents have never updated their sums insured. The tendency not to update the sums insured is higher in younger respondents.

Consumer knowledge of the identity of their home insurer was mixed¹.

- 70% of respondents who purchased a home insurance policy stated the name of an insurance undertaking when asked who the provider of their home insurance policy was.
- 30% of respondents replied as follows:
 - 12% did not know who the provider of their home insurance policy was.
 - 18% stated the name of an insurance intermediary rather than of an insurance undertaking authorised to provide home cover, showing a lack of knowledge as to who the ultimate risk carrier is.

Consumer knowledge of what is included as standard cover for Buildings and Contents is poor.

- 28% of respondents included "Freezer Contents following power outage" in a standard Buildings cover, when this is not usually the case.
- 42% of the respondent included "Wedding ring" as an item automatically covered in a standard Contents policy, when this is not usually the case.

Satisfaction with the handling of home insurance claims was high.

¹ Undertaking definition: a direct life or non-life insurance undertaking which has received authorisation from the regulatory authority of the home member state.

Insurance intermediary: any natural or legal person, other than an insurance or reinsurance undertaking, who, for remuneration, takes up or pursues the activity of insurance distribution

- 70% of the respondents who purchased a home insurance policy have never made a claim on their home insurance.
- Respondents who made at least one claim were generally satisfied with an average score of 3.96 on a scale from 1 (not satisfied at all) to 5 (very satisfied).
- The main reasons for dissatisfaction were: the fact that the claims were rejected, or the fact that claimants did not get the amount of compensation they expected.

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, preferences, and behaviours of consumers when these are choosing their home insurance arrangements.

This research covered primarily the following elements:

- usage of home policy for buildings and contents;
- consumer understanding of the identity and location of their home insurance provider;
- drivers of home insurance purchases;
- consumer satisfaction with the service received and the insurance product purchased; and
- consumer understanding of typical home insurance policy coverage.

1.2 Methodology

The third-party provider conducted interviews amongst a sample of 700 respondents.

Eligible target respondents were to be aged 24-65 and who currently own, plan to own or rent a property.

The interview took place by means of a mixed methodology approach, which means that the survey was carried out partially online (61%) and partially by telephone (39%).

The sample is not 100% reflective of the make-up of the Maltese population in terms of age and gender as there would be too many respondents in the older generations who would not be the primary target audience for home insurance policies. In view of this, the following soft quotas for 520 of the 700 commissioned interviews were implemented and the remaining 180 interviews were carried out randomly within the prefixed limits).

	Males	Females
24-34 years	50	50
35-44 years	70	70
45-54 years	70	70
55-65 years	70	70
Total	260	260

Consideration has also been given to the spread of locality of residence and education level of the interviewed.

The questionnaire was available to respondents in both English and Maltese.

Interviews took place between 20 November and 2 December 2020.

Sample Profile

The following figures graphically represent the profile of the sample of consumers chosen to participate in this survey in terms of gender, age, education and geographical location.

Base: 700 respondents

Figure 1:

Figure 1.1: Gender

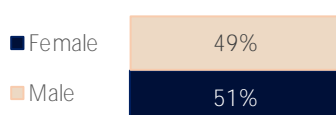


Figure 1.2: Age

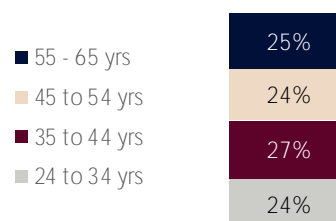


Figure 1.3: Geographical Location

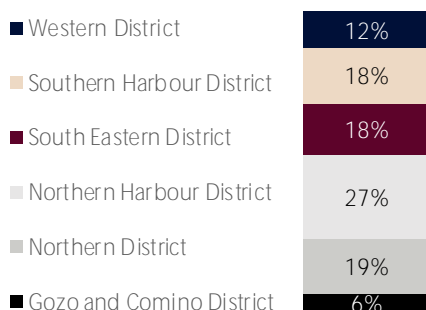


Figure 1.4: Education level

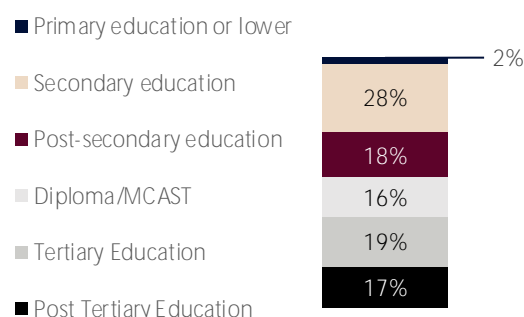
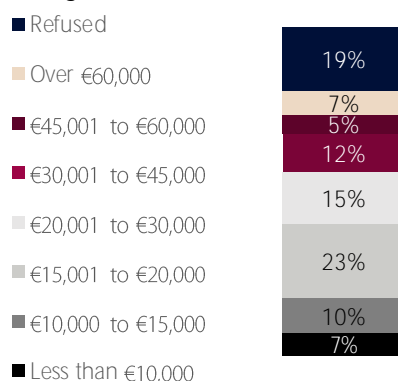


Figure 1.5: Annual Gross Income

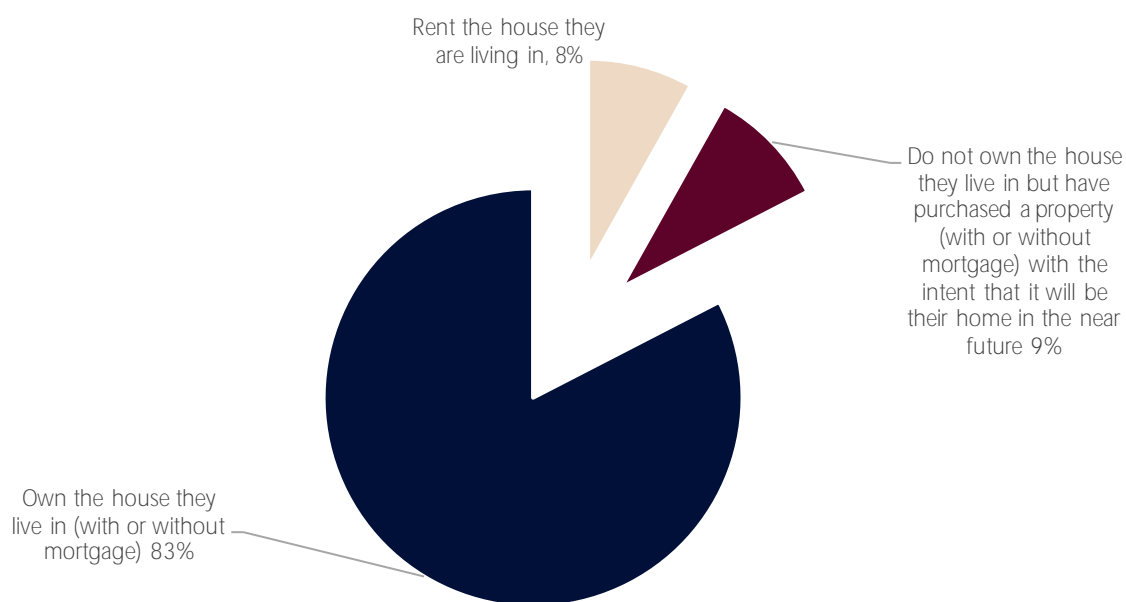


All respondents either:

- own the house they live in (with or without a mortgage),
- do not own the house they live in but have purchased a property (with or without a mortgage), with the intent that it will be their home in the near future or,
- rent the house they are living in.

Figure 2: Which of the following statements best describes your situation?

Base: 700 respondents



As expected, the large majority of respondents own the house where they are living in. The proportion of respondents who own the house where they live in increases with age: from about 60% for people who are between 24 and 34 years old to a peak of 93% for respondents in the age range 55-65. On the other hand, gender, education and income do not seem to have a relevant correlation with owning the house the respondents are living in.

Main Findings

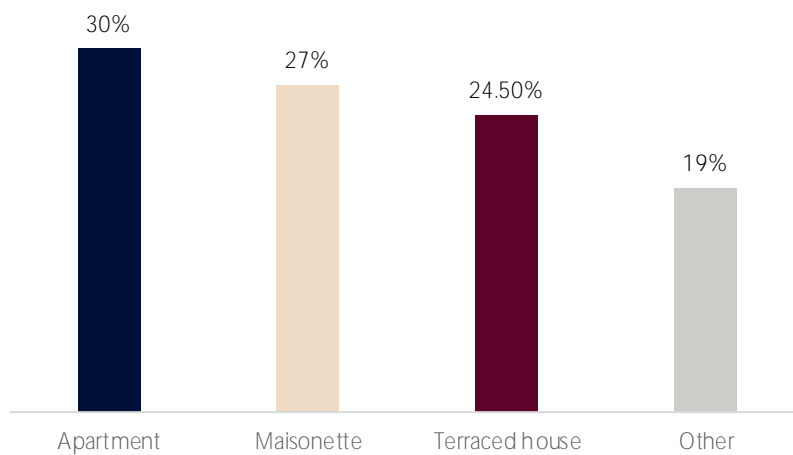
All the questions mentioned in this section have a base of 700 respondents or less, depending on how respondents replied to certain questions.

2.1 Information on the Property

Over 80% of the respondents (base: 700), live in or have purchased to live in an apartment (30%), a maisonette (27%) or a terraced house (24,5%). Other typologies of houses mentioned were semi-detached house, townhouse, penthouse, or detached house.

Figure 3: What type of property do you live in/have you purchased to live in?

Base: 700 respondents

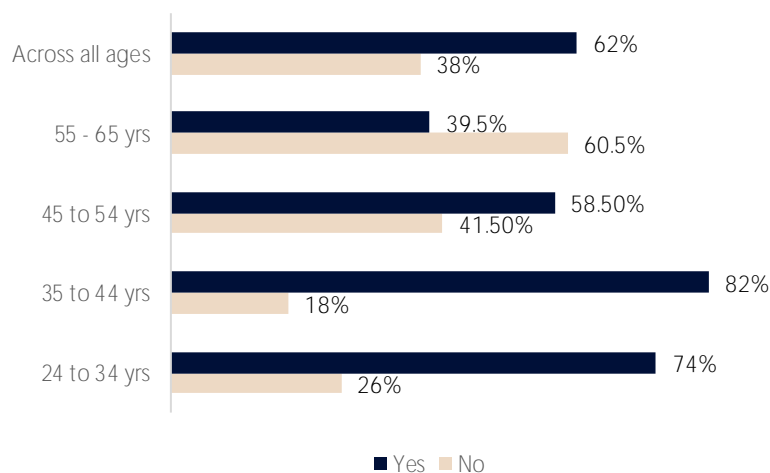


This distribution remains fairly stable between gender, age, education level and income.

Out of the respondents who bought a house (base: 578), over 60% took a bank loan. The incidence of males taking out a loan is higher (67%) and as expected there is a strong correlation with the age brackets: a higher proportion of young respondents took out a loan.

Figure 4: Did you buy your property by taking a bank loan?

Base: 578 respondents



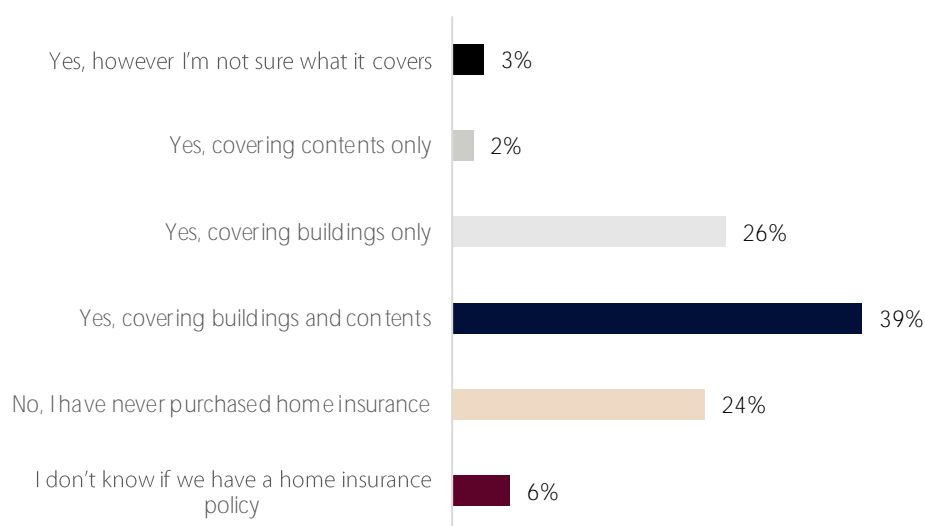
The data also exhibits a positive correlation between the level of education and the tendency to take out a loan, but it is highly likely that the age of the respondents also plays a significant role in this case.

2.2 Home Insurance Policy

Out of all the respondents (base: 700), almost 30% have never purchased a home insurance policy or are unsure if they have ever bought a home insurance policy. Roughly 39% bought a home insurance policy covering both buildings and contents, while 26% bought a Buildings only insurance policy.

Figure 5: Did you buy your property by taking a bank loan?

Base: 700 respondents



Out of the respondents who have bought a home insurance policy (base: 492), 85% have kept it active after the loan was paid up. This proportion tends to be higher for higher income brackets. This would point to significant consumer awareness of the intrinsic value of having a home insurance and contents policy in place even if not expressly required by a bank in the context of a home loan.

2.3 Home Insurance Drivers and Insurer Knowledge

Among the respondents who have never purchased a home insurance policy (base: 167), the table below shows the factors that would make them consider purchasing a home insurance policy.

It appears that the main factor which would influence homeowners to purchase a home and contents policy would be greater coverage available under a standard home policy.

Figure 6: What would make you consider purchasing a home insurance policy?

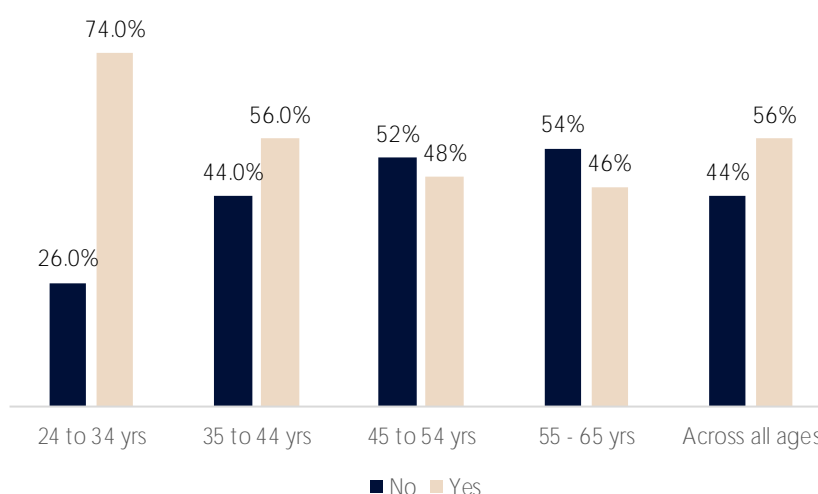
Base: 167 respondents

Reasons	Female	Male	Both genders
Already considering it	3.20%	0.00%	1.80%
Cost/Value for money	11.80%	5.40%	9.00%
Having wider range of risks covered (theft, damages, etc.)	24.70%	21.60%	23.15%
Loan requirements/Required by law	3.20%	4.00%	3.60%
Minimal bureaucracy	1.10%	1.40%	1.20%
More awareness and information	2.20%	6.80%	4.20%
Nothing would make me consider it	14.00%	23.00%	18.00%
Online access	1.00%	0.00%	0.60%
Peace of mind/Safety and security	10.80%	8.00%	9.60%
Purchasing a home	8.60%	6.80%	7.80%
Recommendation from others	1.10%	1.40%	1.25%
Third party coverage	1.10%	0.00%	0.60%
Don't know	17.20%	21.60%	19.20%

Among respondents who bought a home, took out a bank loan and purchased a home insurance policy (base: 341), about 56% acquired the policy only to satisfy the bank's requirement. This tendency is more pronounced in younger respondents, decreasing with age.

Figure 7: **Was your home insurance policy acquired to satisfy the bank's requirements to secure a loan?**

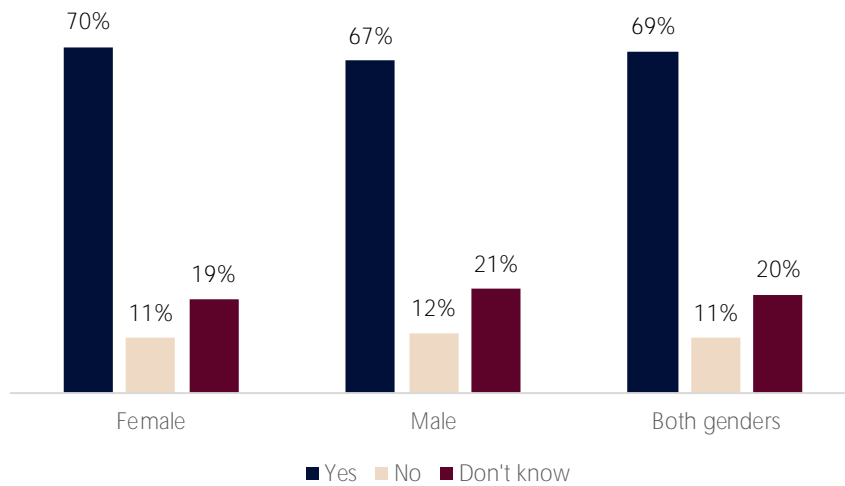
Base: 341 respondents



Among respondents who are still repaying a home loan and who purchased a home insurance policy (base: 221), almost 70% plan to maintain the policy after the end of the loan.

Figure 8: Do you intend to keep your home insurance active after you finish paying off your bank loan?

Base: 221 respondents



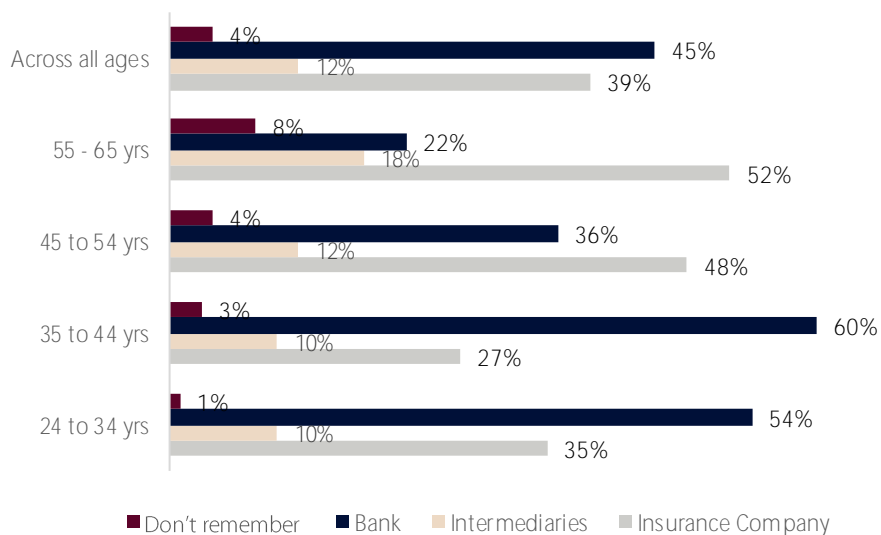
Respondents (base: 492) initially purchased their home insurance policy mainly through the bank when taking out the loan (44.5%) or directly from an insurance company (40%).

As a trend, it appears that although the actual decision to purchase home insurance is not spontaneous and is mostly mandated by the bank's requirements, the policyholder has appreciated the value of having such a policy in place and was willing to keep this policy active even after the bank loan has been repaid.

Younger respondents tended to buy home insurance policies more from the bank than older respondents.

Figure 9: Where did you initially purchase your home insurance policy from?

Base: 492 respondents



When asked who their home insurer was (base: 396), around 30% of the respondents did not know the name of their insurer or mentioned an intermediary (Brokers, Agencies, TIs).

When asked how they came up with the sum insured for their Buildings, over 50% of the respondents (base: 454) chose the sum stipulated by the bank, while almost 30% chose a more accurate sum so that any potential claims could be paid in full.

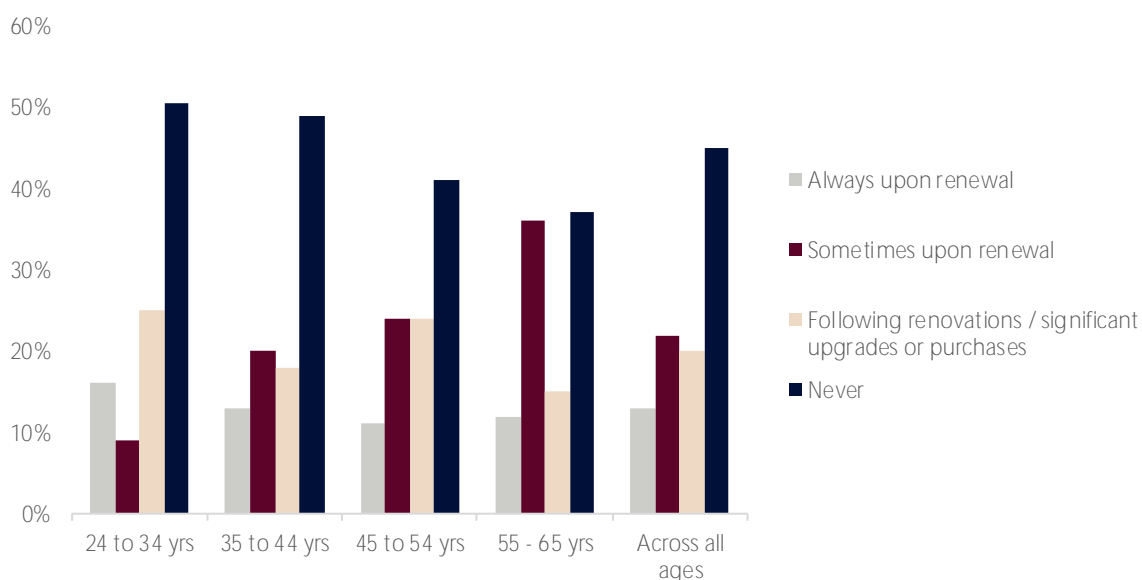
On the other hand, when asked the same question for Contents, only 20% of the respondents (base: 286) chose the sum stipulated by the bank, while over 50% chose a more accurate sum so that any potential claims could be paid in full.

45% of the respondents (base: 462), have never updated their sum insured, while 20% updated their sum insured following renovations or significant upgrades and purchases.

Not updating the sum insured is a tendency observed in younger respondents: in the younger generation, there is more consciousness of the importance to have some sort of home insurance in place but there is less awareness of what could happen if they fail to update the value of the policy.

Figure 10: How often do you update your sums insured?

Base: 462 respondents



2.4 Policy Wording Knowledge

When the respondents (base: 492) were presented with a number of events and asked which would normally be covered under a standard home insurance policy offering only Buildings cover, a third were not sure of what is included under standard Buildings cover, and events such as “Freezer Contents following power outage” or “Theft following an imposter knocking at the door, being allowed to enter, and stealing valuables” were also often wrongly indicated.

Responding to a similar question on Contents insurance (base: 492), again, almost a third of the respondents were not sure of what is included under standard Contents cover, and items such as bicycle, mobile phone and wedding ring were often wrongly indicated.

2.5 Claims Handling Satisfaction

Of the respondents who purchased a home insurance policy (base: 492), nearly 70% have never made a claim on their home insurance. Respondents who made at least one claim (base: 135) were generally satisfied, with an average score of 3.96 on a scale from 1 (not satisfied at all) to 5 (very satisfied)

Figure 11.1 How satisfied were you with how the claim was handled?

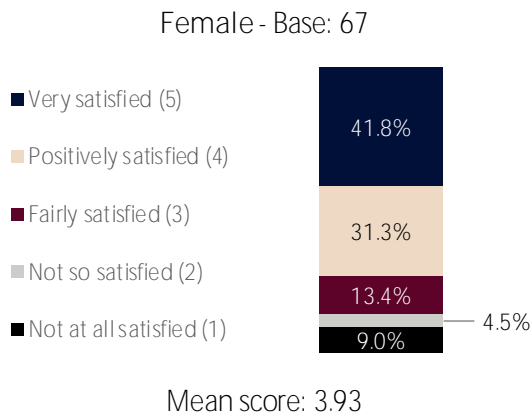
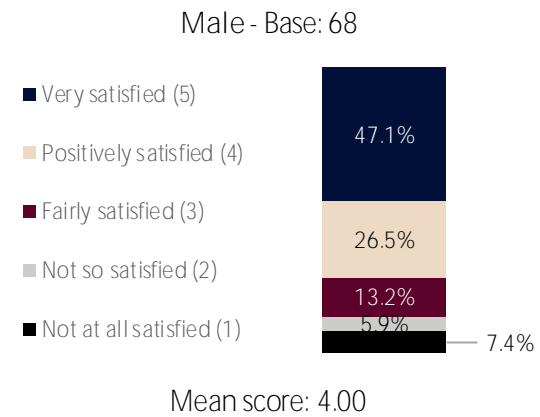


Figure 11.2 How satisfied were you with how the claim was handled?



Among respondents who gave a score between 1 and 3 (base: 36), the major reason for dissatisfaction (36%) was the fact that respondents believed that their claims were not sufficiently settled, or the claimants did not get the compensation they expected. The major factor causing dissatisfaction with the claims handling process (23%) was the slowness and the length of the process in general.

Figure 12: Why would you say you were not satisfied?

Base: 36 respondents

Reason	%
Underpaid/Not awarded as much as expected	36%
Slow response/Long process	23%
Claim could not be covered	8%
Lack of communication	8%
Costly/High insurance fee	5%
Bureaucratic/Hassle	5%
Lack of customer care and support	5%
Replacement item was unsatisfactory	3%
Inconsistent service	3%
Was required to present evidence I didn't have	2%
Insufficient repair work/ No repair service provided	2%

On the other hand, among respondents who gave a score of 4 or 5 (base: 99) the reasons for a 'satisfied' response are less concentrated:

Figure 13: Why would you say you were satisfied?

Base: 99 respondents

Reason	%
Claim was honoured in full	23%
Payments issued promptly	18%
Straight forward/No hassle	15%
Good overall service	12%
Good customer care and support	9%
Fast response/Immediate action taken	9%
Helpful staff	6%
Good communication	2%
Professional service	2%
Got most of the claimed amount	2%
No hidden charges/Transparency	1%
Online service	1%

Conclusion and Way Forward

A considerable number of respondents have never purchased a home insurance policy, with a higher concentration for respondents in the older age groups.

Furthermore, it appears clear that bank loan requirements are the main drivers for consumers to purchase a home insurance policy and to set the sum insured for the Buildings cover. However, policyholders have appreciated having such a policy in place and were willing to keep this policy active even after the loan has been repaid.

It also transpires that the standard cover for both Buildings and Contents is not very clear to respondents, who generally believed that the standard cover, especially with respect to content insurance, is more extensive than it usually actually is.

This consumer research has highlighted an apparent lack of knowledge as to who is the ultimate insurance 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.

It also emerged that a significant number of the respondents do not properly understand the importance of updating the sum insured regularly and the knowledge of their policy wording is somehow limited.

The Authority 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 further 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.

