



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Consumer Experience of Purchasing Gadget Insurance

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1. FOREWORD

Insurance and protection risks were identified as a potential consumer protection risk in the Central Bank's 2017 Consumer Protection Outlook Report. Firms were reminded of their responsibility to ensure that information provided to consumers (in relation to the level of cover an insurance policy provides) is accurate, clear and easy to understand and that the policy offered is suitable for the consumer. It is within this context that a thematic review of add-on insurance products, specifically of gadget insurance, and an analysis of the market and related key issues, was prioritised by the Central Bank.

In order to support this thematic work, consumer research has been undertaken to examine consumers' attitudes, behaviours and experiences when shopping around for and purchasing gadget insurance. The research sought to understand the impact of any potential behavioural biases and identify potential risks in this area.

The research comprised of a 2-part process incorporating both qualitative and quantitative research methodologies. Given the scale of consumers researched, Behaviour & Attitudes were commissioned to undertake the fieldwork element of the research on behalf of the Central Bank. The qualitative phase involved a series of focus group discussions designed to gain an understanding of consumer attitudes in relation to gadget insurance. It also sought to determine why it was purchased, whether people felt it was beneficial, and determine whether there were any issues in relation to how it was being sold. It also examined the appropriateness of products purchased/sold or any related issues with regard to making a claim.

A subsequent quantitative phase was undertaken identifying some topics and themes from the qualitative phase. This measured attitudes and experiences of 700 consumers in a statistically valid manner, using a structured, representative sample and a more closed questionnaire approach.

Findings from the research are being used to inform the direction of a thematic review of add-on insurance, which is currently underway.

2. KEY FINDINGS

Most consumers did not plan to buy gadget insurance until it was sold to them as an add-on at the point of sale

- A significant majority of participants in the focus groups (who mostly bought in-store) stated that the gadget insurance was sold to them as part of an add-on purchase when buying a gadget, usually a smartphone/mobile phone or a laptop. In the subsequent survey, 57% of consumers also bought their gadget insurance in-store, while 34% bought it online.
- From a consumer perspective, buyer focus was very limited in respect of their insurance and more concentrated on the detail and purchase of the gadget.
- Unlike findings from other insurance products researched by the Central Bank¹, (where 'price' is typically the outright determining factor that influences choice), consumers in the focus groups overwhelmingly purchased the gadget insurance for 'peace of mind' and out of 'fear of not being covered'. In the survey, while 46% reported price as the reason they opted to purchase the gadget insurance, 46% also reported peace of mind and 45% stated the cover and benefits.

Most purchases were based on verbal explanations of retail staff selling the gadget and consumer trust in their provider

- The majority of participants in the qualitative focus groups bought on the recommendation of a retail sales person and relied on verbal advice and explanations at the point of sale to make their decision.
- Even where written information was received, responses from the focus groups revealed that it tended not to have been reviewed after the purchase. This finding was also apparent for 40% of respondents to the quantitative survey who had bought their gadget insurance through a retailer.
- While 41% of respondents to the survey agreed, an equal amount disagreed with the statement that 'gadget insurance providers do the best they can to understand the needs of their customers'.
- Regardless, the majority of respondents were still prepared to trust and accept their offer. 59% agreed with the statement 'I generally accept what a gadget insurance provider recommends'.

¹ Renewal of Private Health Insurance – Consumer Research, March 2016 <https://centralbank.ie/docs/default-source/publications/consumer-protection-research/gns4-2-1-1-renewal-of-private-h-ins.pdf?sfvrsn=6> and Motor Insurance: Consumer Research on Attitudes & Behaviours, Dec 2017 (publication pending).

Consumers largely viewed gadget insurance as a low cost and low risk product and did not shop around

- 62% of respondents to the survey spoke to no other providers or obtained no other quotes before purchasing their gadget insurance. 45% of these stated that this was mostly due to the ease of availability of the product.
- The qualitative research also reinforced that consumers generally did not shop around for gadget insurance, due to the perceived relative low cost of the product (which was traded-off against the high cost of the gadget itself).
- Focus group participants were typically not offered alternative gadget insurance options from their retailer.
- 52% of respondents to the survey also noted that they were offered just one option from their provider and these were more likely to be retailers.

The majority of consumers did not understand their cover and thought it covered more than it did

- Focus group participants often justified their decision to purchase gadget insurance on the basis of assumed cover of 'basics' such as general repair/replacement and screen fixing at no extra cost.
- When focus group participants were probed further, few seemed familiar with the details of the exclusions and excess related to the policy. Some deemed certain policy terms to be unfair such as excess costing more than the repairs, excess charges, application of waiting periods (before a claim can be made), no cover for under 18's, restrictions on age of gadget/ place of purchase/ and malicious damage, requirements to report to Gardaí and within specified time limits.
- Similar findings were reported in the quantitative survey, where 77% expected to be offered a new device in the event of a device being replaced, 45% expected 'wear and tear' to be covered and 29% reported unawareness of the requirement to report theft/loss to the Gardai.
- Focus groups participants highlighted a number of recommendations that providers could use to overcome issues and enhance the shopping around and sales process including:
 - clearly distinguishing responsibilities of the insurer/insurance from the retailer/gadget;
 - a key features information page (benefits and exclusions) in summary form at the front of the policy;
 - ensuring staff have the right training to discuss these with the consumer;
 - ensuring information is provided in plain English that is understood by consumers; and

- highlighting additional key information including cooling off periods and complaints procedures.

Some consumers may be paying for cover they do not need & turnover is apparent

- With regards to turnover, the quantitative research showed that 12% of the adult population (440,000 consumers) held gadget insurance (at the time of the research); however, as many as 24% were likely to have held it within the past two years.
- 21% of respondents failed to cancel previous policies after taking out a new policy – in doing so, they were paying for cover they no longer needed.
- Continuing on this theme (where consumers did not cancel a previous policy/may have been paying for cover they did not need), some policies were auto-renewed after a period of time:
 - 40% of respondents paid the year in full and auto renewed after a year, and
 - 40% paid monthly with automatic renewal up to 59 months.

3. INTRODUCTION

3.1 Background to the research

The objective of this research was to examine consumer experiences when shopping around and purchasing gadget insurance. The findings identified potential consumer protection risks, which are being used to inform the direction of the related thematic inspection work, which is currently underway.

In particular, the research examined the attitudes and behaviours of consumers and the influence of any biases, which may have impacted on their ability to make informed decisions and confident claims on their gadget insurance.

The research covered 5 main areas as outlined below:

- purchasing behaviours (profiling consumers);
- shopping around;
- experience at point of sale;
- understanding of insurance cover/costs; and
- experience of claims/complaints.

3.2 Putting the research in context

The latest research² shows that the typical family home will often have more than ten connectable devices, when taking into account mobile phones, tablets and other internet-enabled devices such as games consoles. It shows that:

- 79% of Irish adults currently own a smartphone, 72% of Irish households have a laptop, 54% a tablet and 35% a Smart TV.

With regards to gadget insurance penetration, the combined preliminary waves of Barometer research from this study on gadget insurance³ established that:

- 12% of the adult population held gadget insurance at the time of this research (440,000 adults).

In addition (from the main findings of this study on gadget insurance) we discovered that:

- 24% of the adult population held gadget insurance within the last two year, as outlined in figure 3.2.1;

² Eir Connected Living Survey 2015 and B&A Techscape Report 2017.

³ See section 3.3 methodology for more information.

- 35% primarily used gadget insurance to insure smart phones , see figure 3.2.2;
- 93% of gadgets are purchased new with just 7% purchasing a second-hand device;
- 50% of those who purchased insurance on a second-hand gadget reported that the gadget was less than one year old at the time of purchase; and
- 90% of gadgets insured were purchased in Ireland.

These findings had important implications when we examined what consumers understood to be covered/excluded in their policy (see section 4.3 below).

Figure 3.2.1

Gadget insurance penetration

Base – 2015 Adults aged 16+ - 3,694,000

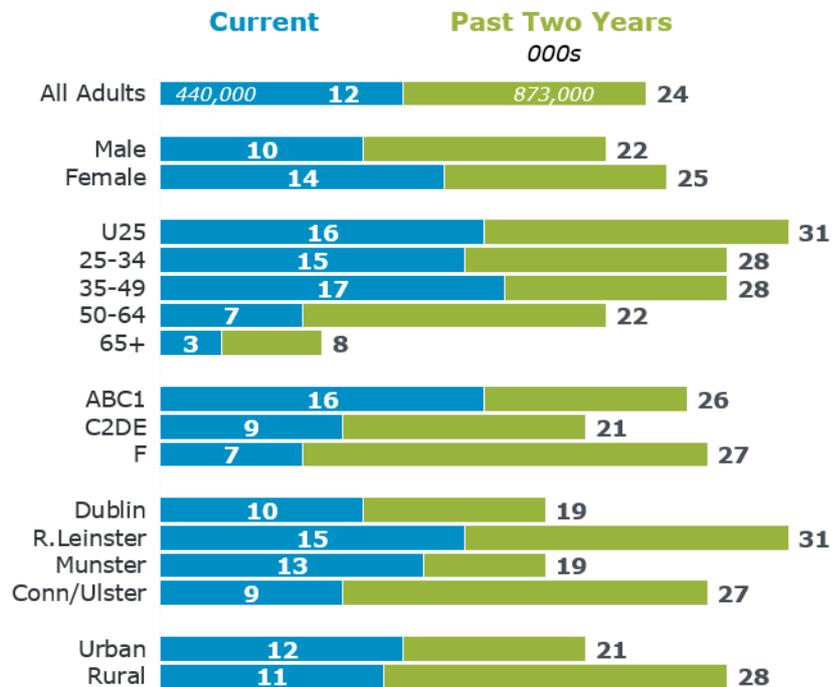
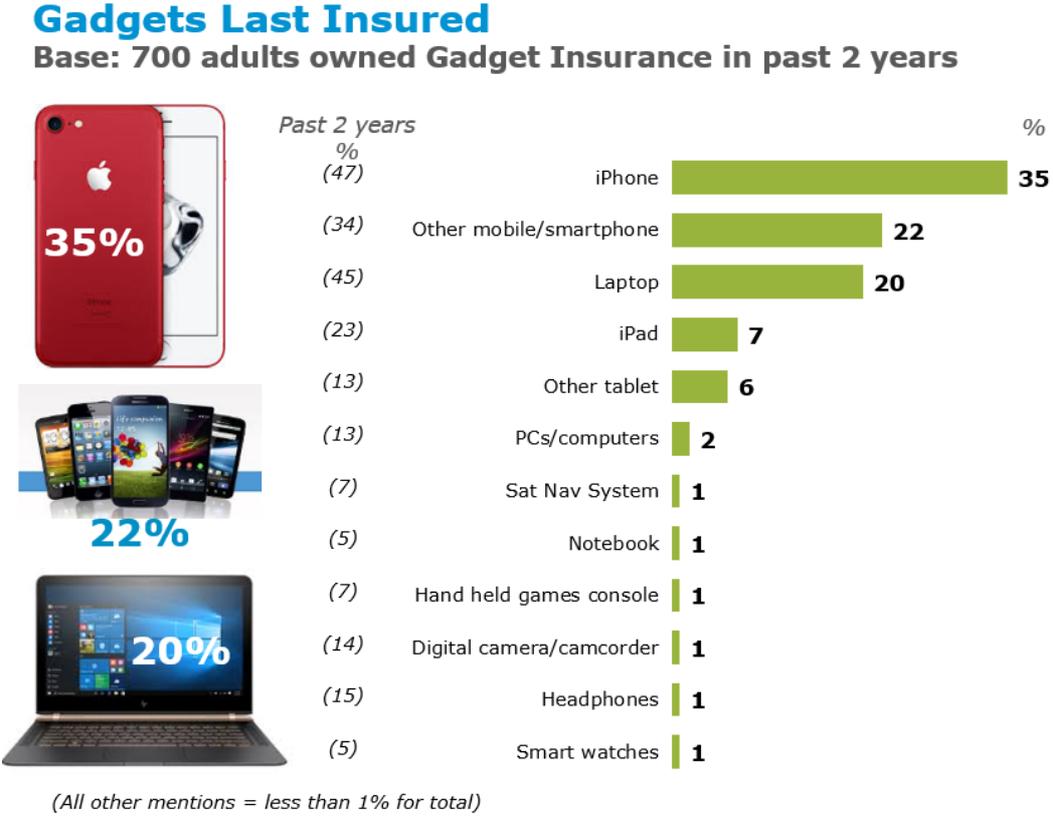


Figure 3.2.2



Q.2a

And for which gadget did you last purchase insurance?

3.3 Methodology

Qualitative Phase

The qualitative phase of the research involved a series of eight focus group discussions (with 6-8 participants in each group) among current and past holders of gadget insurance. They represented a cross-section of age groups, social class backgrounds, regions and phone contract types (i.e. prepay and bill pay). Previous research illustrated that attitudes and experience are likely to differ substantially by virtue of factors such as gender, age and socio-economic class. There is also a fundamental distinction in the market for phones by virtue of whether a person chooses to use pre- pay or maintain a contract bill arrangement.

All focus group participants had held gadget insurance in the past five years, at least three held gadget insurance at the time of the focus groups and two or more had claims experience of some sort in relation to gadget insurance.

Figure 3.3.1
Breakdown of sample used in focus groups/behavioural scenario testing

Group	Gender	Age/Life stage	Social Class	Payment Type*	Location	Pre-task (option)
1.	Male	24-30 No kids	BC1	Bill pay	Dublin	✓
2.	Female	24-30 No kids	C2D	Prepay	Sligo	
3.	Male	31-40 Young family	C2D	Prepay	Cork	✓
4.	Female	31-40 Young family	BC1	Bill pay	Dublin	
5.	Male	41-50 Mature family	BC1	Bill pay	Sligo	✓
6.	Female	41-50 Mature family	C2D	Prepay	Dublin	
7.	Male	18-23**	C2D	Prepay	Dublin	
8.	Female	18-23**	BC1	Bill pay	Cork	

Participants in three of the focus groups were set pre-research tasks (e.g. review sample real life policy documents) to boost their sensitivity/knowledge of the area. We were aware that many who purchased gadget insurance were often unfamiliar with the details of the insurance policy they had purchased so this approach allowed a more focused reaction on key elements.

Behavioural scenarios used

In addition to a more general interview guide, the focus groups also sought to further probe consumer understanding of gadget insurance cover and exclusions, how they responded to a typical sales environment and why they behaved the way they did. This approach then enabled the drawing out of recommendations to potentially enhance practices going forward (as outlined in section 4 of this Report).

3 typical real life sales scenarios were used including:

- Purchasing gadget insurance in-store;

- Purchasing gadget insurance online;

(and in both cases, consumers were not covered due to a particular excess or exclusion).
- An ideal scenario involving both in-store and online information/sales and with a focus on full written and verbal information disclosure).

Quantitative Phase

The quantitative phase involved two components. Firstly, a face-to-face Barometer survey conducted on a nationally representative sample of adults aged 16 and over⁴, see figure 3.3.2.

The second part involved an online interview of 700 consumers who have purchased gadget insurance, from any source (i.e. insurance firms selling directly to the consumer, retail intermediaries or retailers) in the past 2 years, to ensure maximum recall of issues. The results from the Barometer phase were used to weight this data, ensuring that the sample interviewed online had the appropriate proportions of men and women, younger, middle aged and older adults and people from different social backgrounds.

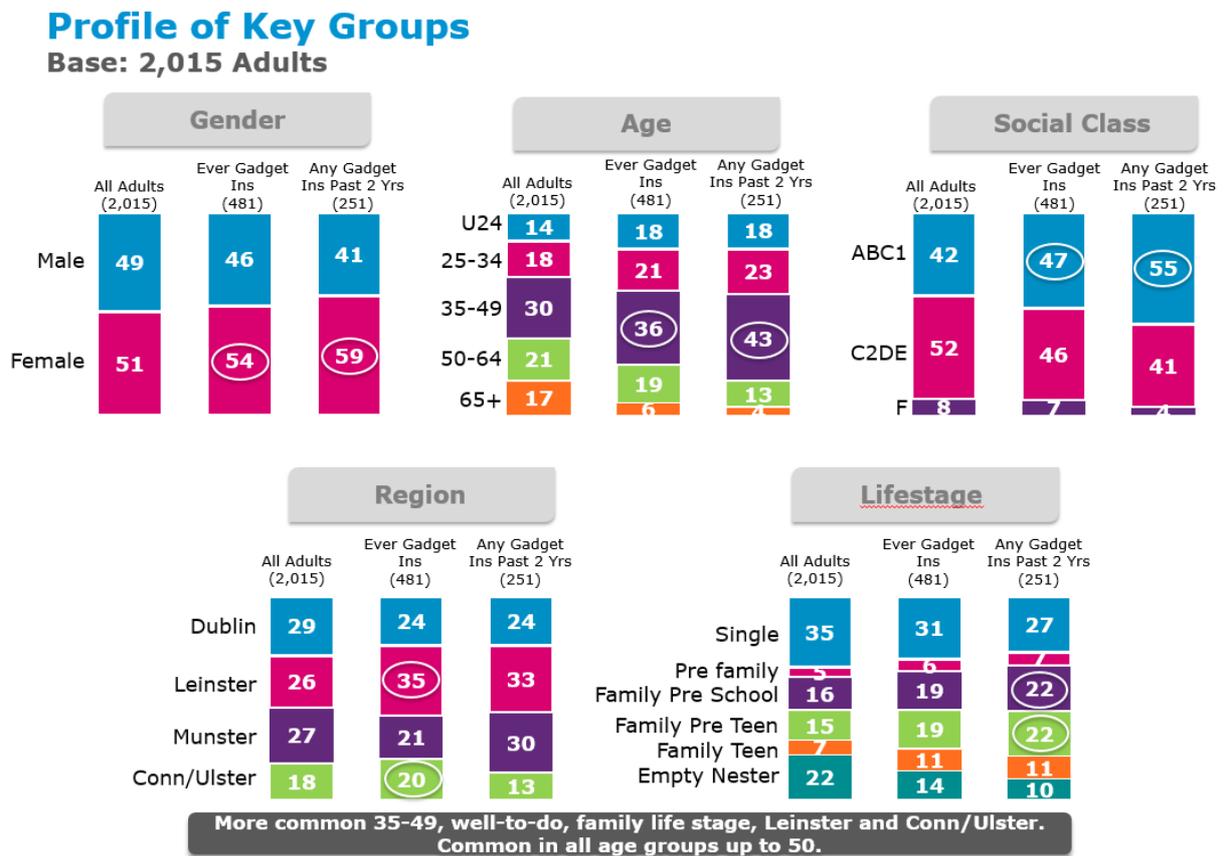
Having considered the initial findings of the research, a number of additional questions were posed to all respondents of the original survey in August 2017, on claims experience or cancellation/renewal experiences. 443 of the original 700 respondents participated in the survey.

⁴ The sample was structured in line with the latest census of population and industry agreed estimates in relation to social class; the State does not collect data in respect of social class. The questions were included on a double wave of Barometer research, resulting in a national sample of 2,000 adults aged 16 and over. As such, the margin of error on this larger sample is +/- 2.2%

Profile of Holders

Holders of gadget insurance were represented in all age groups but were more likely to be in the 35 to 49 age group. They tended to be from middle class backgrounds, the family lifestyles and to be highly represented in the rest of Leinster and Munster.

Figure 3.3.2⁵



48% of respondents with gadget insurance had a bill pay contract with 52% being prepay. The median year of phones owned by respondents with gadget insurance was roughly 2016. In essence, half own a phone that was purchased since January 2016, so this was a category in which consumers were using a new, and comparatively expensive gadget.

⁵ Taken from Barometer Survey.

4. MAIN FINDINGS

4.1 Overall summary

The findings from the online surveys and focus group discussions (along with the probing of issues through the behavioural scenarios and policy stimulus material)⁶ highlighted a number of key issues, which have been summarised in figure 4.1.1 below (colour coded from the perspective of the consumer [purple] versus the provider [orange]).

Figure 4.1.1
Summary of key gadget insurance research findings



⁶ More detail on the approach used for the behavioural scenarios, has been outlined in section 3.3.

4.2 Gadget Insurance was Actively Sold by Retailers rather than Purchased by Consumers

The majority of focus group participants had indicated that they had not intentionally sought out gadget insurance, but found that they had been offered it while making a purchase of a mobile phone or other gadget.

There were many different factors at play in the sales environment. The majority of participants stated that they were often distracted by their enthusiasm for the new gadget being bought, and it became quite easy for the sales assistant to bundle in insurance with their purchase in this context, or consumers did not pay the attention that they should have in order to make an informed decision to purchase gadget insurance.

Often it was a last minute recommendation, shortly before the transaction was completed at the checkout. In many of these instances, the sales assistant may have indicated that “you should really think about purchasing gadget insurance” or “I have it myself”.

Figure 4.2.1



In the survey, as outlined in figure 4.2.2, 53% of respondents purchased their gadget insurance alongside the purchase of a gadget, 57% purchased in-store and 34% purchased online.

Figure 4.2.2

How most recent gadget insurance was purchased?

Base: 700 adults owned Gadget Insurance in past 2 years

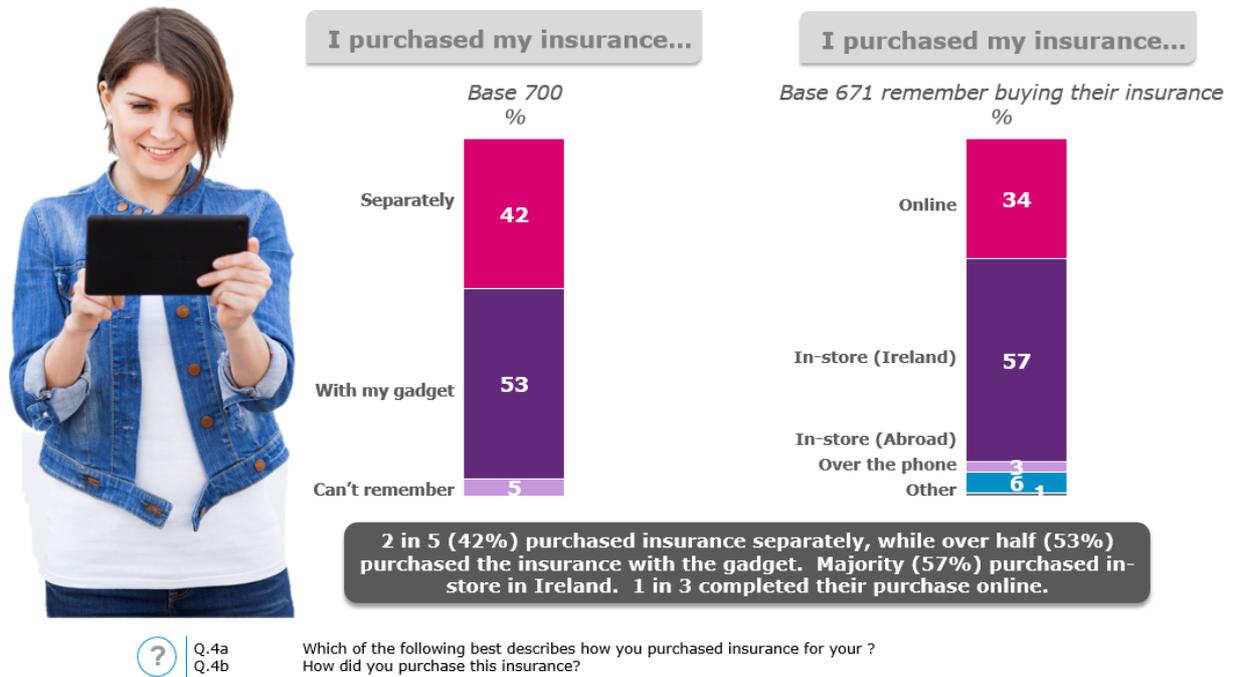


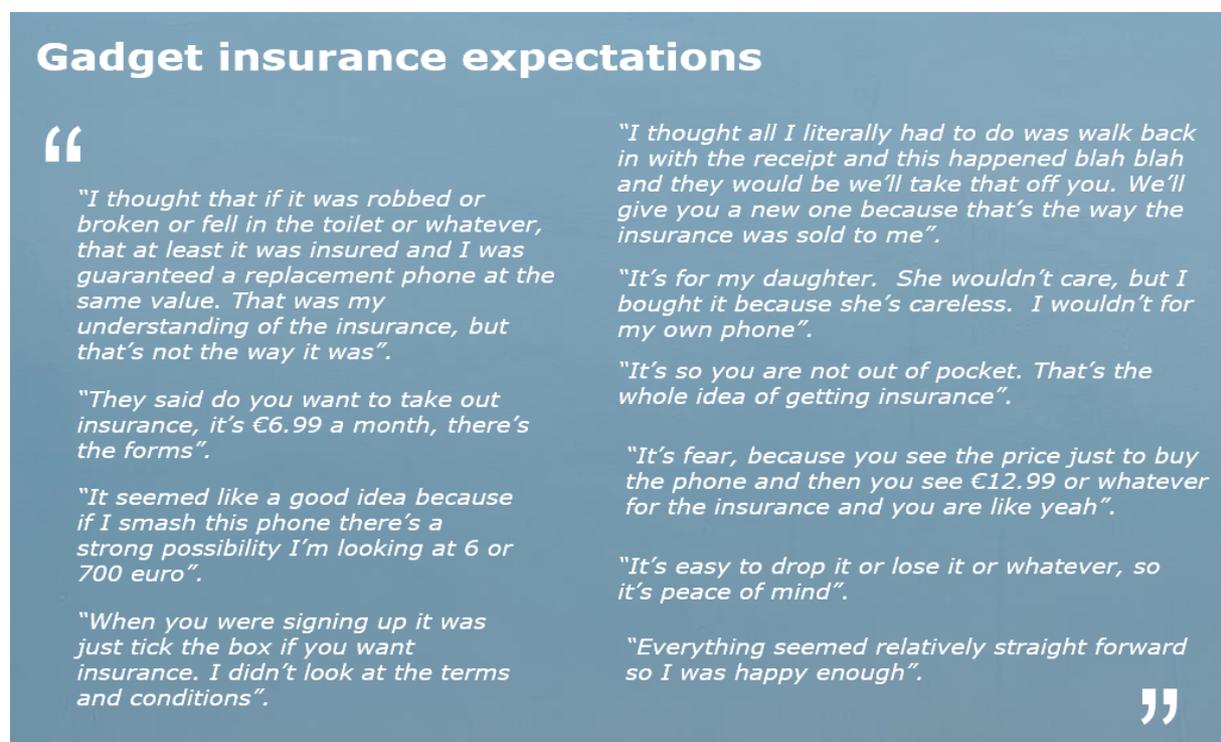
Figure 4.2.3

Some focus group participants stated that they proactively purchased gadget insurance, primarily online rather than in-store. For some, their motivation in doing this was that they would not necessarily be purchasing the best value insurance when purchasing it bundled with the gadget they were purchasing.

4.3 Assumed Expectations of Cover and Failure to Understand Information and Exclusions/Excesses

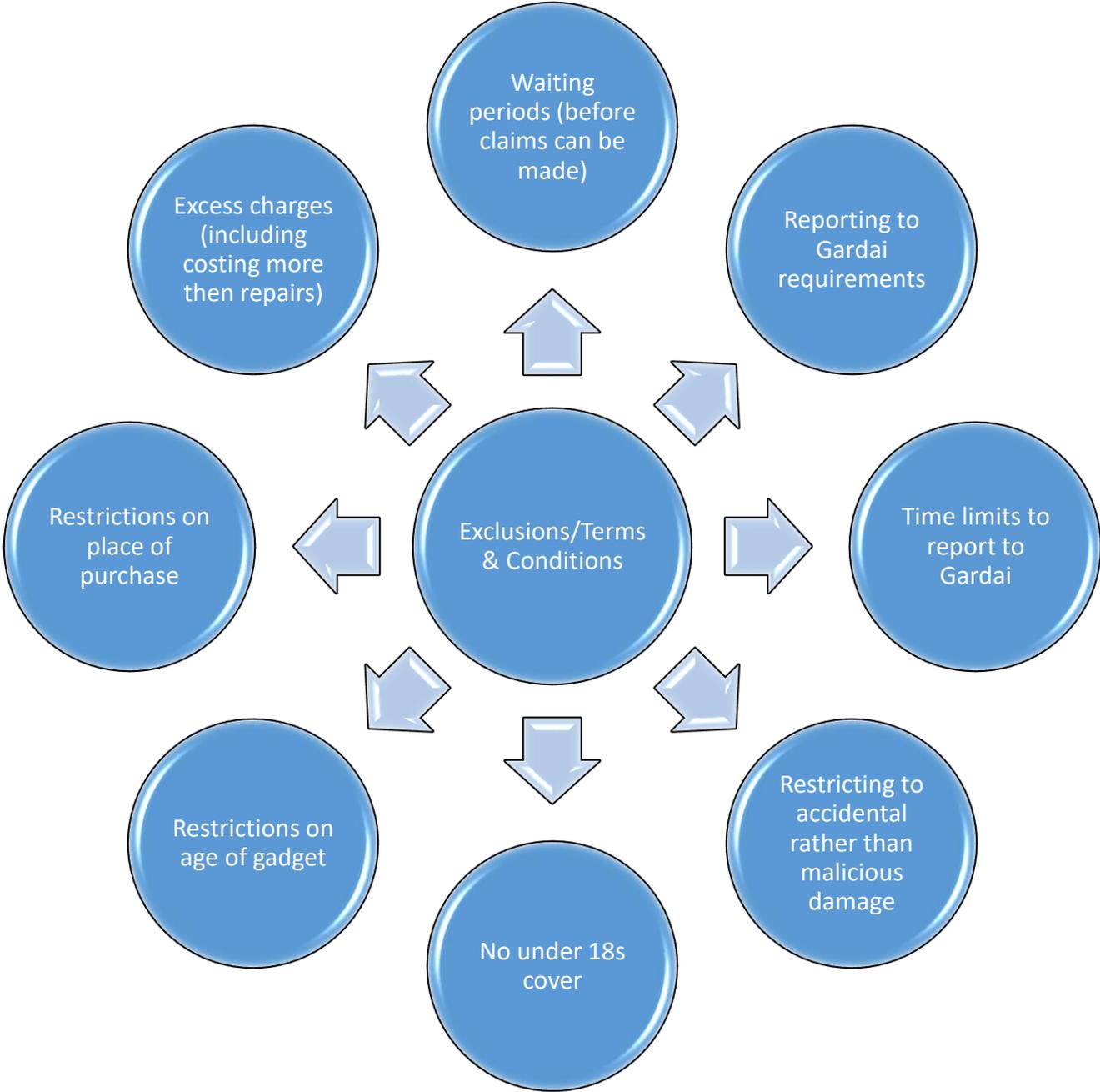
The vast majority, and especially those focus group participants from lower socio-economic C2D groups, tended to assume that their gadget insurance would deliver what they felt to be quite basic cover (and purchased it on this basis). Most typically, there was a disjoint between consumers feeling that they were probably insured for a repair/replacement at no extra cost or covered for a cracked or broken screen – only to discover that often this was specifically excluded from the insurance policy.

Figure 4.3.1



Overall, when probed (using behavioural scenarios and real life sample policies), the focus groups showed that there was a consistent lack of awareness of exclusions, which impacted on their decision making. In addition, many felt there was a significant unfairness in some exclusions which they were unaware of, and often ran contrary to how consumers thought that the insurance would work. Some examples cited from the scenarios are summarised below.

Figure 4.3.2
Sample exclusions, terms and conditions consumers noted in gadget insurance policies



The survey also reported similar findings on consumer understanding of cover. Consumer perceptions and understanding of what was covered in their policy is detailed in Appendix 1, but some summary highlights included:

- 29% were unaware of the requirement that the policyholder must report theft or loss to the Gardaí;
- 26% did not know within how many hours such a report had to be made;
- 33% expected to be covered if their gadget was left in an unlocked car and 32% expected to be covered if their gadget was left in an unattended public place;
- 45% expected 'wear and tear' to be covered;
- 77% expected to be offered a new device in the event of the device being replaced; and
- 50% did not know or could not recall whether they were informed about the restricted cover for 'malicious damage' or 'liquid damage' (42%) or 'accidental loss' (40%).

Consumer recommendations to providers – part 1

Focus group participants made a number of recommendations they felt would improve their experience of shopping around for and buying gadget insurance.

1) Key features information summary

When specifically isolating training at the point of sale, the focus group participants stressed the importance of the sales assistant following a set procedure to set out exactly what is and is not included in their gadget insurance policy. In particular, they stressed the need to include the key features (benefits/exclusions) in summary form at the front of the policy documentation. Such information would enable consumers to make an informed decision at the point of sale and allow for easier comparability of products.

2) Related Training

Focus group participants recognised the need to ensure training on such key features to sales staff in order to improve existing verbal communications. It was also noted that such an approach might make them think twice about purchasing insurance from the outset.

Some focus groups participants also thought it would be preferable for the mobile phone retailer to upload insurance documents and details of the sale to a portal or site linked to the purchasers mobile phone account (rather than handover at the point of sale), to avoid mislaying documents and allow further reading.

3) Information in Plain English that consumers understand

While sample documentation had been written in plain English, overall participants were still confused by terms. There was a strong recommendation to avoid the use of legalistic terms in policy documentation with a focus on simple terminology.

4) Highlighting specifics such as the 'cooling off period' or complaints procedures

Very few focus group participants were aware of the existence of or specifics of a 'cooling off period' or cancellation period. They stated that these were not highlighted at the point of purchasing their insurance; however, promoting such options was viewed as reassuring to some of the focus group participants. More information on complaints procedures was also welcomed.

4.4 Assumed Expectations of Insurance Provider

Many focus group participants were unaware as to who their actual insurer was, and they primarily tended to link the insurance that they purchased with where they purchased it.

Undoubtedly, shoppers may have signed forms in-store which indicated who their insurer was, but nonetheless many were operating on the assumption that they had purchased insurance provided by the store, brand or network in question. This resulted in them assuming that they could deal with their mobile phone retailer directly when they needed to claim or make a complaint. Such consumers tended to report a more negative claims experience and called for a need to distinguish between the role of the insurance company and the retailer in the context of claims and complaints relating to such claims.

By contrast, a number of focus group participants (mostly from the lower C2D socio-economic groups) reported a more positive experience of having gadget insurance when dealing with some of the larger electrical retailers. In the more positive instances, it was apparent that some of the retailers deliver on gadget repair and replacement promises to the extent that these become a key part of positive brand association, and a basis for future shopping at their stores.

The findings in these instances were that the insurance gave them confidence that the retailer was delivering on their insurance promise and indeed often exceeded expectations in this regard. In those instances, it seemed that the treatment of customers in relation to insurance claims was part of their customer service and loyalty initiatives. Customers reported that they felt fairly treated and the manner in which their claims were treated seemed to underpin the basis of their loyalty to these stores.

Consumer recommendations to providers - part 2

As part of the focus groups, participants made recommendations (in relation to the retailer/insurance provider) that they felt would improve their experience of shopping around for and buying gadget insurance.

1). Distinguish insurer/insurance from retailer/gadget

Some of the focus group participants highlighted the importance of notifying consumers of the name of their insurance company at the point of sale. In the event that something goes wrong, such as when a complaint or a claim needs to be progressed, this is particularly important, as the name of the insurance company may not be the same as the name of the company /retailer from whom they purchased the insurance. The consumer experience and related feedback (when dealing with retail staff) was one dominated by poor training and being mainly sales motivated.

Participants felt that distinguishing between the insurer/insurance and retailer/gadget would allow for greater transparency of general information and information on commissions as well as encouraging better choice for consumers.

4.5 Certain Behavioural Biases Impacted on Consumer Decision Making

Typically, in other insurance products researched by the Central Bank⁷, 'price' has been the outright determining factor in influencing consumer decision making. However, in this research, behavioural 'regret bias'⁸ played a strong role in influencing consumer decision making.

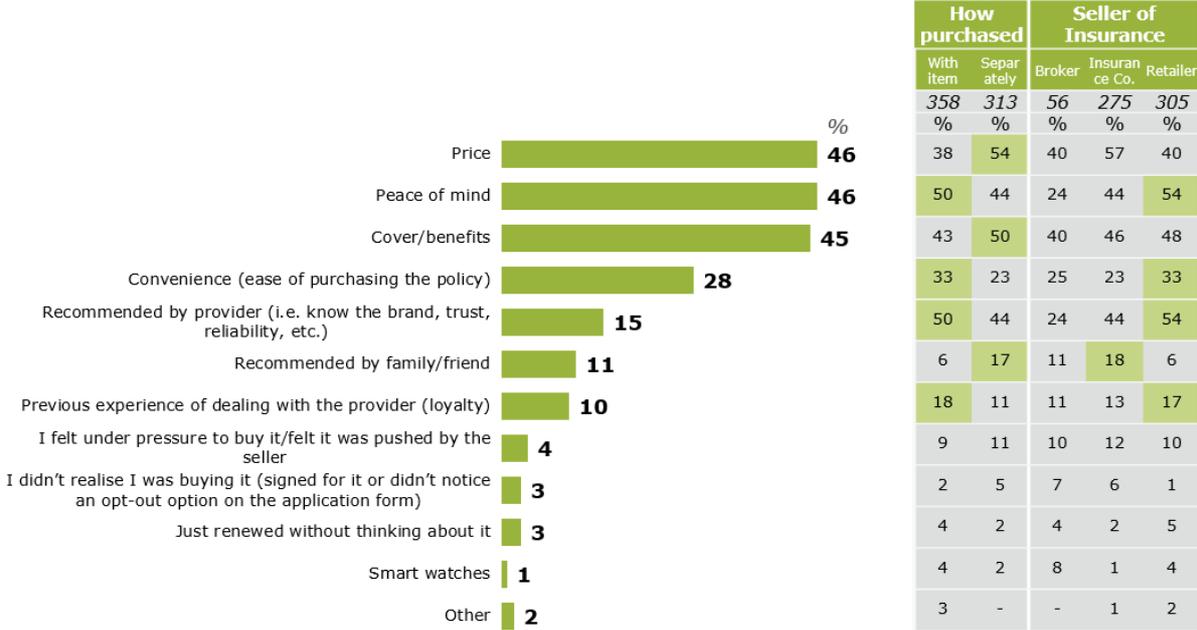
This was found overwhelmingly in the focus groups, where consumers purchased insurance largely to provide 'peace of mind' and to reduce the 'fear of not being covered'. This peace of mind was necessary as many felt vulnerable having purchased a high cost gadget. As such, the high cost of the gadget was to some extent lessened by the reassurance that it was now insured in case anything should go wrong.

In the survey, while 46% reported 'price' as the reason they opted to purchase their insurance, an equal number of respondents reported that they opted to purchase it because it afforded them 'peace of mind' and 45% due to the 'cover/benefits' on offer.

Figure 4.5.1

Reasons for purchasing gadget insurance

Base: 700 adults owned Gadget Insurance in past 2 years



Price, peace of mind and cover/benefits most cited reasons overall. Peace of mind and convenience particularly strong among those who purchased with the gadget, while price and cover/benefits more likely to be cited by those who purchased the insurance separately. Ease of purchase, recommendation and previous experience all more commonly cited by shop buyers.

Q.17a Which of the following best describes why you opted to purchase it?

⁷ Renewal of Private Health Insurance – Consumer Research, March 2016 <https://centralbank.ie/docs/default-source/publications/consumer-protection-research/gns4-2-1-1-renewal-of-private-h-ins.pdf?sfvrsn=6> and Motor Insurance: Consumer Research on Attitudes & Behaviours, Dec 2017 (publication pending).

⁸ When people fear that their decision will turn out to be wrong in hindsight, they exhibit regret aversion.

Respondents who opted to purchase the insurance with the gadget were considerably more likely to indicate that they opted to purchase it for 'peace of mind' (50%). 33% also suggested that it was 'convenient' to do so and 50% because it was 'recommended by the provider'.

4.6 Relative Low Cost

Focus group participants relayed that a key aspect of the sale of gadget insurance was the 'framing' of it as a relatively low cost offering from the outset in comparison with the price of the gadget it insured. They stated that this was typically done by the retailer, stating a monthly rather than an annual cost.

Consequently, they reported that the purchase of the insurance then became a perceived 'low risk' decision for them and seemed like a sensible thing to do when they considered the value of the gadget against the monthly cost of insurance.

Some focus group participants reported that they were informed during the purchase process that the cost of replacing a broken screen on a phone was likely to be somewhere between €80 and €100, and consequently assumed that this replacement was likely to be covered by their gadget insurance. As reported earlier in this report, most were surprised to find out that broken screens are generally not covered, or that the cost of the excess payable was often as much as the cost of the screen repair itself.

Figure 4.6.1



4.7 Reliance on Verbal Explanations and Consumer Trust in Provider

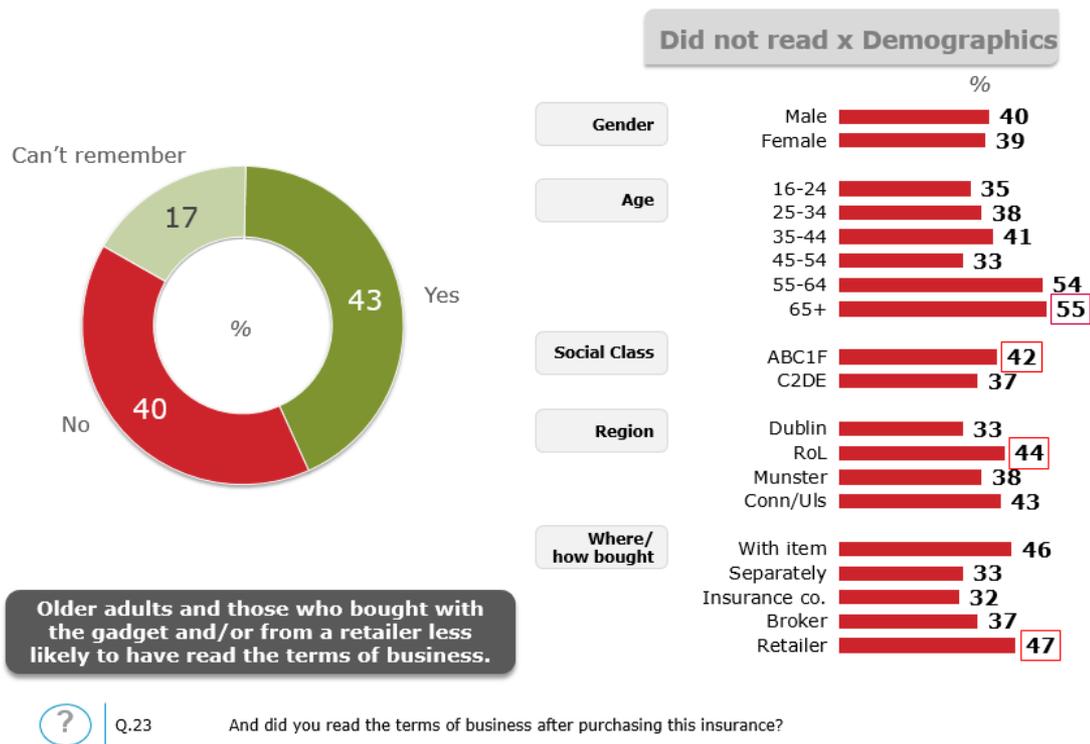
Reliance on verbal information at the point of sale was very evident in the survey results (see Appendix 4). Few in the focus groups also sought out written detail at the point of purchase and relied on a verbal summary of key information from the retailer. These verbal summaries and repetition of the key points of a policy were particularly important to focus group participants. However, as we saw earlier, consumers reiterated the importance of having a key information document written in plain English as part of this process.

In keeping with the theme of reliance on verbal explanations, respondents were then asked if they had read the terms of business of their gadget insurance after purchase. In keeping with the earlier quantitative findings, 40% of respondents reported that they did not subsequently read the terms of business, while an additional 17% reported that they could not remember. Interestingly, older adults were much more likely to report that they did not revisit this documentation (55%), especially those who had bought through a retailer.

Figure 4.7.1

Did the insured read terms of business after purchase?

Base: 700 adults owned Gadget Insurance in past 2 years



The majority of focus group participants also admitted to not reading policy documents in full. They perceived them to be lengthy and difficult to understand. Many (when asked to study the sample policy exclusions) flicked through them quickly, rather than focus in on the detail (and were surprised by some exclusions and excesses). As a result of not reading the documentation, several respondents stated that they only became aware of exclusions and excesses when their subsequent claim was declined.

In such cases, participants were disappointed because of a number of factors outlined in section 4.7.2

Figure 4.7.2
Issues that arose when consumers attempted to claim



Most participants reported that they had been through a steep learning curve, discovering deficiencies and shortfalls in the gadget insurance policy they had purchased. Consequently, many decided not to renew their gadget insurance based on past experience. Findings from the quantitative research (outlined in Appendix 2) showed that experience of the claims process was less negative than the qualitative feedback, which is likely to have been attributable to sample base used⁹.

Figure 4.7.3

Gadget insurance experience

“
“I don’t have insurance any more. I just realised that you don’t need it”.
“I eventually got the iPad back in the same condition – they didn’t even repair it”.
“I got a crack on the screen and they were like you have to pay an excess. I said grand I will fix it myself. A few weeks later it packed in so I rang them and they were like no we don’t cover it now because you made a claim, but didn’t submit it. After 16 days its no longer valid”.
“The most breakable thing is the screen and they are not even going to insure it”.

”
“I broke an iPhone and it was three or four months old. I brought it back to the shop and then they told me I had to post it from the shop at my own expense. I was waiting over 7 weeks. They said they couldn’t fix the phone, but I’d had to pay an extra €160 to upgrade the phone. So it cost me €210 for the phone, plus the insurance of €100”.
“It’s very easy pickings for people that are uninformed”.
“They will screw you in whatever way they can”.
“It just seemed like they were searching for any kind of reason not to pay out”.
“When I add it up I could have bought a new phone myself”.

⁹ The focus groups researched a smaller number of consumers, with a more concentrated based of those who had previous claims experience.

Overall, the survey highlighted how consumers were prepared to trust and accept their provider’s recommendations, while not wholly accepting that their provider had made sufficient efforts to understand their needs – as outlined in figure 4.7.4 below.

Figure 4.7.4

General understanding of gadget insurance
 Base: 700 adults owned Gadget Insurance in past 2 years



There tends to be broad rather than strong agreement in most regards: there is general trust and assumption that providers will do best for customers but equally doubt about how to choose and compare gadget cover.



Q.11 Using the scale provided, could you please tell us how strongly you agree or disagree with the following?

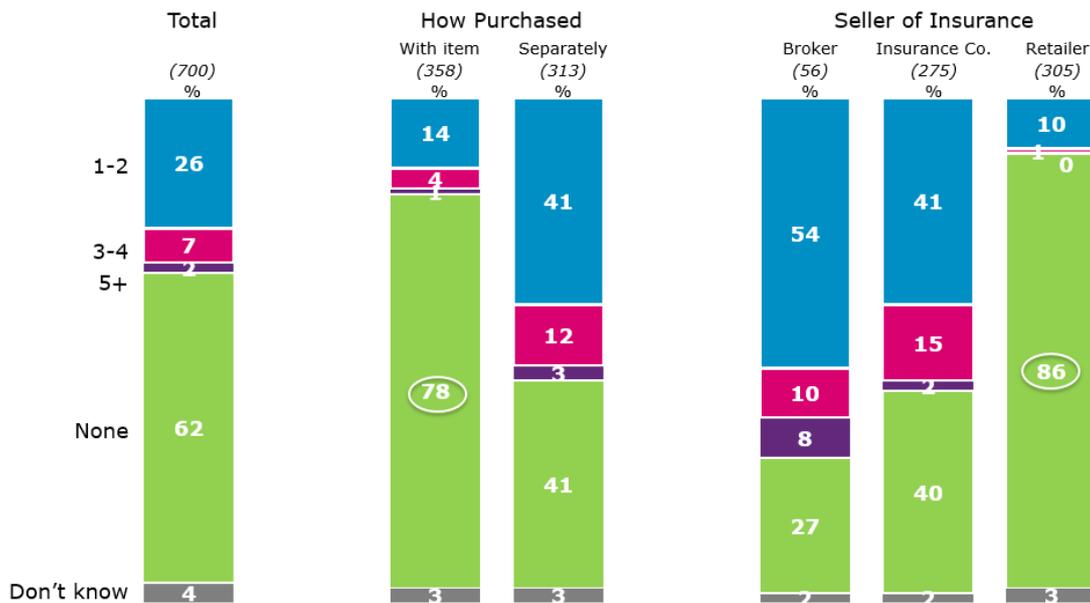
4.8 Consumers did not Shop Around and Providers did not offer them Alternatives

62% of respondents who purchased gadget insurance reported that they did not seek any other quotes or speak to any other providers to get a comparative quote. 35% reported that they spoke to between 1 and 5 providers.

Figure 4.8.1

Number of providers sought quotes from

Base: 700 adults owned Gadget Insurance in past 2 years



The vast majority (86%) of those who purchased from a retailer did not seek quotes from any other provider. A substantial number who bought separately sought more quotes, and the same is true of broker users.



Q.9

How many other providers did you speak to or obtain a quote from for this insurance?

Respondents who reported that they spoke to a number of providers to obtain quotes were considerably more likely to have purchased their gadget insurance separately (56%) or to have used either a broker (72%) or an insurance company (58%). 86% of respondents who purchased gadget insurance from a retailer and 78% who purchased gadget insurance with the gadget reported that they did not get a quote from any other provider.

Respondents who reported that they spoke to a number of providers to get a quote were much more likely to be younger (42%), and more often tended to be male (38%) or from Dublin (42%).

Figure 4.8.2

Number of providers sought quotes from x demographics

Base: 700 adults owned Gadget Insurance in past 2 years



Women and those over the age of 45 more inclined to say they sought no other quotes. Seeking more quotes more likely at either end of the age spectrum.



Q.9

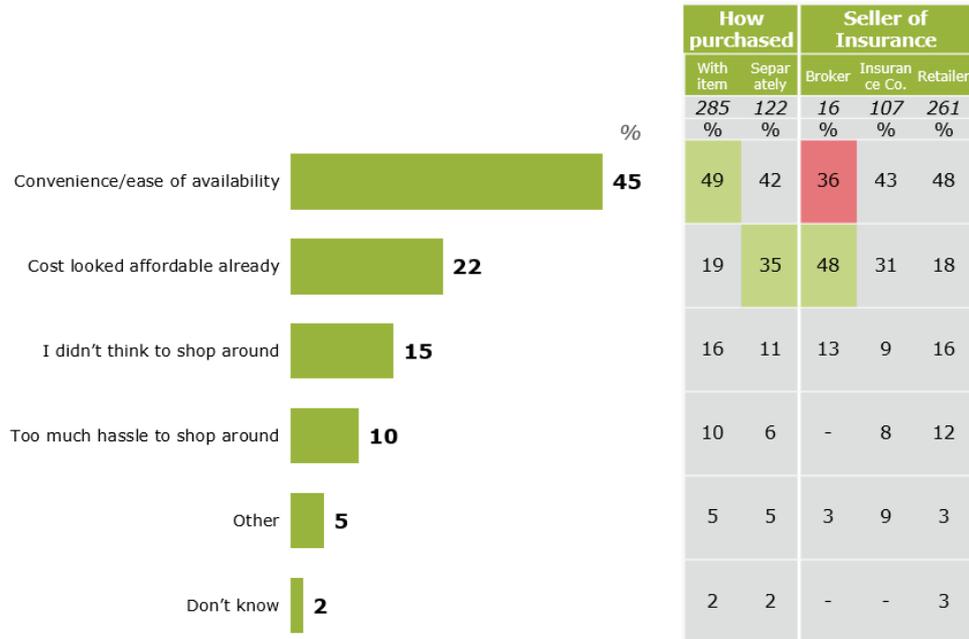
How many other providers did you speak to or obtain a quote from for this insurance?

Their reason for seeking any other quotes was that it was convenient to avail of the offer provided at the point of purchase (45%), underpinned by a sense that it looked affordable (22%), and that they had not thought to shop around (15%).

Figure 4.8.3

Reasons for not seeking other quotes

Base: 424 who did not seek quotes from another provider



Convenience cited most often as the reason for not seeking comparative quotes; particularly among those who purchased the insurance with the gadget. Those using brokers more likely to cite affordability.



Q.10 And why was it that you did not seek any other quotes/speak to any other providers?

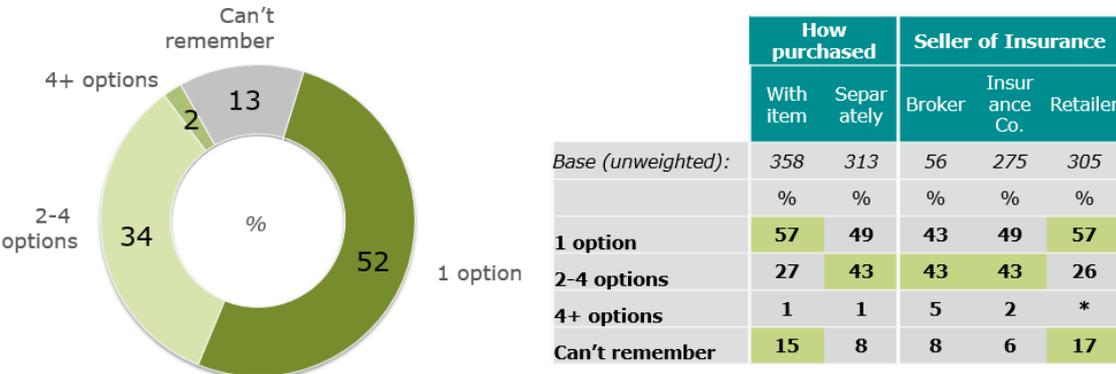
The qualitative research reinforced these findings with the majority (who bought through a retail store) not shopping around given it was both framed and perceived as a low cost, low risk product, with a focus on affordable monthly rather than annual costs. Focus group participants also stated that they were not offered alternatives when purchasing at the point of sale.

In keeping with the qualitative findings, 52% of respondents reported that they were offered just one policy option from their provider, 34% were offered between two and four options with 2% offered four or more options. 13% reported that they were unable to remember if they were offered a choice.

Figure 4.8.4

Number of policy options made available by provider at point of purchase

Base: 700 adults owned Gadget Insurance in past 2 years



The vast majority feel they were only offered a choice of one. Buyers of insurance who purchased it with their gadget and those who purchased insurance from the retailer more likely to suggest they were offered just 1 option. Very few, overall, seem to have been offered more than 4 options (2%).



Q.12

And when you think back to the purchase of your _____(GADGET) insurance, how many insurance policy options did your provider offer you (from their own product range)?

Respondents that were unable to remember if they were offered a choice of policy were more likely to report that they purchased their insurance with the gadget (15%), and indeed, reported that they purchased their insurance from a retailer (17%), rather than from a broker or from an insurance company.

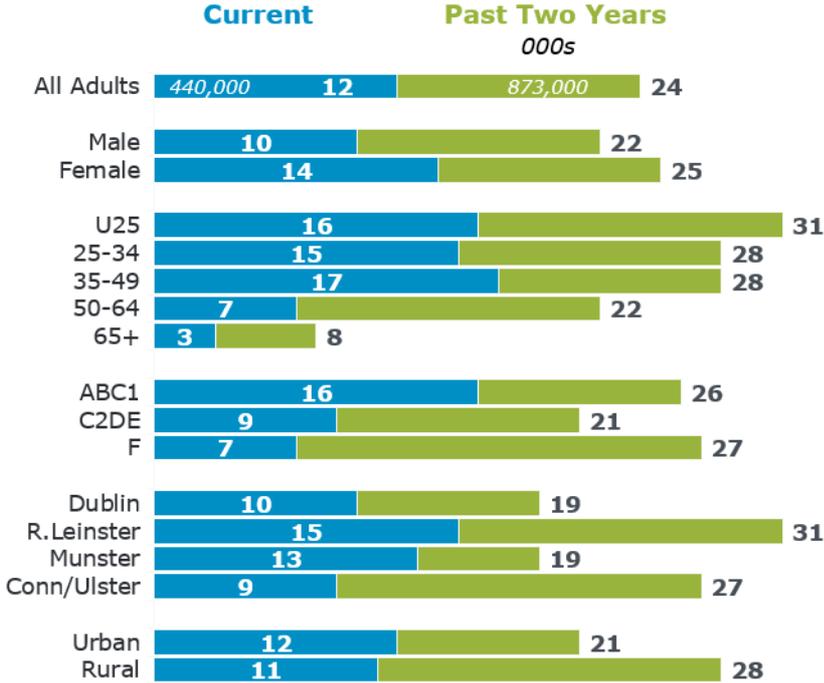
4.9 Turnover and Cancellation of Cover

With regards to turnover, 12% of the adult population (or 444,000 of consumers) held gadget insurance at the point of the research, however, as many as 24% were likely to have held it in the past 2 years.

Figure 4.9.1

Gadget insurance penetration

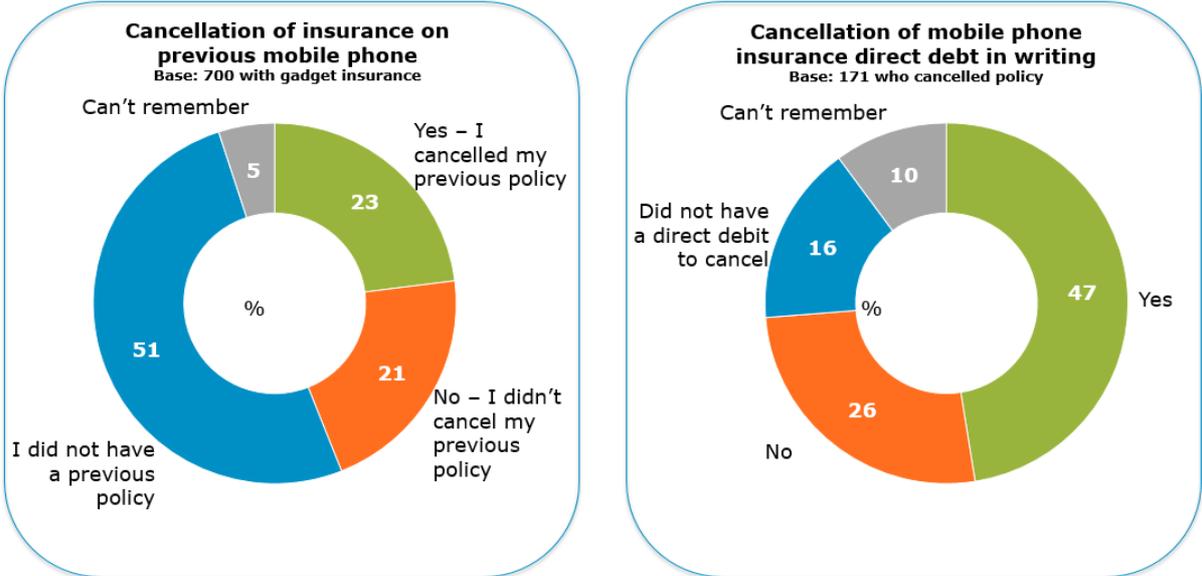
Base – 2015 Adults aged 16+ - 3,694,000



When taking out their current insurance policy, 21% of respondents reported that they had not cancelled a previous policy.

Figure 4.9.2 Cancellation of Insurance

Cancellation



Less than half had pre-existing cover. 1 in 4 aware they cancelled a previous policy, with half of these conscious they cancelled a direct debit.



Q.20a And at that time, if you had insurance on your previous mobile phone, did you cancel your previous policy?
 Q.20b And when cancelling that policy, did you cancel a direct debit in writing?

47% of respondents who cancelled a previous policy remembered doing so in writing to cancel a direct debit. 26% reported that they had not done this and another 10% that they could not remember.

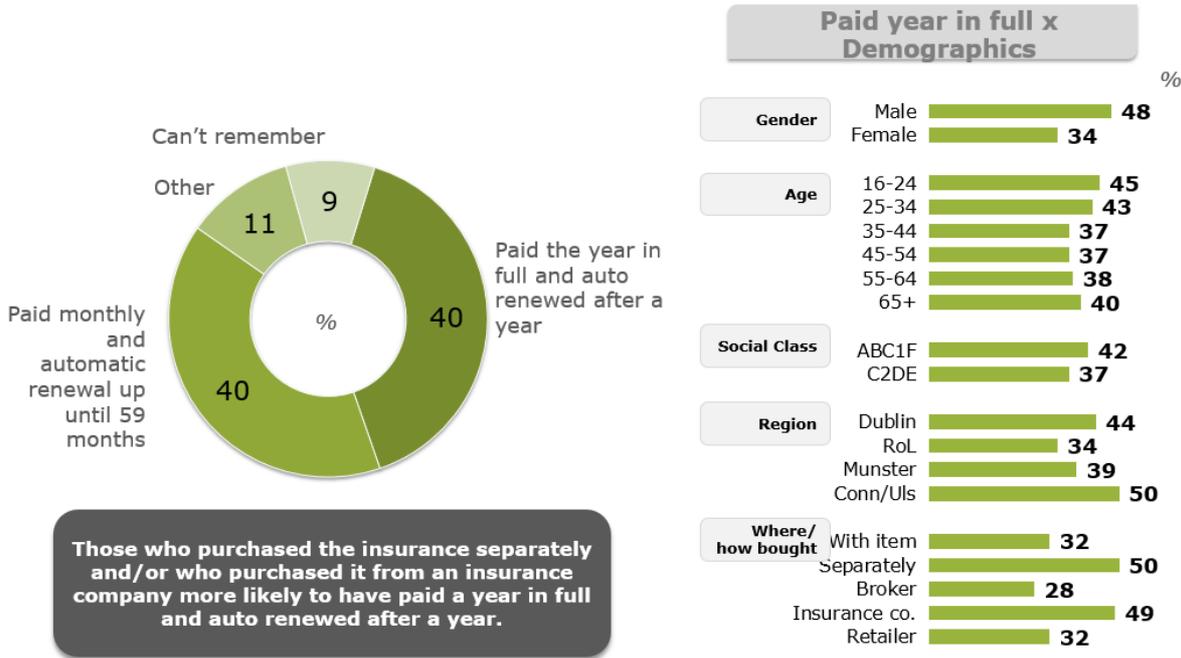
Respondents who overlooked cancelling their previous policy in writing tended to be younger customers (26%) and had a greater representation in the broker-purchased channel (38%), compared to 14% for a retailer and 25% for an insurance company.

Continuing on this theme (where consumers did not cancel a previous policy/may have been paying for cover they did not need). Some policies were auto-renewed after a period of time - 40% of respondents paid the year in full and auto renewed after a year and 40% paid monthly with automatic renewal up to 59 months as outlined in figure 4.9.3.

Figure 4.9.3 How Consumer Paid for Gadget Insurance

How insurance was paid for at point of purchase

Base: 700 adults owned Gadget Insurance in past 2 years



Q.18

Which of the following best applies to how you purchased the insurance?

4.10 Consumer Experience of Claims and Complaints regarding Gadget Insurance

While feedback from the majority of focus groups participants was largely negative as regards claims experience, primarily as a result of exclusions to the insurance cover, responses to the quantitative survey were more positive.

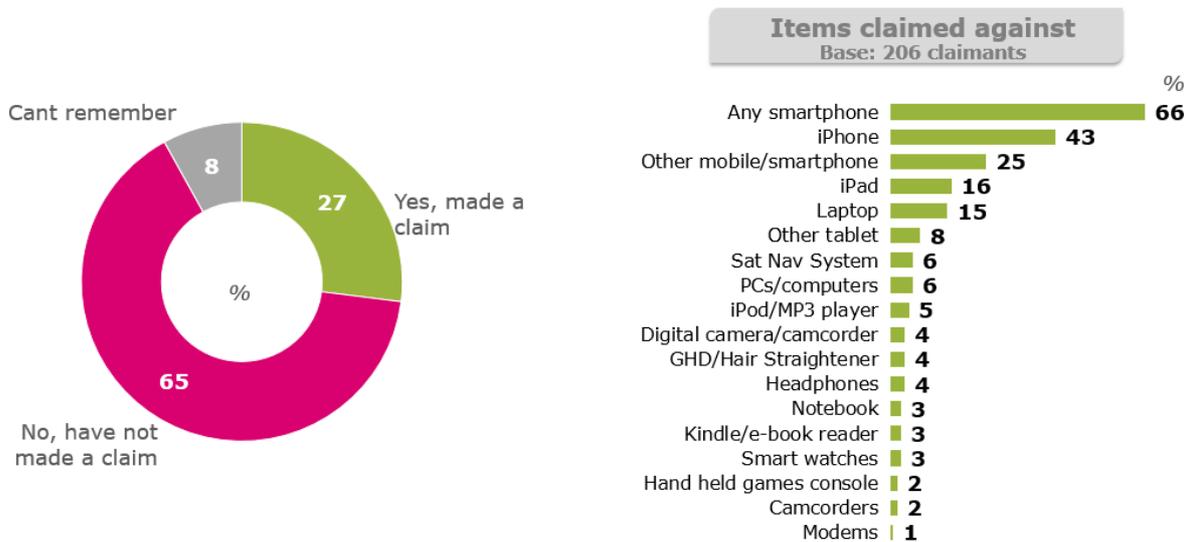
27% of respondents to the survey reported that they had made a claim under their gadget insurance and 84% reported that their claim was accepted. Just 14% reported that their claim was initially rejected, but accepted on appeal. Appendix 2 provides further detail on consumers' claims experience.

It is not surprising that the vast majority who have made a claim under their gadget insurance reported that it related to either a smartphone (66%), an iPad (16%) or a laptop (15%) reflecting the current focus of gadget insurance. Nonetheless, claims range across a wide variety of different gadgets.

Figure 4.10.1

Claims ever made on gadget insurance

Base: 700 adults owned Gadget Insurance in past 2 years



Just over a quarter (27%) have ever made a claim; 43% of whom made a claim against an iPhone policy, with a further quarter (25%) of them claiming against another mobile/smartphone policy.

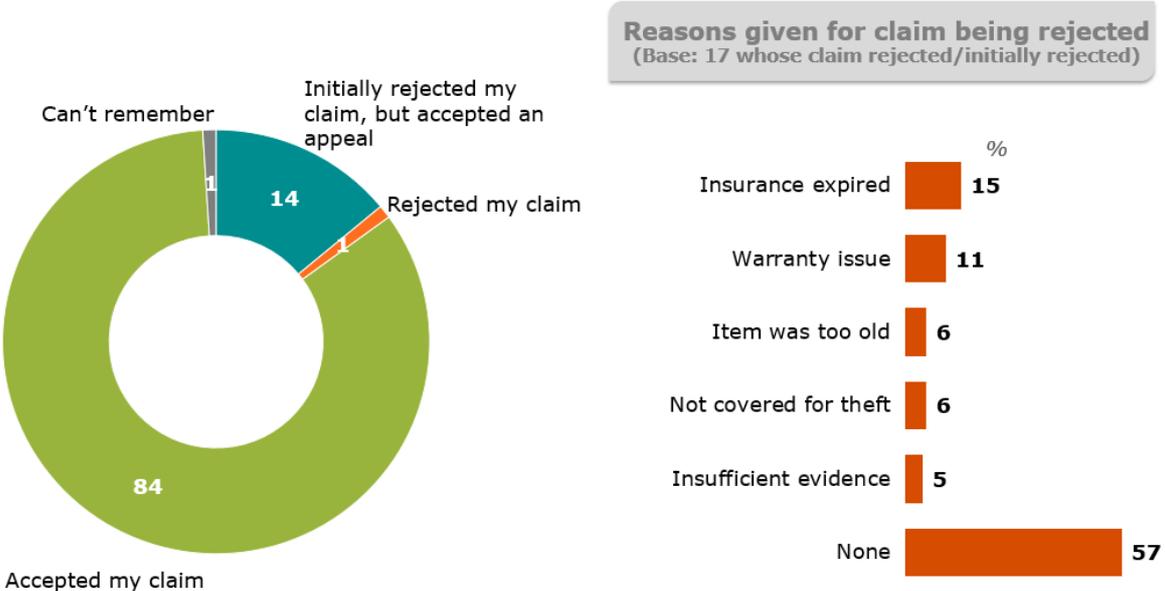


Q.28 Have you ever made a claim on your gadget insurance?
Q.29a Against which of the following insurance policies have you made a claim?

As can be seen in Figure 4.10.2, just 1% of all claims were rejected outright with a range of different reasons being cited including: insurance having expired (15%), warranty issues (11%), the gadget in question being too old (6%) and failure to supply sufficient evidence (5%). Of those who were rejected a claim, 57% of respondents reported that they were given no reason for their claim being rejected.

Figure 4.10.2

What was the outcome of claim made?
 Base: 206 Claimants

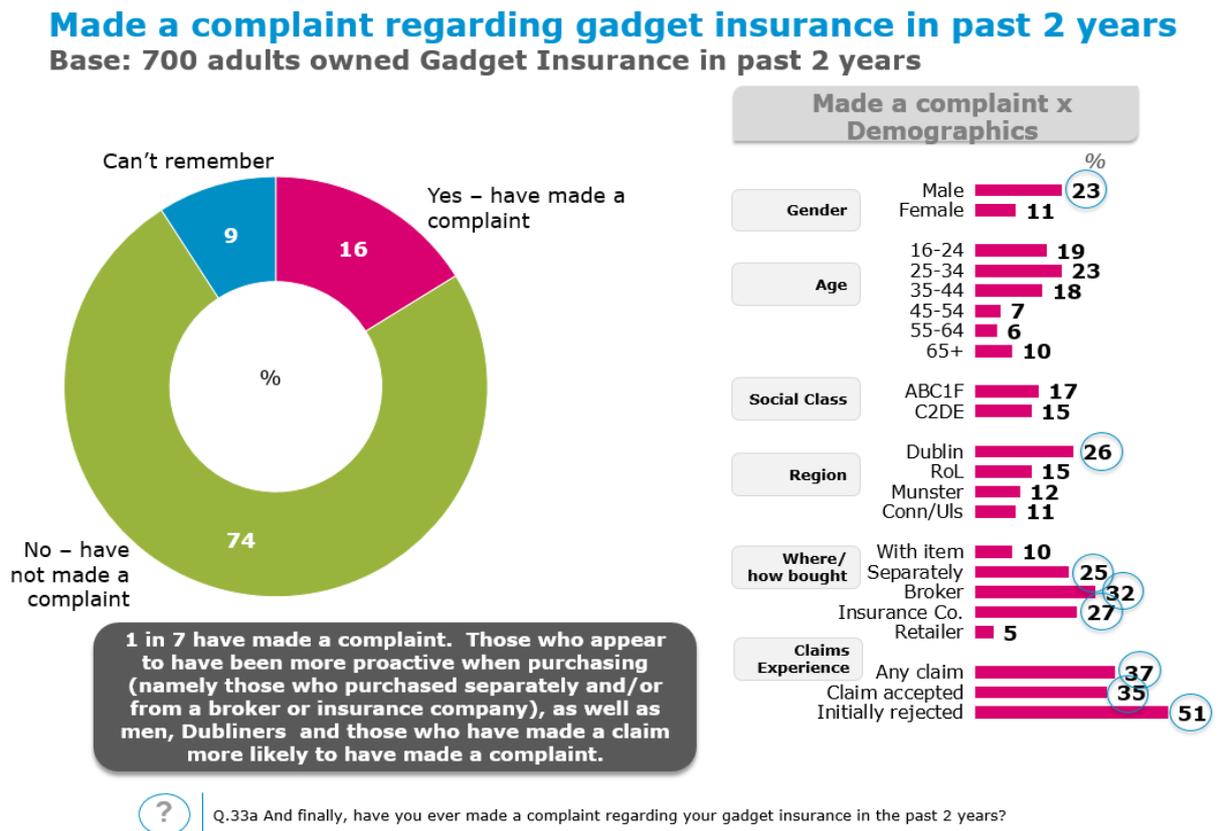


Q.30b
 Q.31

And thinking back to that claim made, what was the outcome?
 And were you given a reason as to why your claim was rejected?

In relation to complaints, respondents who made a complaint regarding their gadget insurance (16% overall) were more likely to have purchased their insurance separately from the gadget in question (25%) and to have purchased from a broker (32%) or an insurance company (27%).

Figure 4.10.3

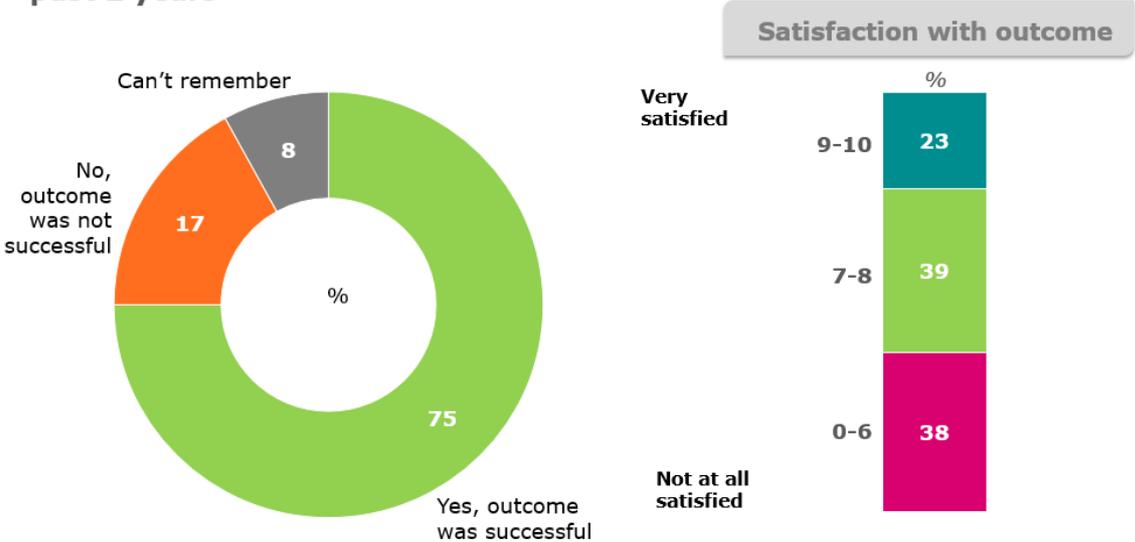


When asked to express their general level of satisfaction with the manner in which their complaint about their gadget insurance was handled, 23% indicated that they were very satisfied with the outcome, compared to 38% who reported a low level of satisfaction. More detailed findings of the consumer experience of complaints is included in Appendix 3.

Figure 4.10.4

Outcome of and satisfaction with complaint

Base: 128 adults who have made a complaint about gadget insurance in the past 2 years



Despite three quarters claiming the outcome of the complaint was successful, just 23% would rate their satisfaction with it as 9/10 out of 10.

Q.36 And was the outcome of this complaint successful?
 Q.37 Level of satisfaction with the manner in which your complaint was handled

Appendix 1 Consumer Perceptions and Understanding of Policy Cover: Quantitative Detail

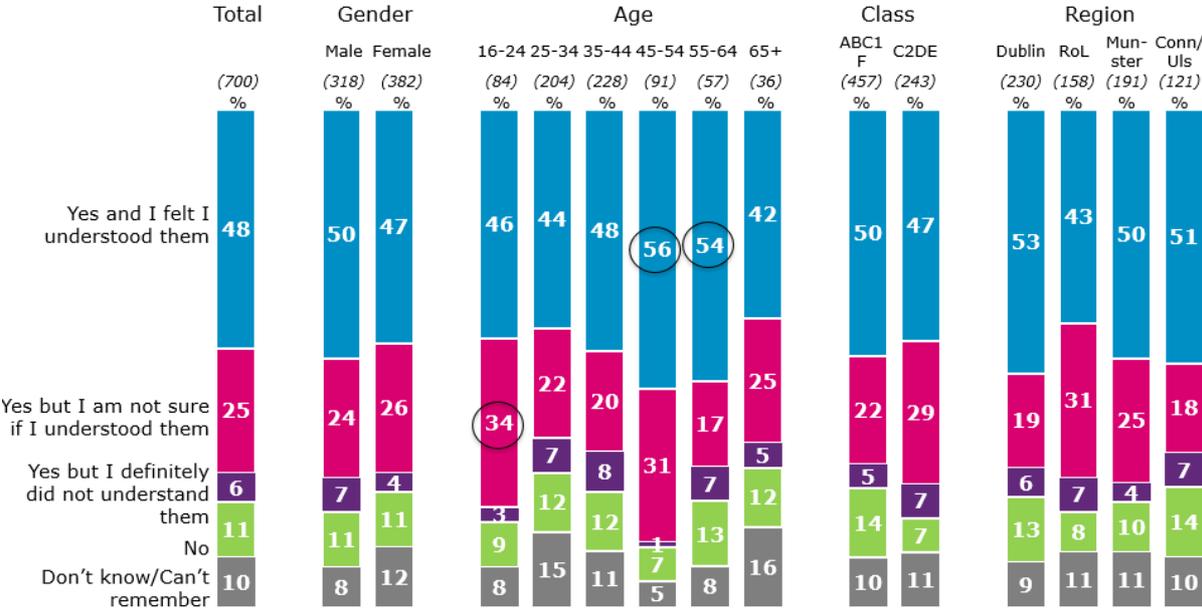
a). Consumer Perceptions of Policy Cover: Quantitative Findings

48% of respondents felt that the main policy exclusions, acceptance criteria and excess that applied to their gadget insurance policy were explained to them and that they understood them. This applied mostly to middle-aged adults and men.

Figure AP1.1

Explanation of exclusion/acceptance criteria x demographics

Base: 700 adults owned Gadget Insurance in past 2 years



While those aged 45-54 and 55-64 more inclined to say the exclusions/acceptance criteria were explained and understood, a third (34%) of those under 25 claimed while the information was explained, they are not sure if they understood it.



Q.21

Do you feel that the main policy exclusions/acceptance criteria and excess were explained to you?

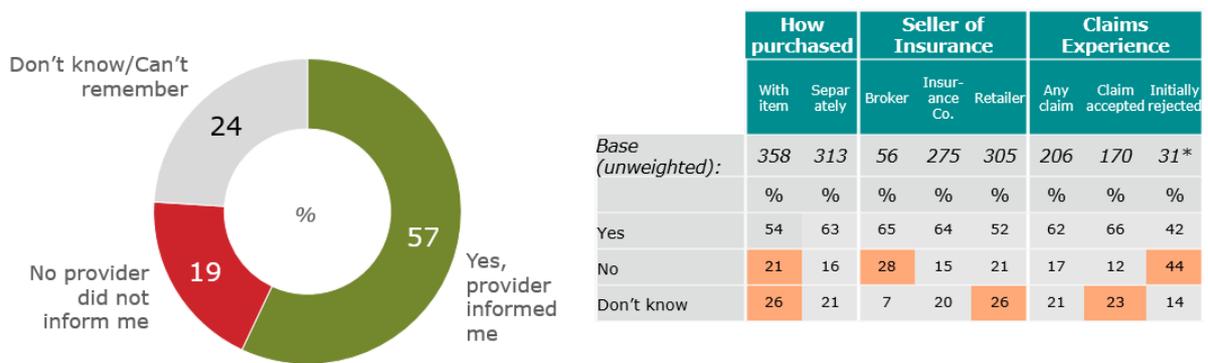
The younger respondents reported that they were not sure that they understood the terms and conditions/did not understand them (46%).

To test consumers' awareness, respondents were asked if their provider informed them of the 'cooling off period' on their insurance policy, which is a requirement under the Consumer Protection Code, 2012. While 57% reported that they were informed of the cooling off period, 19% reported that their provider did not inform them and 24% did not know.

Figure AP 1.2

Awareness of 'cooling off' period

Base: 700 adults owned Gadget Insurance in past 2 years



Those who purchased insurance separately and/or from a broker appear to have been better informed. Meanwhile, 44% of those whose claims were initially rejected claim they were not advised of the "cooling off period". (Please note, this base size is small.)



Q.27

Did your provider inform you of the "cooling off" period on your insurance policy?

*Caution: small base size

Knowledge that there was a cooling off period was better among respondents who purchased their gadget separate to their insurance (63%). 28% of respondents who purchased their insurance from a broker reported that they were not informed about the cooling off period.

B). Consumer Understanding of Policy Cover: Quantitative Findings

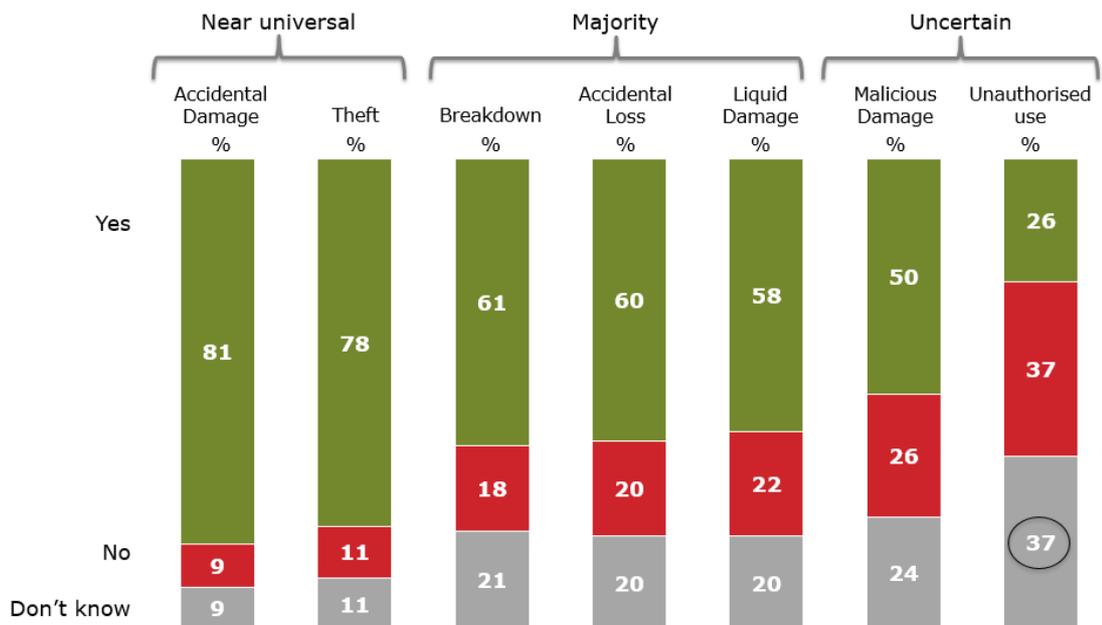
While figure AP 1.1 and AP 1.2 looks at perceived understanding of exclusions, excesses and cooling off periods, this section probes the detail of what consumers actually understood to be covered in their policy in more detail (as highlighted by their provider and/or their expectation of what was covered in their policy).

In all cases (with the exception of 'unauthorised use'), a majority of respondents felt that particular events were highlighted by their provider as being covered in their policy. The converse of this finding is that many respondents felt that they were not or did not know if particular events were covered by the policy – 50% (malicious damage), 42% (liquid damage) and 40% (accidental loss).

Figure AP 1.3

Events highlighted as being covered by policy

Base: 700 adults owned Gadget Insurance in past 2 years



4 in 5 (81%) recall accidental damage being covered under their policy, whereas almost 2 in 5 (37%) don't know if unauthorised use was covered.



Q.22

Which of these events were highlighted by your provider as being covered in your policy?

Interestingly, respondents who purchased their insurance separately were more likely to report that their provider highlighted that they were covered for most of these eventualities.

Figure AP 1.4

Events highlighted covered x Demographics

Base: 700 adults owned Gadget Insurance in past 2 years

	TOTAL	How purchased		Seller of Insurance		
		With item	Separately	Broker	Insurance Co.	Retailer
Base (unweighted):	700	358	313	56	275	305
	%	%	%	%	%	%
Accidental Damage	81	79	86	67	85	83
Theft	78	74	83	82	81	75
Breakdown	61	68	54	52	56	66
Accidental Loss	60	56	69	54	67	57
Liquid Damage	58	54	64	47	63	57
Malicious Damage	50	49	51	42	55	49
Unauthorised use	26	21	33	21	38	19

Those who purchased the insurance separately claim more things highlighted by provider as being covered.



Q.22

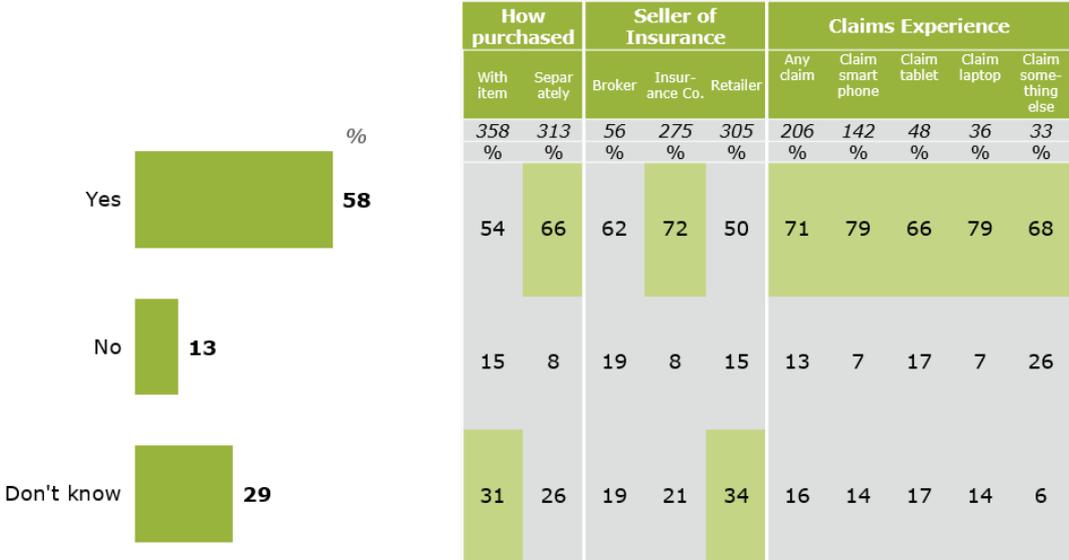
Which of these events were highlighted by your provider as being covered in your policy

While 58% of respondents reported that their policy required them to report an instance of loss or damage to the Gardaí, 42% reported that they were not required to do so or that they did not know if they were required to do so.

Figure AP 1.5

Does policy require report to Gardaí?

Base: 700 adults owned Gadget Insurance in past 2 years



Greater awareness among those who purchased insurance separately, those who bought from an insurance company and those who have made a claim previously.

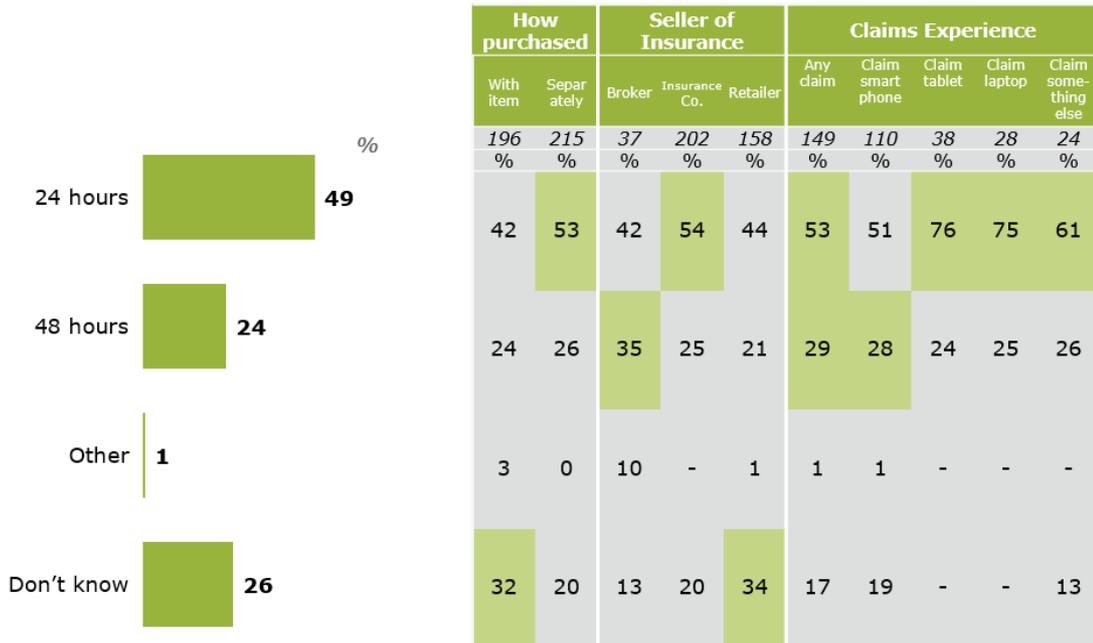
Q.25a Does your policy require you to make a report to the Gardaí?

Of those respondents who reported that they were required to report an instance of loss or damage to the Gardaí, 73% were of the view that this needed to happen within the first 24 or 48 hours. Nonetheless, 26% did not know of any time restriction.

Figure AP 1.6

How quickly must report to Gardaí?

Base: 422 claiming a Garda report is required of their policy



Among those claiming a Garda report is required of their policy, those who purchased insurance with the gadget and/or from a retailer appear less informed on the details.

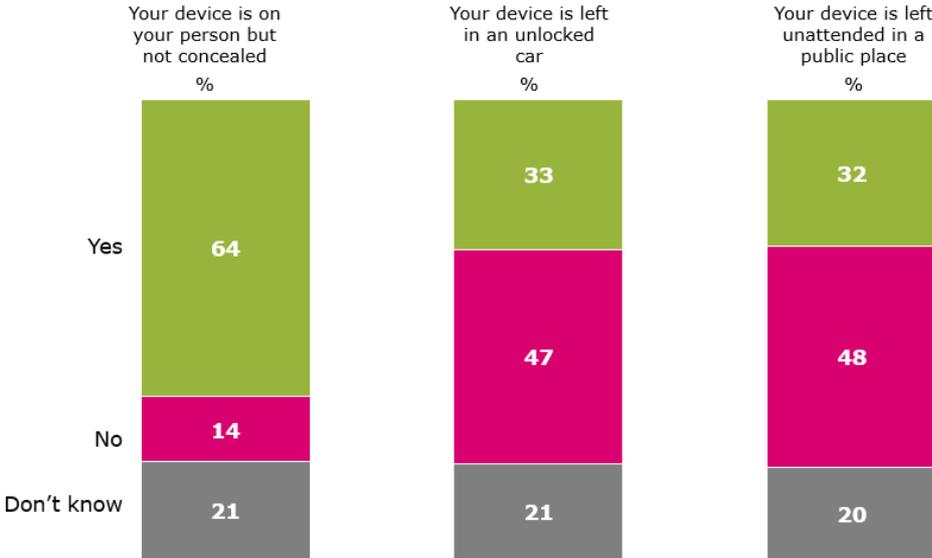


Q.25b And could you please tell us within how many hours must this report be made?

When queried about the situations under which they expected theft to be covered by their policy, 64% of respondents reported that they expected that it would be where the device was on their person but not concealed. Additionally, 33% and 32% respectively thought they would be covered if their device was left in an unlocked car or left unattended in a public place.

Figure AP 1.7

Expectations of cover: theft
 Base: 700 adults owned Gadget Insurance in past 2 years



3 in 5 (64%) believed their device to be covered for theft by insurance if the device is on their person but not concealed. Cover for theft from cars or if unattended deemed unlikely.

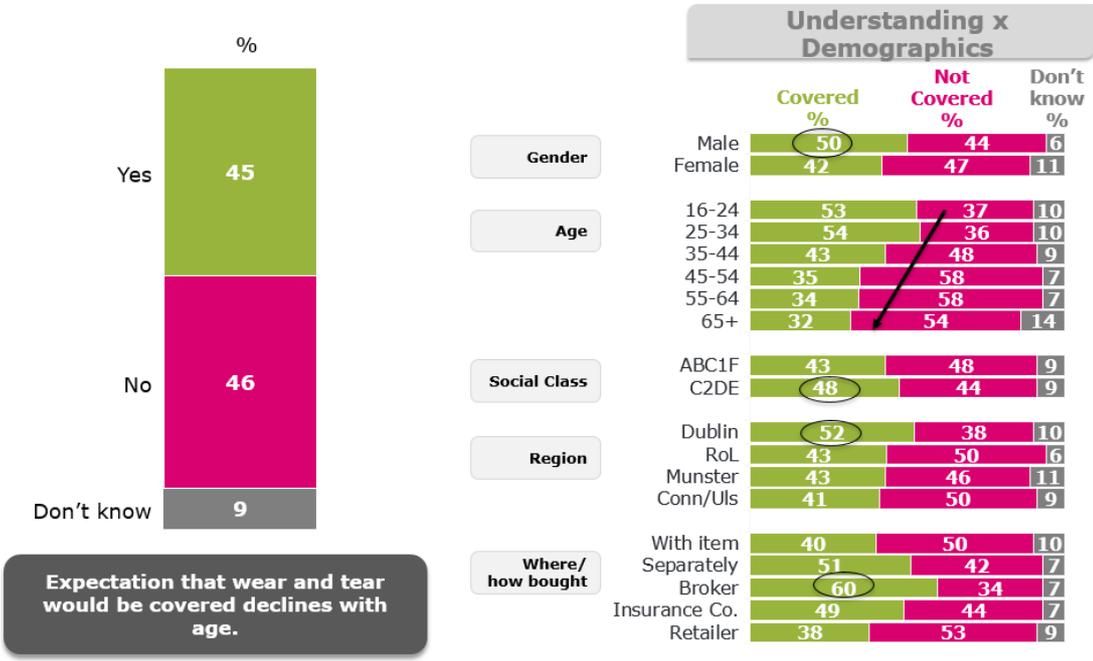
Q.24 Which of the following did you expect to covered by when purchasing this policy?

45% of respondents expected that wear and tear would be covered by their policy while 41% expected that cosmetic damage including scratches and dents would be covered. In both of these regards, respondents in the 25-34 age group were more likely to expect these to be covered (54% and 50% respectively).

Figure AP 1.8

Expectations of cover: wear and tear

Base: 700 adults owned Gadget Insurance in past 2 years

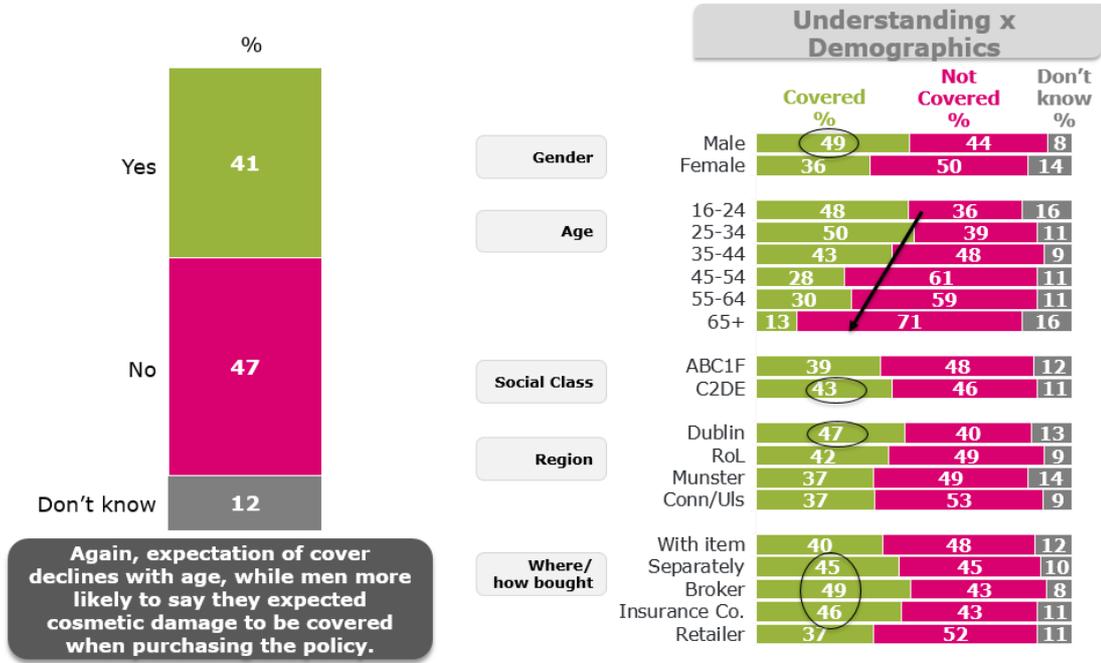


Q.24 Which of the following did you expect to covered by when purchasing this policy?

Figure AP 1.9

Expectations of cover: cosmetic damage (demographic breakdown)

Base: 700 adults owned Gadget Insurance in past 2 years



Q.24

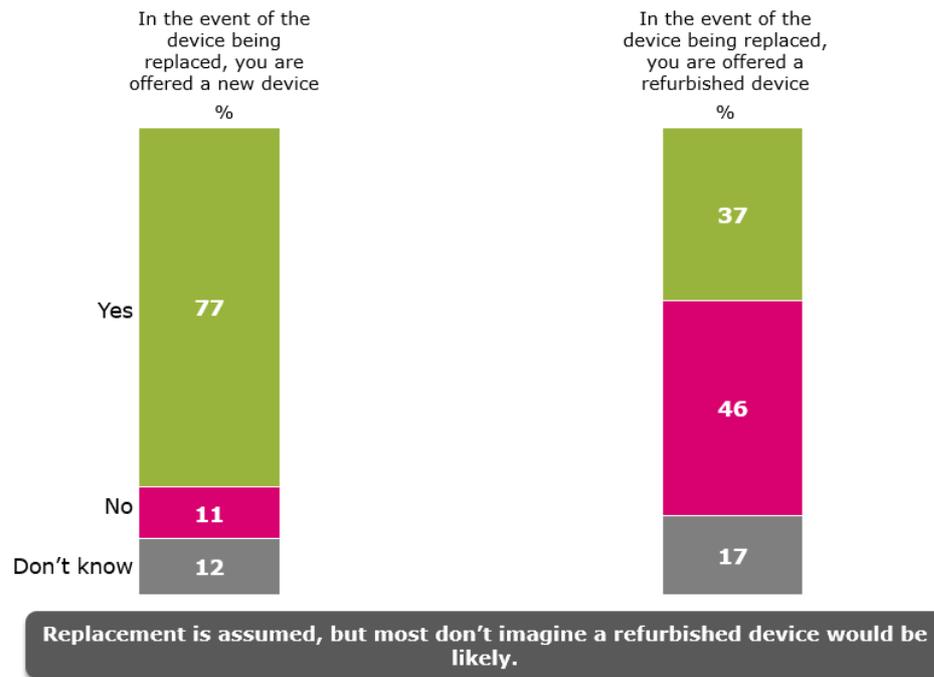
Which of the following did you expect to covered by when purchasing this policy?

77% of respondents expected that, in the event of their device being replaced, they would be offered a new device. This was also echoed in some of the qualitative focus groups, particularly the lower socio-demographic C2D groups.

Figure AP 1.10

Expectations of cover: replacement phone

Base: 700 adults owned Gadget Insurance in past 2 years



Q.24

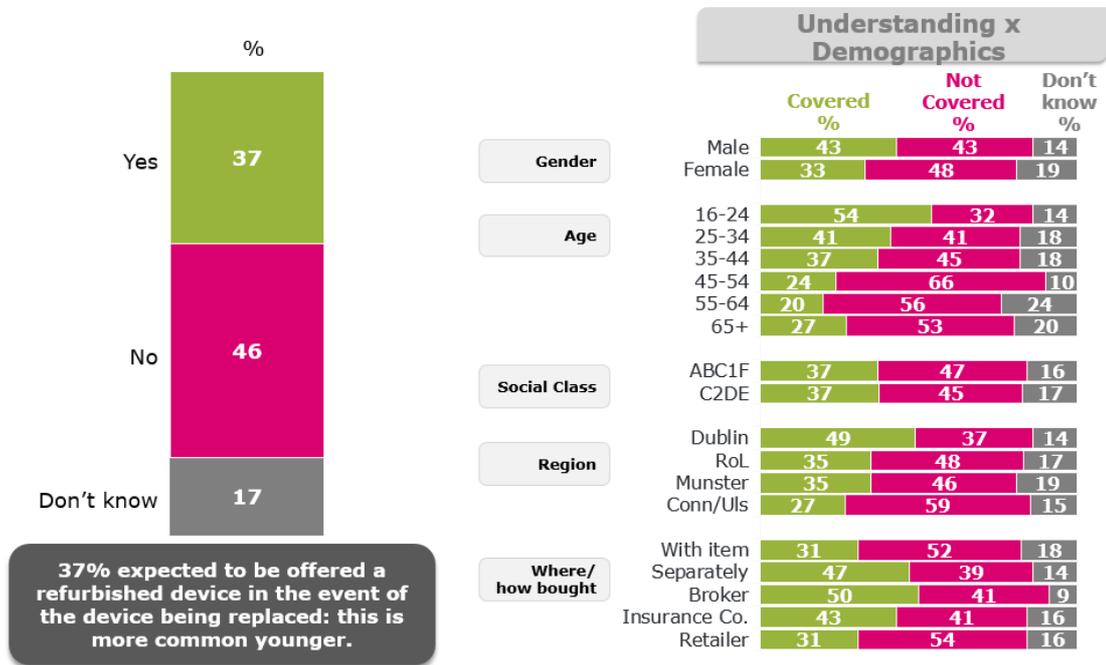
Which of the following did you expect to covered by when purchasing this policy?

Conversely, 37% of respondents expected that in the event of their device being replaced, they would be offered a refurbished device while 46% did not expect this. Respondents in the 16-24 age group were more likely to expect that they would be offered a refurbished device in a replacement situation.

Figure AP 1.11

Expectations of cover: refurbished replacement phone (demographic breakdown)

Base: 700 adults owned Gadget Insurance in past 2 years



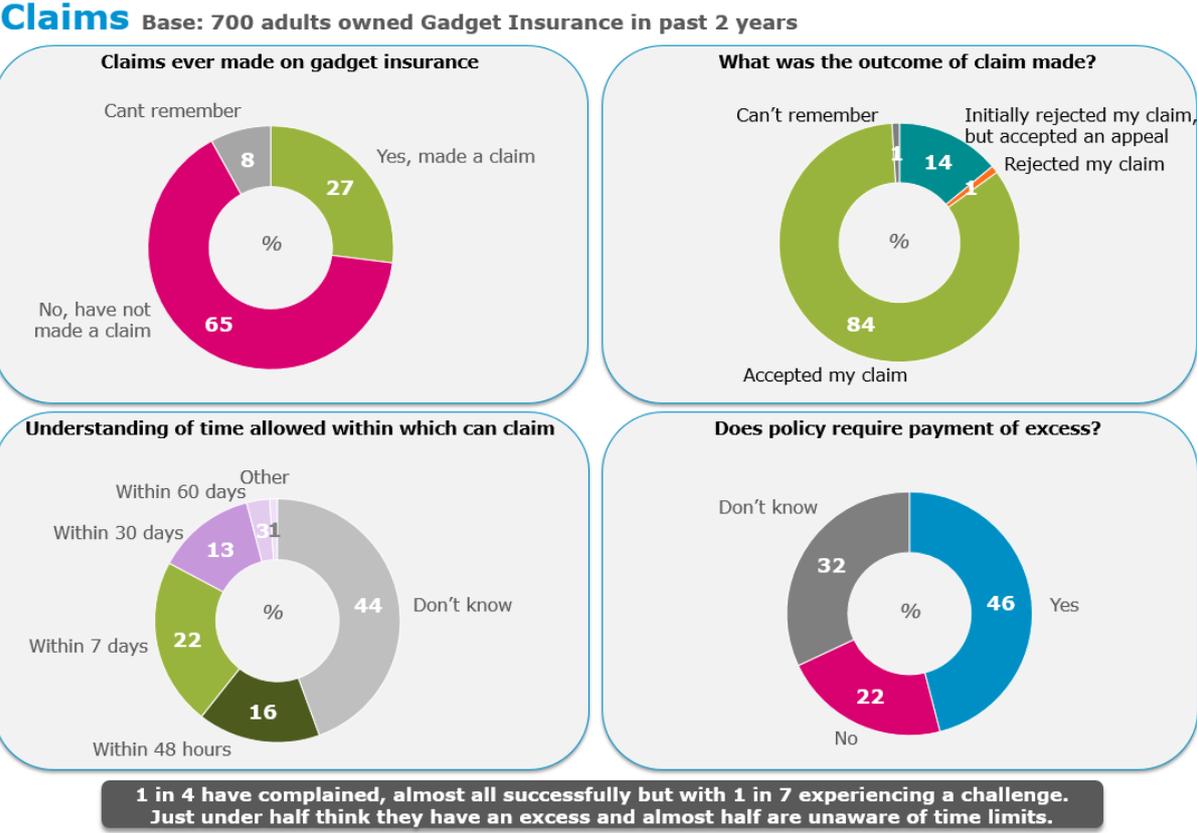
Q.24

Which of the following did you expect to covered by when purchasing this policy?

Appendix 2 Claims Experience: Quantitative Detail

27% of respondents reported that they had ever made a claim under their gadget insurance, of whom 84% reported that their claim was accepted. Just 14% (of the 27%) reported that their claim was initially rejected, but accepted on appeal. 1% reported that their claim was rejected.

Figure AP 2.1



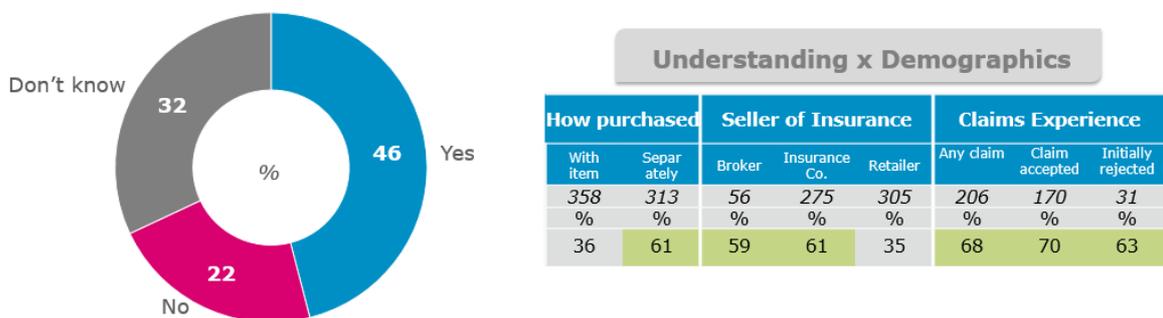
46% of respondents reported that their policy requires them to pay an excess on any claim; 22% reported that their policy did not, while 32% did not know. Again, there was great uncertainty about there being a time limit within which one can claim under gadget insurance, 44% reported that they did not know whether there were any such time limits.

Of those respondents who reported that they were required to pay an excess, this was much more likely to be the case where the insurance was purchased separately from the gadget (61%), and indeed where the transaction was with a broker (59%) or insurance company (61%). Only 35% who purchased their insurance from a retailer reported that they were required to pay an excess.

Figure AP 2.2

Does policy require payment of excess?

Base: 700 adults owned Gadget Insurance in past 2 years



Understanding x Demographics

How purchased		Seller of Insurance			Claims Experience		
With item	Separately	Broker	Insurance Co.	Retailer	Any claim	Claim accepted	Initially rejected
358	313	56	275	305	206	170	31
%	%	%	%	%	%	%	%
36	61	59	61	35	68	70	63

Gender		Age						Class		Region			
Male	Female	16-24	25-34	35-44	45-54	55-64	65+	ABC1F	C2DE	Dublin	RoL	Munster	Conn/Uls
318	382	84	204	228	91	57	36	457	243	230	158	191	121
%	%	%	%	%	%	%	%	%	%	%	%	%	%
48	45	36	50	47	48	51	44	49	42	51	50	37	48

A majority, 46% believe their policy requires payment of an excess in the event of a claim; substantially higher among previous claimants and among those who purchased separately and/or from a broker/insurance company.



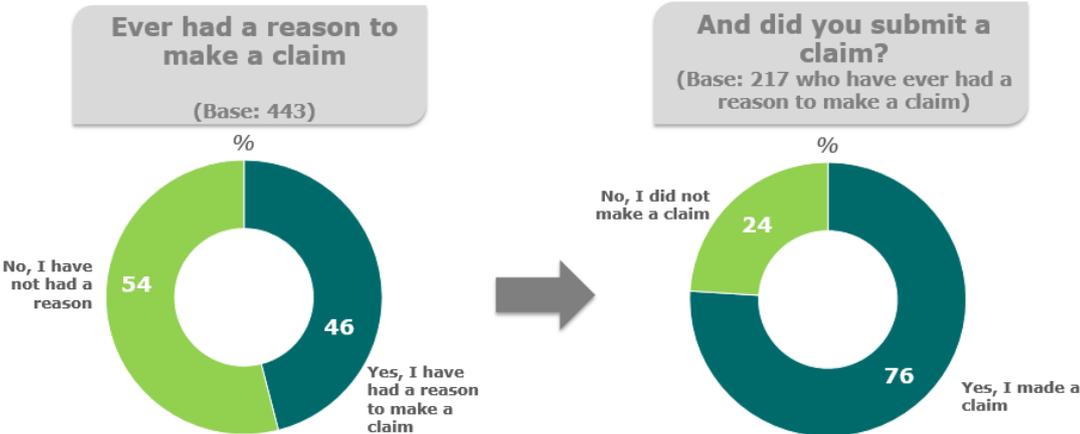
Q.26 And as part of this policy, are you required to pay the first part of a claim (i.e. an excess)?

A further series of questions were asked in a follow up survey of respondents who were re-contacted¹⁰ to probe if those who had reason to make a claim, actually progressed their claim and in the event that they did not do so, their reason for not doing so.

The research found that the majority who had reason to claim, progressed with their claim, with just 24% of respondents (46 adults) not progressing their claim.

Figure AP 2.3

Reason to claim vs actually claiming
 Base: 443 adults owned gadget insurance in the past 2 years



46% of those interviewed had a reason in the past to submit a claim. Of those who had a reason, three-quarters actually submitted a claim (i.e. 35% of all with cover), while 24% (11% with cover) did not.

Q.R1 Thinking about any gadget insurance that you have had in the past 5 years, have you ever had a reason to make a claim?
 Q.R2 And did you submit a claim to your insurance provider/retailer?

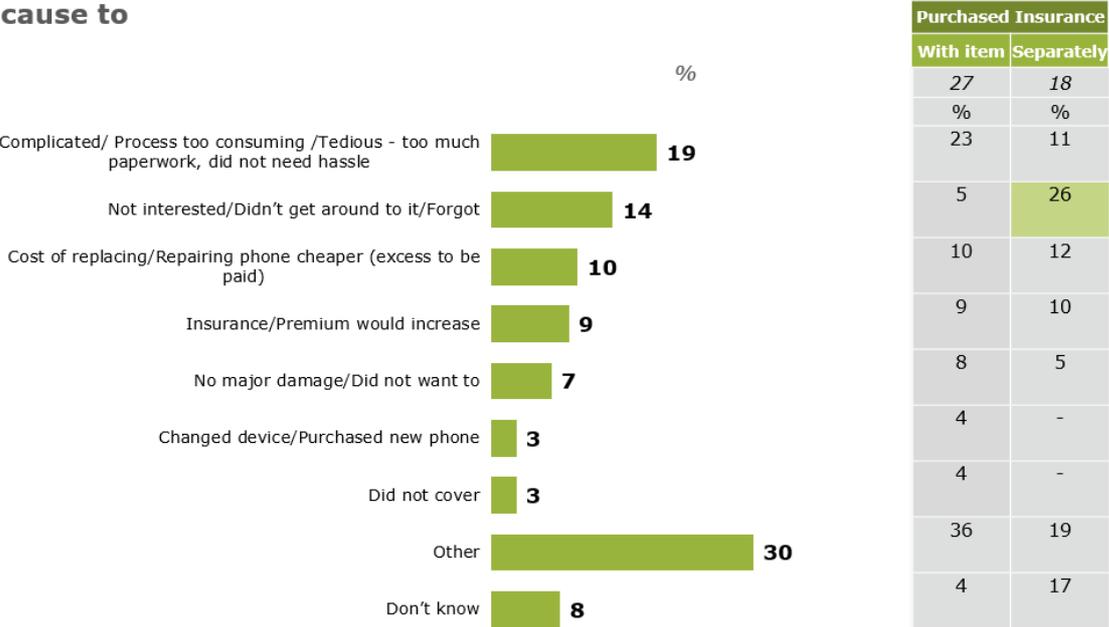
¹⁰ This resulted in a smaller overall sample size. See section 3.3 for more information.

The reasons for not progressing their claims, whether prompted or spontaneous, were largely consistent. When asked spontaneously, 19% reported that the process was too complicated or time consuming, 14% reported that they forgot/were not interested/didn't get around to it and 10% reported that the potential cost to repair the phone and having to pay the excess made repairing the phone themselves cheaper. This issue also arose as feedback in the qualitative groups.

Figure AP 2.4

Spontaneous reasons for not making a claim when there was cause to

Base: 46 adults who did not make a claim on gadget insurance despite having cause to



Those who purchase insurance separately were most likely to say they were not interested in claiming/never got around to it or forgot. The excess and the time to process claims are more peripheral as spontaneous issues.



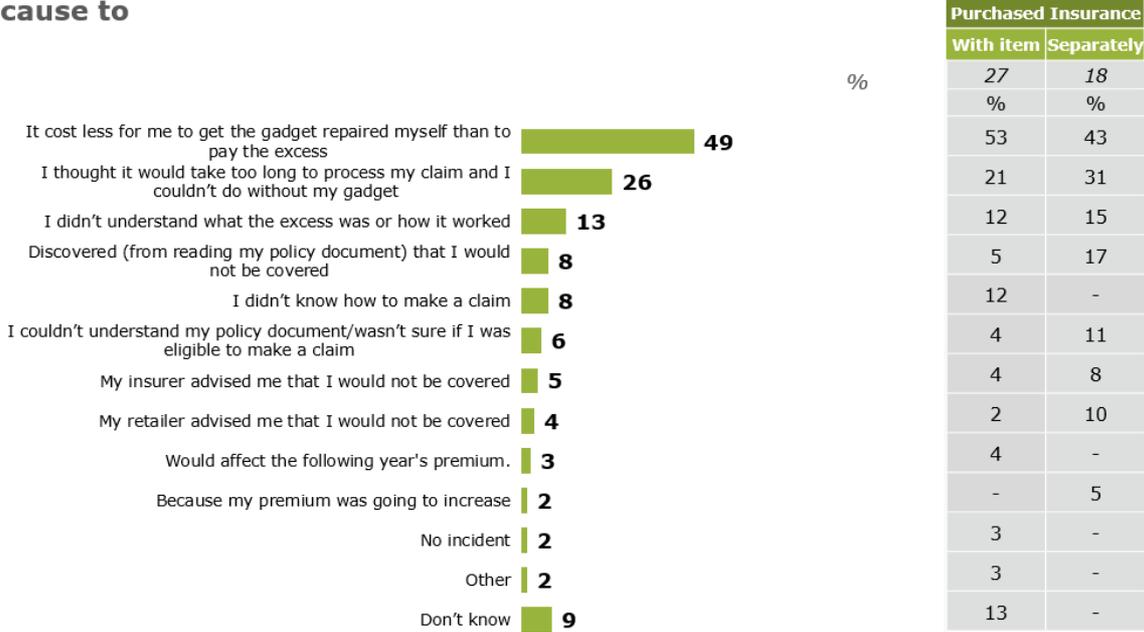
Q.R2b And why was it that you did not submit the claim?

When prompted, the most popular reasons for not progressing a claim were consumers thinking that it would cost them less to get the gadget repaired over the cost of the excess (45%). Similarly, 26% thought the process would take too long and they could not do without their gadget.

Figure AP 2.5

Prompted reasons for not making a claim when there was cause to

Base: 46 adults who did not make a claim on gadget insurance despite having cause to



The excess emerged as the key disincentive followed by the lengthy time to process (and not having a phone in this period.)

Q.R4 Thinking about the last instance where you decided not to submit a claim, although you may have had cause to, could you please tell us which, if any, of the following applies to that situation.

Cancellation of Insurance (Following a Claim)

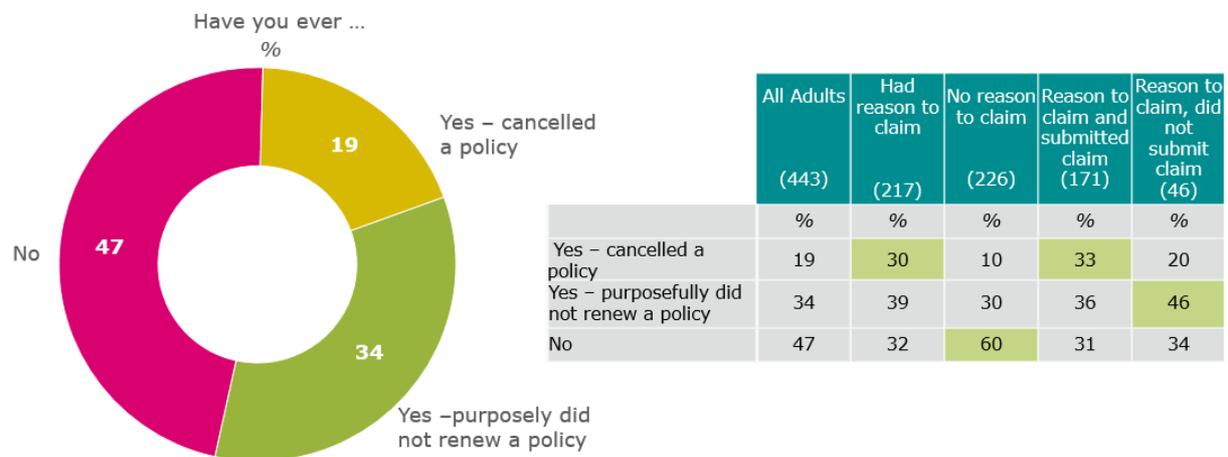
As part of the aforementioned follow up survey, the incidence of subsequent cancellation/non-renewal was examined from the perspective of those who had reason to make a claim.

In the past 2 years, while 34% of respondents deliberately did not renew a policy, this rose to 36% among those who had reason to complain and did so. 19% of respondents cancelled a policy, and this rose to 33% among those who had reason to claim and actually submitted a claim.

Figure AP 2.6

Incidence of cancelling/not renewing x claims experience

Base: 443 adults owned gadget insurance in the past 2 years



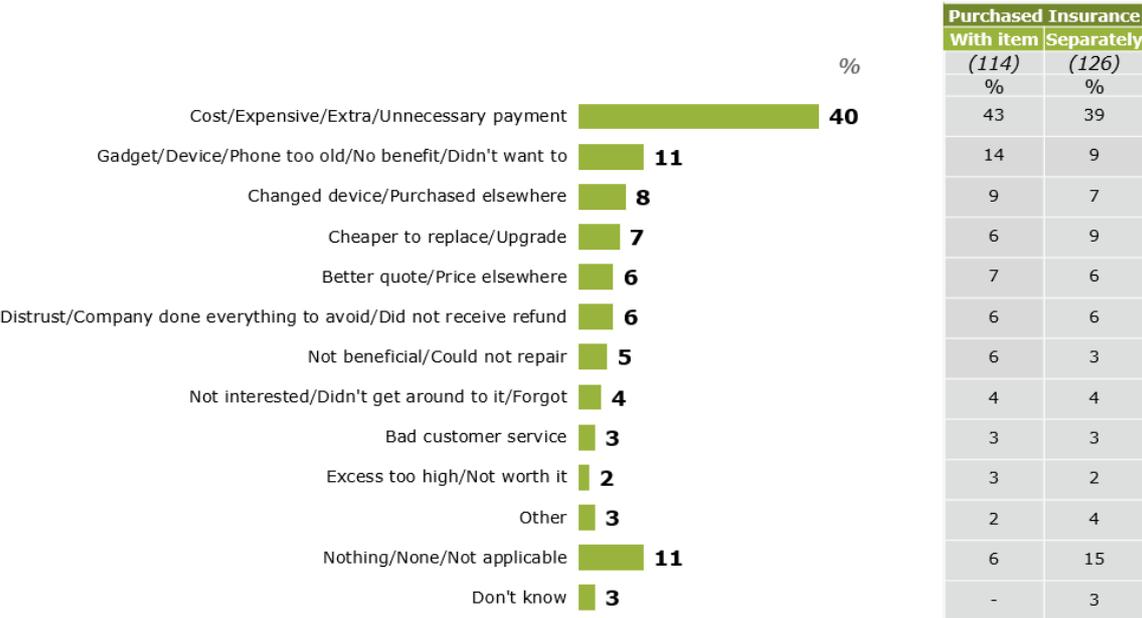
Those with claims experience more likely to have cancelled/deliberately not renewed.

Q.R5 Have you ever cancelled a policy/purposely not renewed a policy?

The reasons for cancelling/not renewing gadget insurance were largely price driven, as outlined below in both spontaneous and prompted recall.

Figure AP 2.7

Spontaneous reasons for cancelling/not renewing
Base: 248 adults cancelled/did not renew gadget insurance



2 in 5 who cancelled/did not renew cited cost (or that cover 'unnecessary') as the reason for doing so.

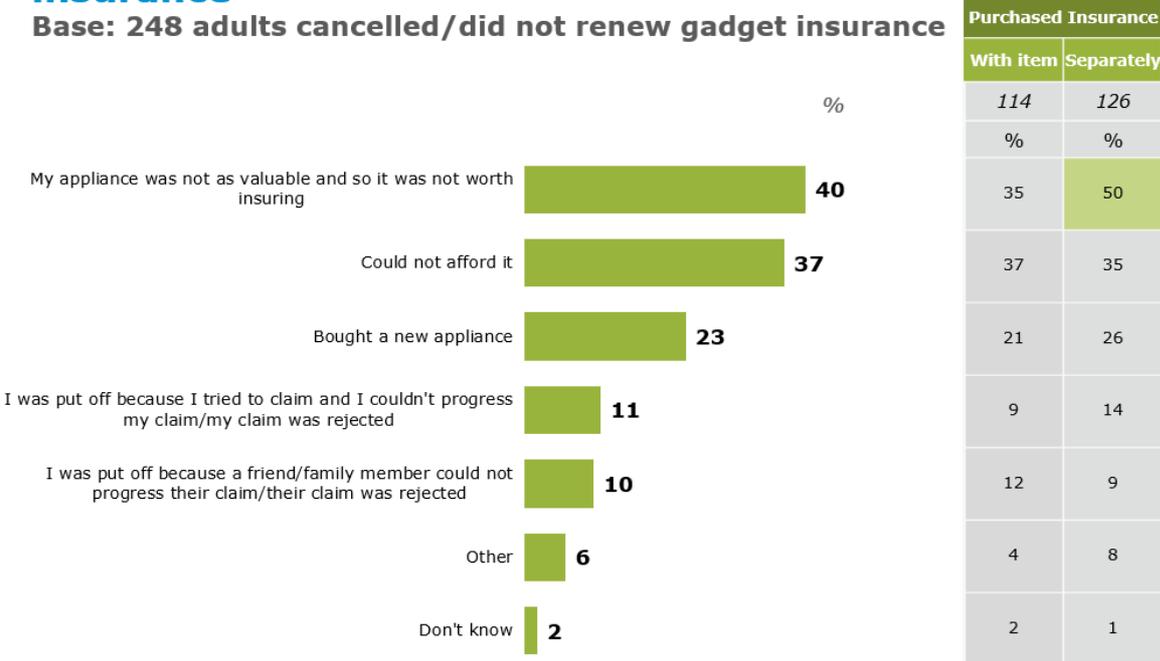


Q.R6 And why was it that you cancelled/did not renew?

Figure AP 2.8

Prompted reasons for cancelling/not renewing gadget insurance

Base: 248 adults cancelled/did not renew gadget insurance



When prompted with possible reasons, 1 in 9 (11%) claim they were put off because they had tried to claim and couldn't progress their claim/their claim was rejected



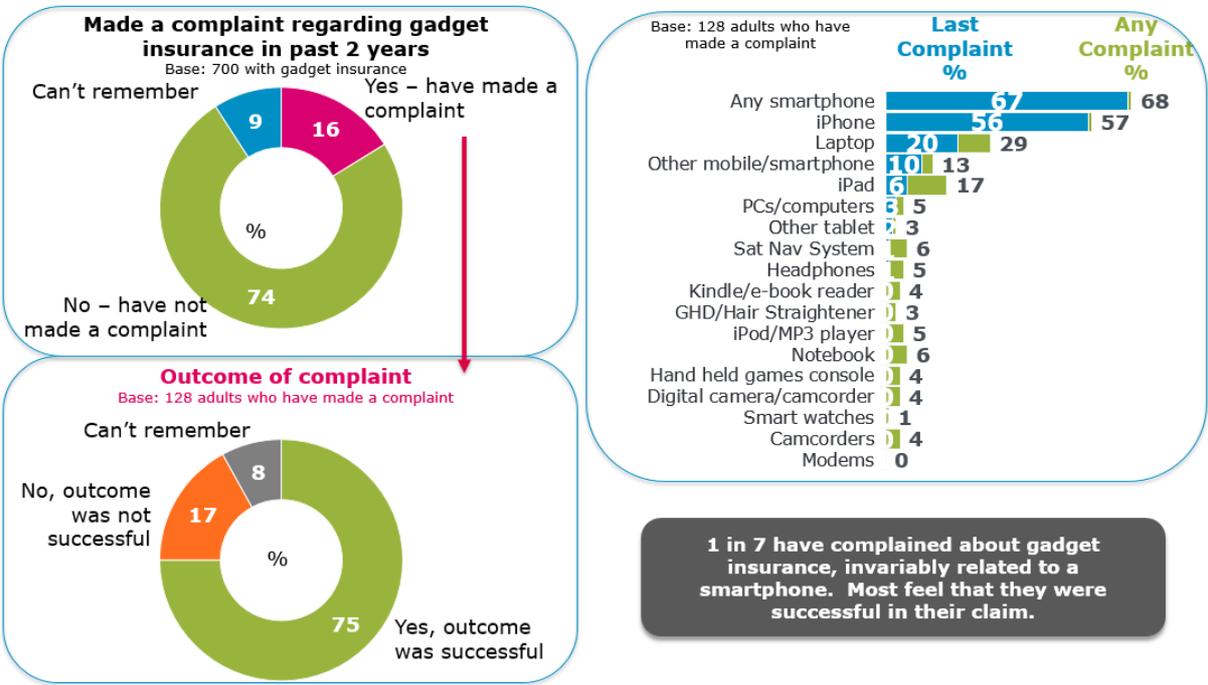
Q.R7 Thinking about the same occasion where you cancelled/did not renew your policy, could you please tell us which, if any, of the following applies to that situation?

Appendix 3 Complaints Experience: Quantitative Detail

16% of respondents reported that they had made a complaint regarding gadget insurance within the past two years. Of these, 75% reported that the outcome of their complaint was successful, 17% reported that it was not and 8% reported that they could not remember if it was successful or not. Just under 3% of respondents who made a complaint ultimately proved not to be successful.

Figure AP 3.1

Complaints



68% of complaints made related to smartphones, 57% to iPhones and 29% reported that it related to a laptop.

Appendix 4 Verbal Information Provided: Quantitative Detail

43% of respondents with gadget insurance reported that they were offered written advice at the time of purchase, whereas 75% reported that they were only offered verbal advice.

Figure AP 4.1

Incidence of verbal/written advice being offered during sales process

Base: 700 adults owned Gadget Insurance in past 2 years



Verbal advice much more common than written advice according to respondents, with just 44% having received any written advice compared to 75% who received verbal advice.

Q.13 How often were you offered verbal/written advice on gadget insurance during the sales process? Please select one option for written and one option for verbal advice

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