



Bankenfachverband
Customer satisfaction study
Payment protection insurance
January 2008

Bankenfachverband

Die Experten für Finanzierung



GfK

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[Background, aim, design of study]

Background to study

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Increasingly, consumers are financing purchases of consumer goods through an instalment loan. Payment protection insurance is often offered together with this instalment loan, and frequently attracts public criticism. Payment protection insurance protects borrowers against unforeseen risks such as death, invalidity or unemployment. If one of these eventualities occurs the insurance takes over the outstanding instalment payments due to the bank.

The aim of this study is to examine satisfaction with and the attitude of borrowers to payment protection insurance.

Aim of the study

In detail the following questions were to be clarified:

- How many borrowers have taken out payment protection insurance on their instalment loan?
- What percentage regularly take out payment protection insurance when they make a purchase by instalment loan?
- Which risk do borrowers feel to be most threatening? How high do they feel the risk to be?
- How satisfied are they with payment protection insurance?
- If they lost their regular income, for how long would respondents' savings cover their monthly outgoings?
- What percentage would recommend others to take out a payment protection insurance?

Study design

- **Survey method:** Written survey. Questions in the GfK financial market panel
- **Target group:** Persons with an instalment loan or persons who have paid off or terminated an instalment loan since 2005
- **Survey area:** Federal Republic of Germany
- **Sample:** n=2,299 interviews
- **Survey period:** 25 November 2007 to 7 January 2008

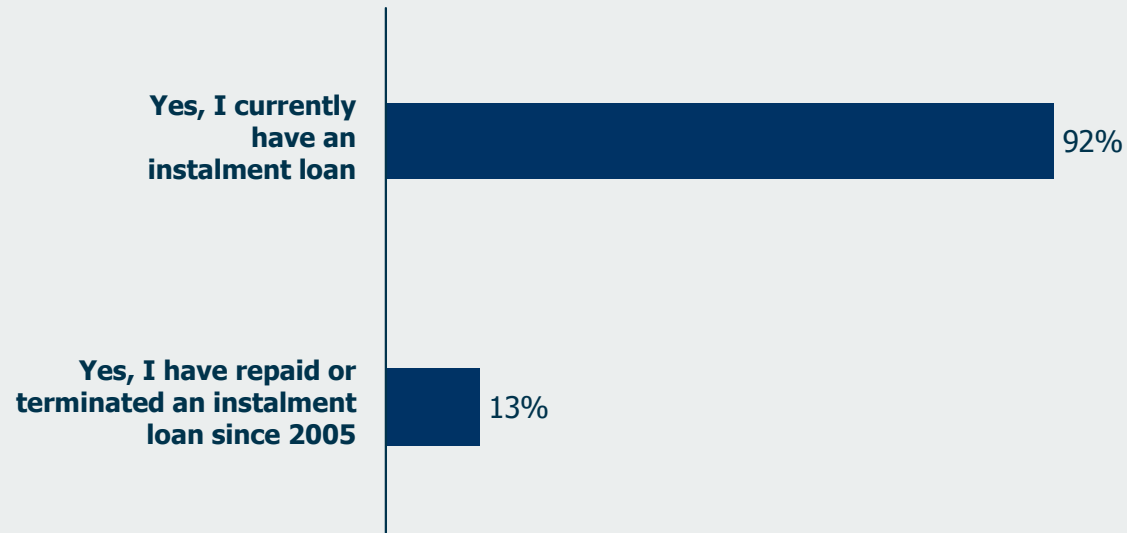
Possession of an instalment loan

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Possession of instalment loan



Question: Do you or another member of your household currently have an instalment loan or have you paid back an instalment loan since 2005?
Basis: n=2299 excl. No response

[Possession of and attitude to payment protection insurance]



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Usefulness of payment protection insurance

The vast majority of respondents holding payment protection insurance think it is useful to take out this insurance, as do over one-third of borrowers with no PPI.

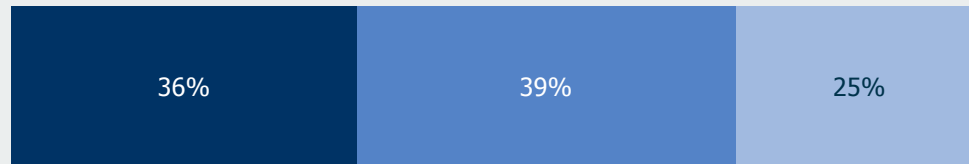
Do you consider taking out payment protection insurance to be...



Holders of payment protection insurance n=956



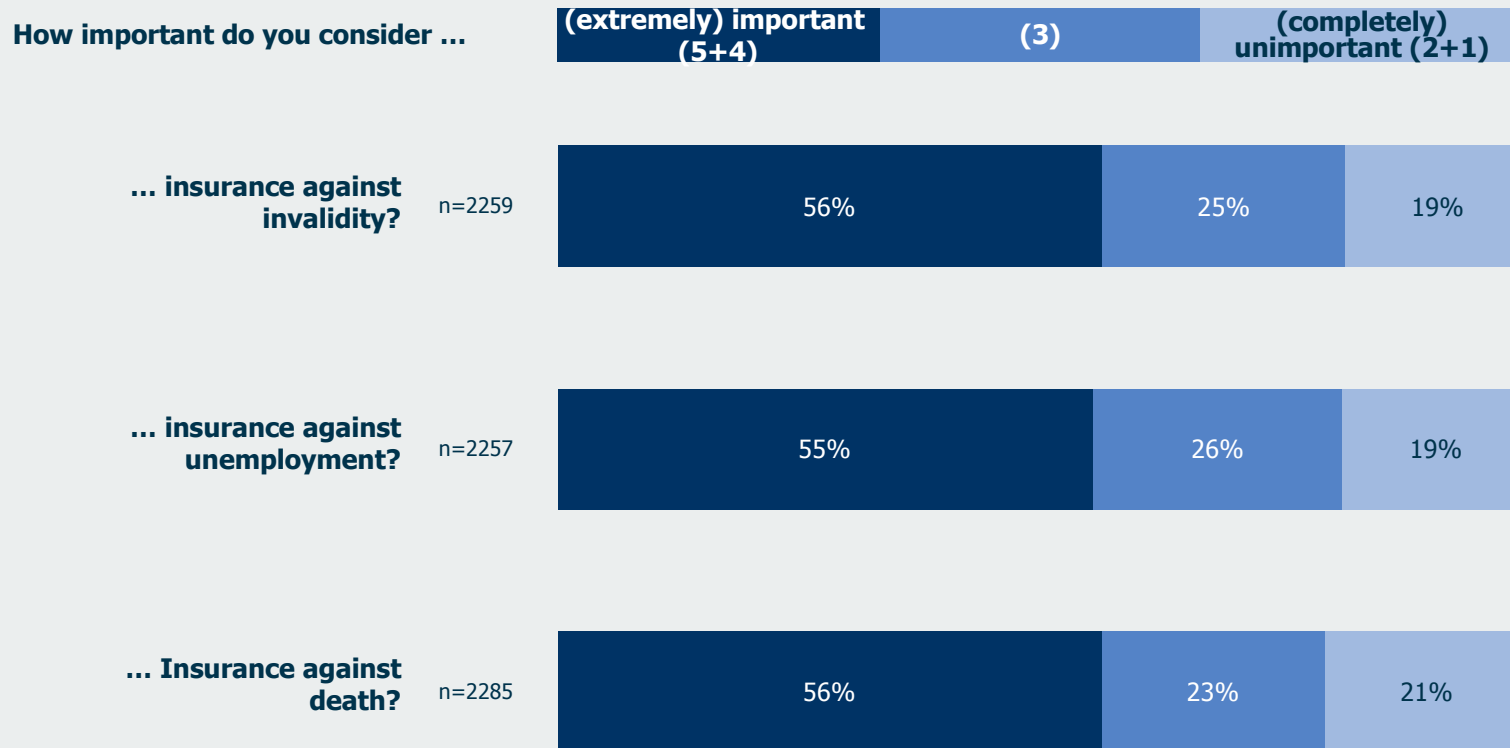
Non-holders of payment protection insurance n=1233





Importance of securing a loan

There were no differences with respect to the importance of the risk insured against. All risks are considered to be equally important.



Question: How important do you consider it to be to insure a loan through a payment protection insurance against the following risks?
 Basis: excl. No response

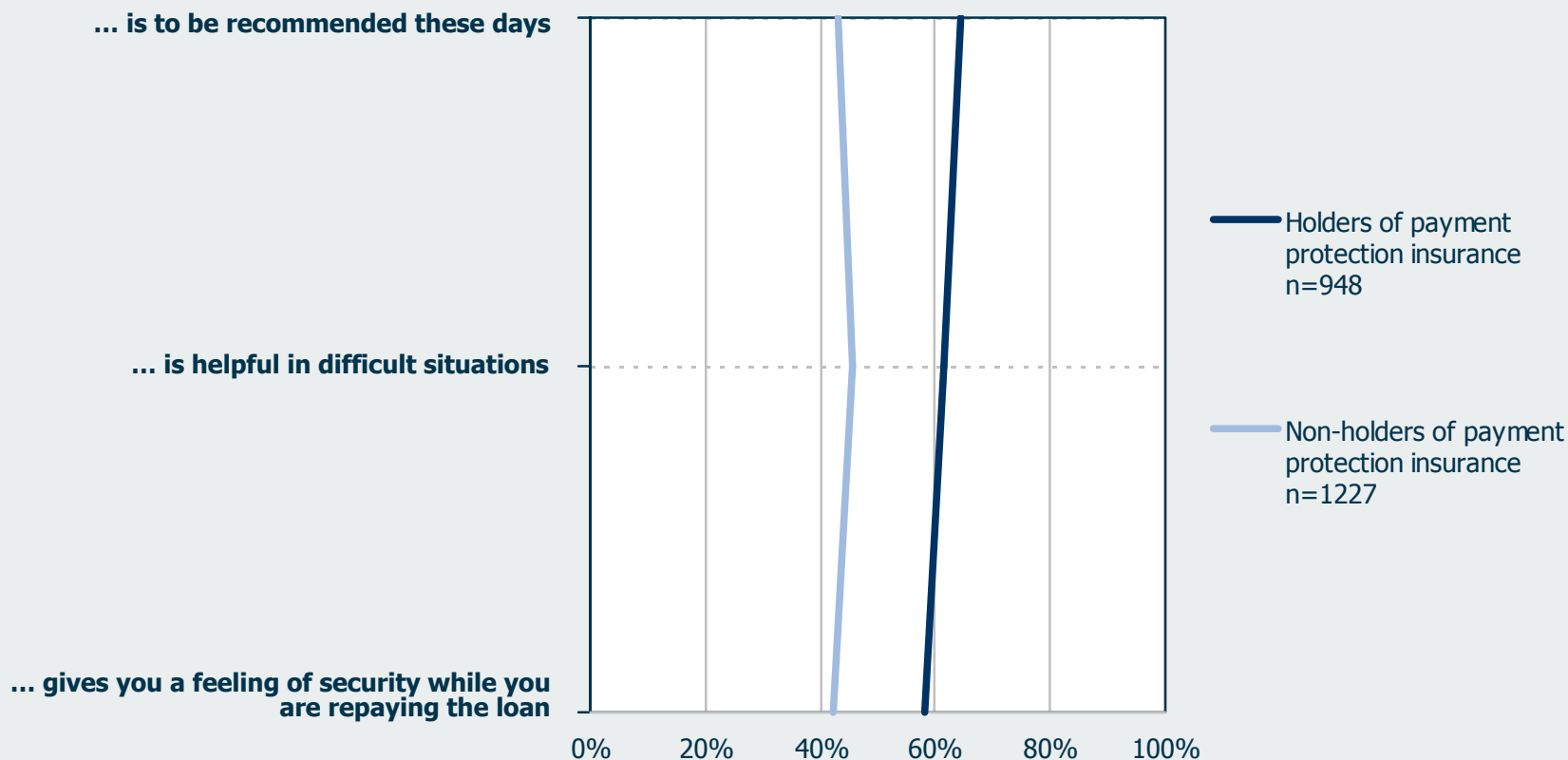


Rating payment protection insurance

Payment protection insurance is given clearly better ratings by holders of such an insurance than by non-holders.

Payment protection insurance ...

Top Box values (4+5)

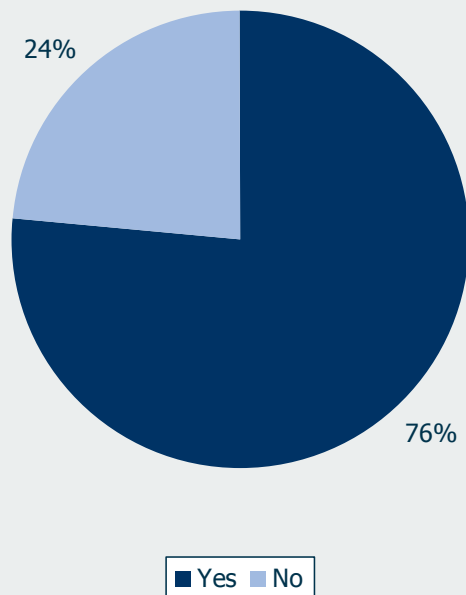


Question: How do you rate payment protection insurance in general with respect to the following aspects?
Basis excl. No response

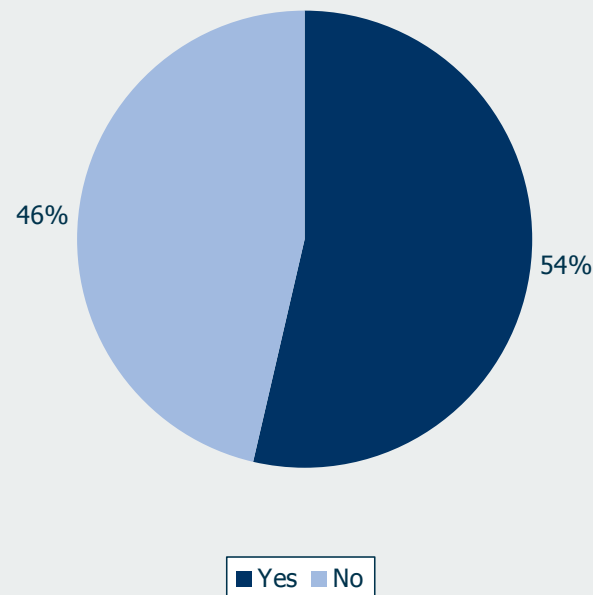
Expectations of the advisory talk

Three out of four customers expect to be offered payment protection insurance in the course of the advisory talk about their instalment loan – in fact payment protection insurance is offered in about 50% of cases.

Offer of payment protection insurance expected?



Offer of payment protection insurance made?



Question: Would you expect your bank to offer you payment protection insurance in the course of an advisory talk when you take out an instalment loan? Basis: n=2266 excl. No response

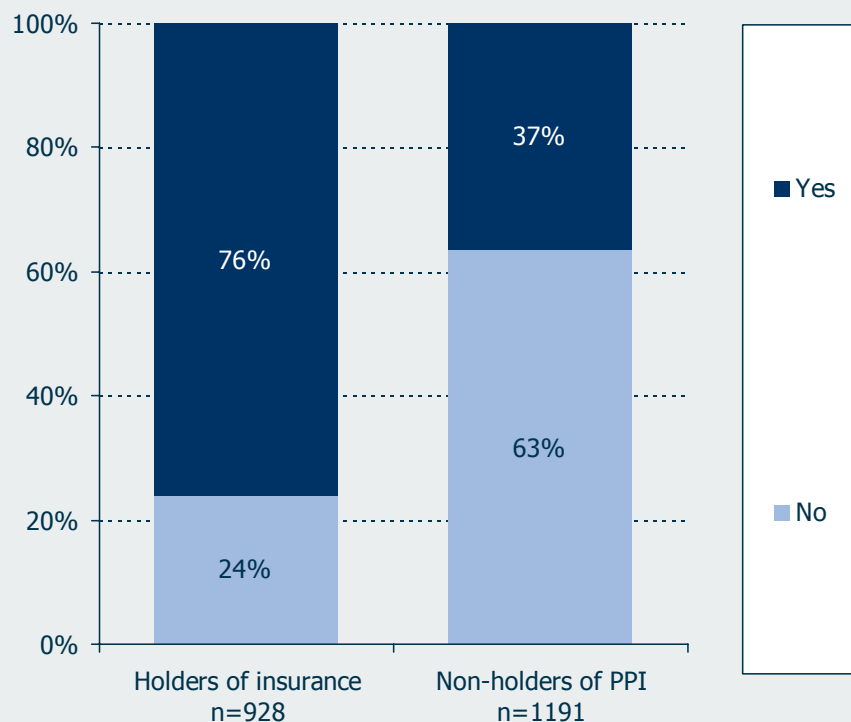
Question: Did your bank offer you payment protection insurance for your current instalment loan without you actively asking for it? Basis: n=2215 excl. No response

Offer of payment protection insurance

Approx. two thirds of respondents without insurance were not offered payment protection insurance. About a quarter of those insured had not actually been offered PPI, but had taken out insurance nevertheless.



Offer of payment protection insurance

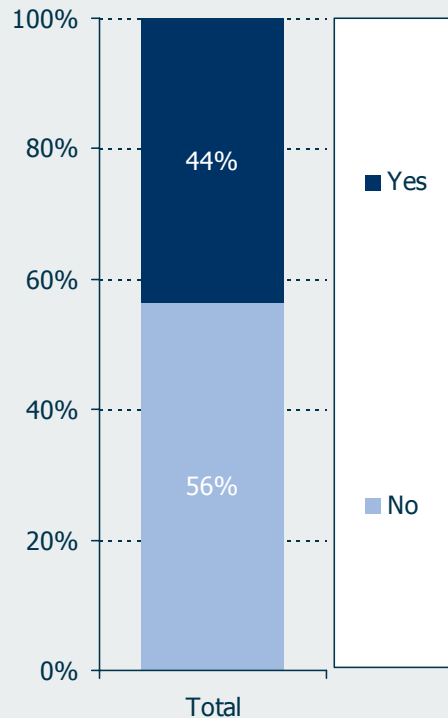




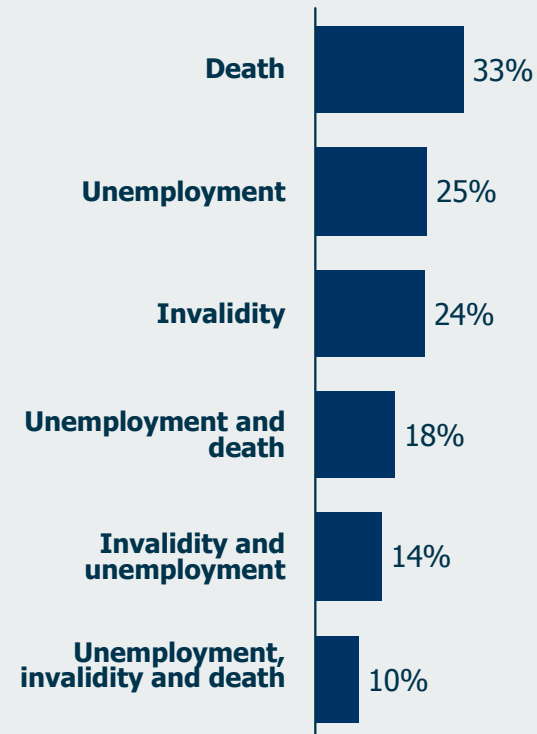
Taking out payment protection insurance

Every third loan is insured against death, every fourth against invalidity and unemployment.

Payment protection insurance taken out?



Risks insured against



Question: Have you taken out payment protection insurance for your current instalment loan?

Basis: n=2196 excl. No response

Question: What risks have you insured against with your current payment protection insurance?

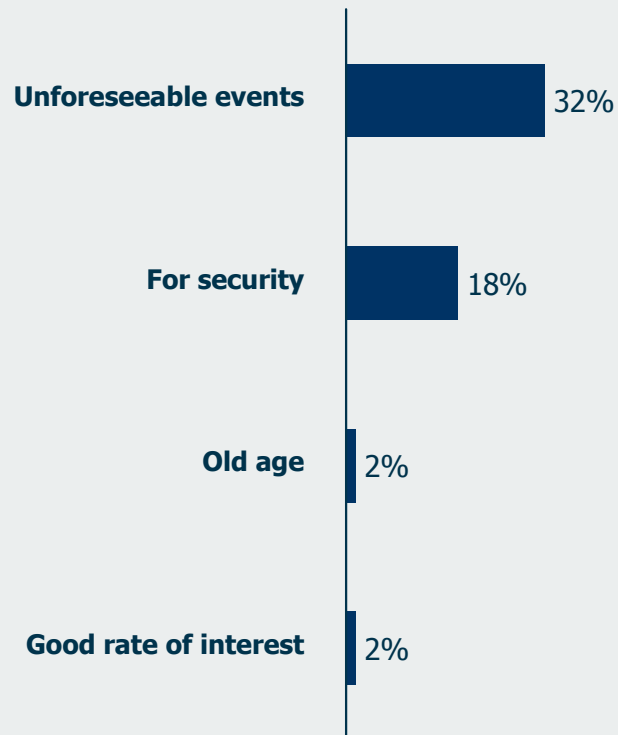
Basis: n=2196 excl. No response

Reason for taking out payment protection insurance

Security-related aspects were the reason for the insurance for half of those with payment protection insurance.

Subgroup: Holders of payment protection insurance

Reasons for voluntarily taking out payment protection insurance



Question: What reasons made you decide to take out payment protection insurance for your current instalment loan?
Basis: n=928 excl. No response

Satisfaction with advice provided

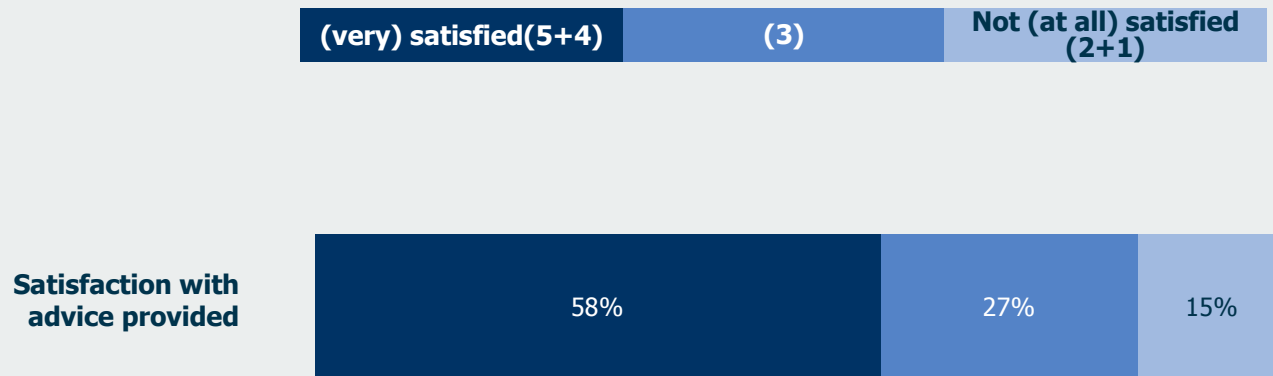
More than half of respondents were satisfied with the advice they received on payment protection insurance.

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Subgroup: Holders of payment protection insurance

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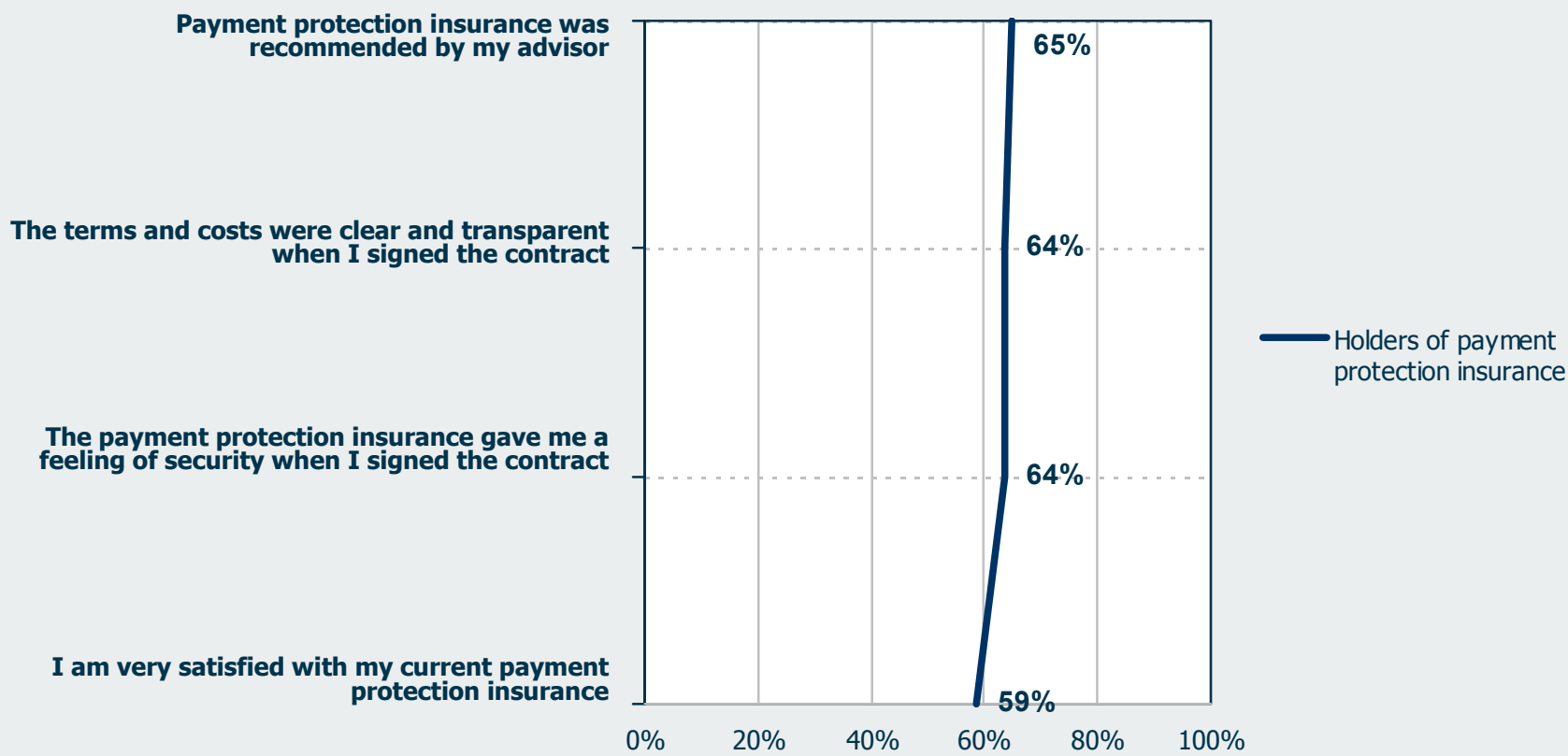


Rating the payment protection insurance provided

Most respondents found the terms and costs of their payment protection insurance clear and transparent.

Subgroup: Holders of payment protection insurance

Top Box values (4+5)

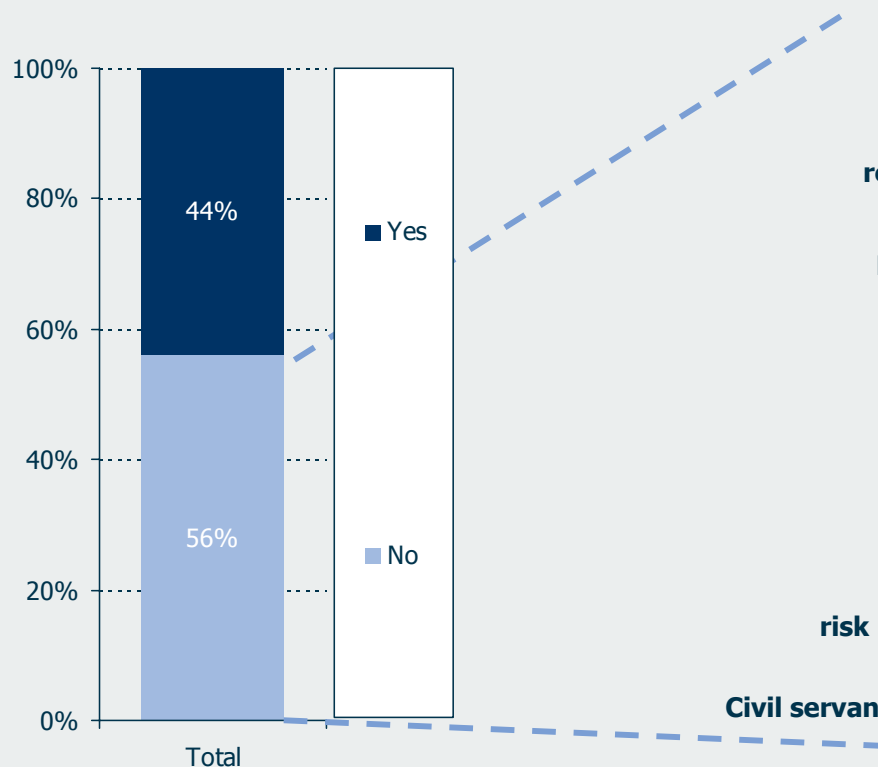


Question: How do you generally rate the following points with respect to your current or latest payment protection insurance?
Basis: Holders of payment protection insurance n=912 excl. No response

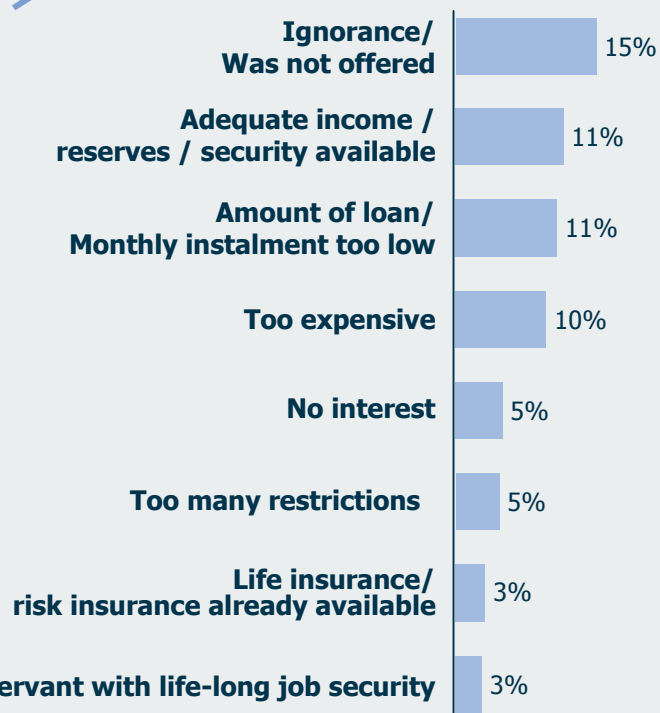
Non-conclusion of payment protection insurance

More than half of borrowers have not taken out payment protection insurance – reasons mentioned spontaneously for this are mainly ignorance and adequate financial security.

Payment protection insurance taken out?



Reasons against taking out payment protection insurance



Question: Have you taken out payment protection insurance for your current instalment loan?

Basis: n=2196 excl. No response

Question: Why did you not take out payment protection insurance?

Basis: n=2196 excl. No response



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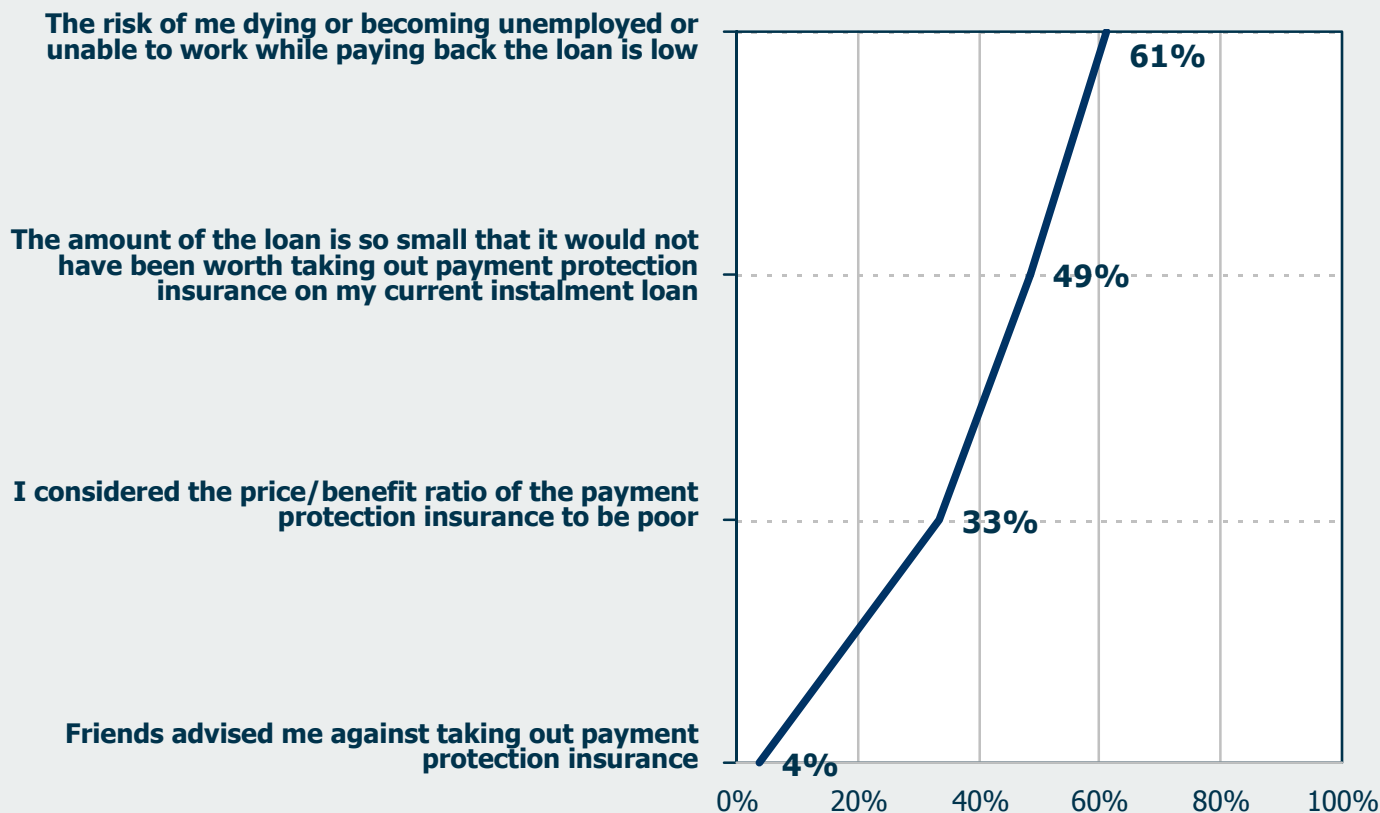
Reasons for not taking out payment protection insurance

Even when prompted as to reasons for not taking out payment protection insurance the risk is rated as low.

Subgroup: Respondents who do not have payment protection insurance

Top Box values
(4+5)

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— Respondents without PPI

Question: To what extent do you agree with the following statements with respect to your latest instalment loan?
Basis: subgroup: respondents who have not taken out payment protection insurance n=1201 excl. No response.

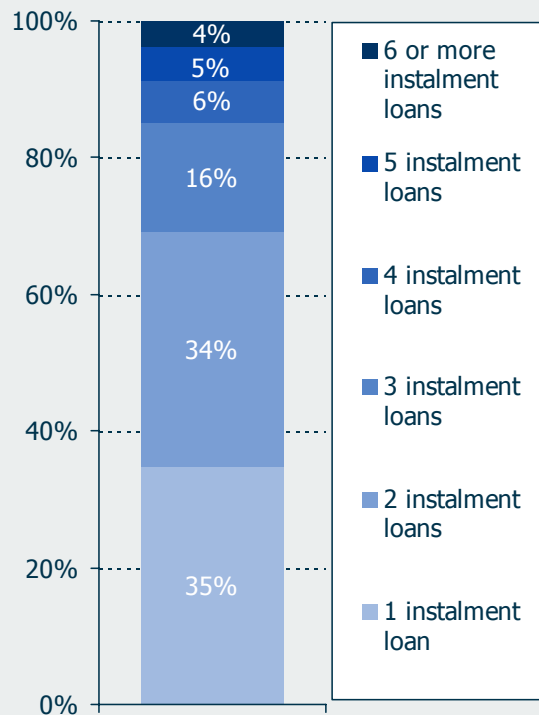


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Number of instalment loans and payment protection insurance policies

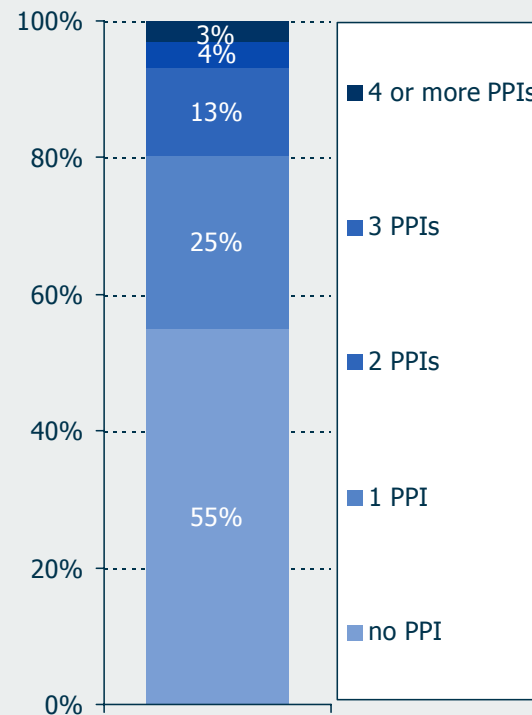
Over the last 10 years a payment protection policy was taken out for about every third contract.

Instalment loans taken out in the last 10 years



Ø 2.3

Payment protection insurance taken out



Ø 0.8

Question: If you look back, how many instalment loans have you had altogether in the last 10 years?

Basis: n=2299 excl. No response

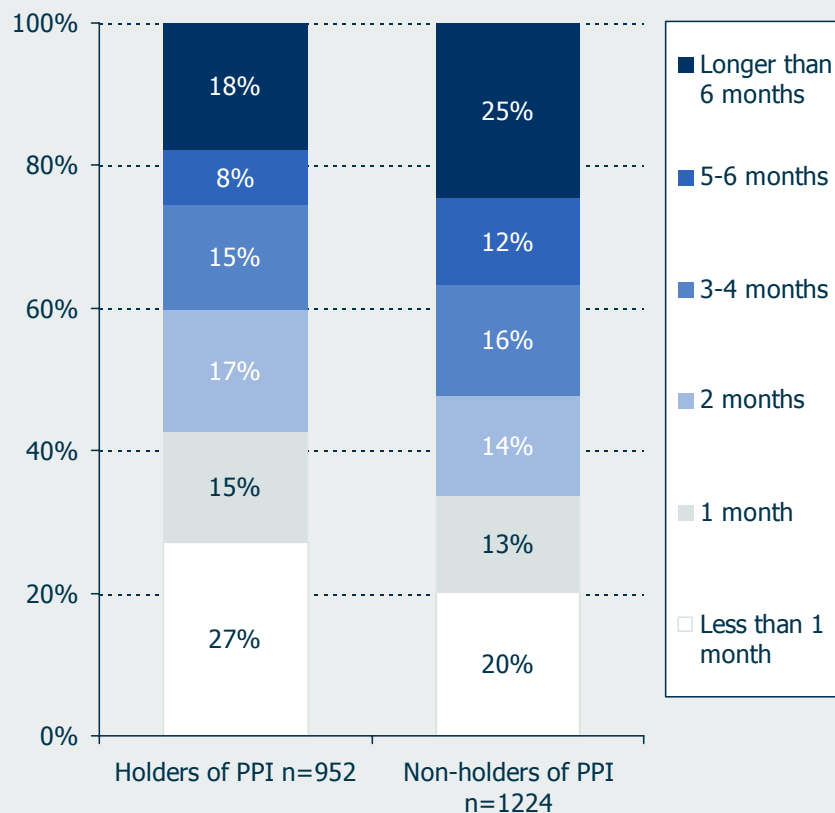
Question: And for how many of them did you take out payment protection insurance?

Basis: n=2128 excl. No response

Loss of income

If they were to lose their income, holders of payment protection insurance could live on their savings for only a short time.

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Question: Just assuming you were to suffer a total loss of income tomorrow, how long could you pay your monthly outgoings such as living expenses, insurance premiums, rent, telephone, instalment repayments, out of your savings? Basis excl. No response



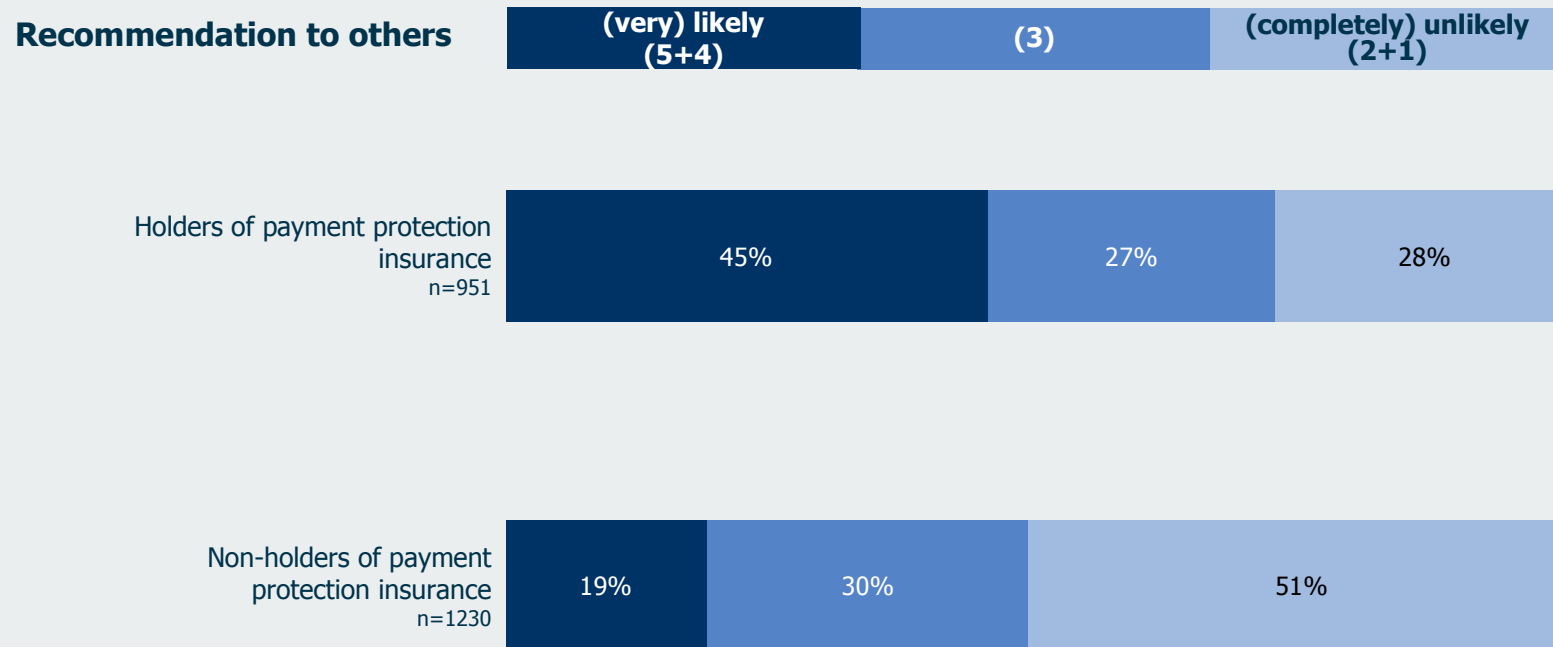
[Recommending payment protection insurance]



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Conclusion and recommendation

Just under half of all holders of payment protection insurance would recommend it to others.



Question : How likely would you be to recommend friends and relatives to take out payment protection insurance?
Basis excl. No response



[Management Summary]

Management Summary I

Attitudes to payment protection insurance in general

- The large majority of holders of payment protection insurance consider it to be a (very) good idea. One third of non-holders also believe this.
- This is also expressed in the generally positive rating of payment protection insurance. Holders' ratings are rather higher here. They consider this insurance to be recommendable and say that it makes them feel secure.
- Respondents rate the risks insured against as equally important, no difference can be observed here.
- Holders of payment protection insurance are financially rather less well provided for than non-holders. Almost 60% could only survive financially for up to two months if they were to lose their income.
- Three out of four loan customers expect their bank to offer them payment protection insurance.
- Only just over half of borrowers had been offered payment protection insurance.
- Two-thirds of those without insurance had not been offered it.

Management Summary II

Taking out payment protection insurance

- Almost half of all respondents with instalment loans have taken out insurance on the loan. About every second borrower is offered payment protection insurance in an advisory talk with his bank.
- Security-related aspects play the greatest part in the decision to take out payment protection insurance.
- More than 50% of holders of payment protection insurance were satisfied with the advice they had been given.
- The majority of respondents found the terms and costs of the payment protection insurance clear and transparent.
- In the last 10 years payment protection insurance was taken out for approx. every third contract.
- Respondents with no payment protection insurance considered it unlikely that they would die, become unemployed or unable to work and are better placed financially.

Recommending to others

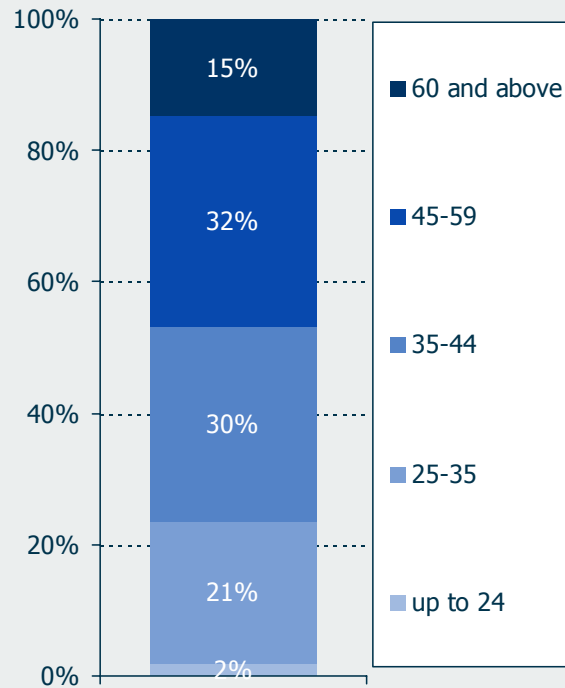
- About half of all holders of payment protection insurance would recommend it to others.



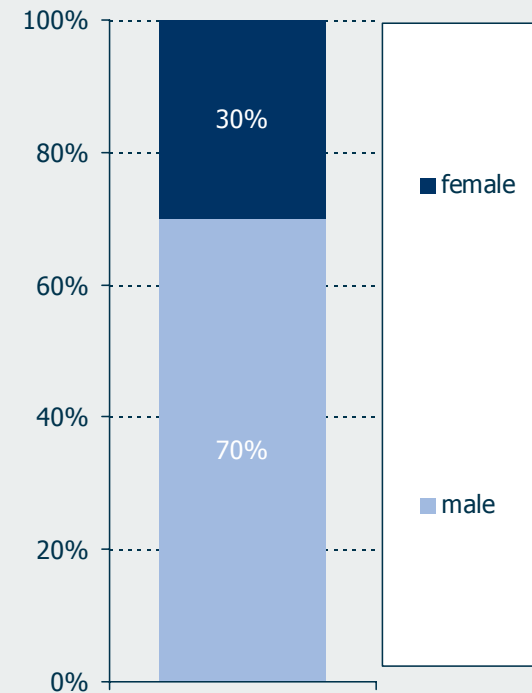
[Sociodemographic characteristics]

Age and sex

Age of head of household



Sex of head of household

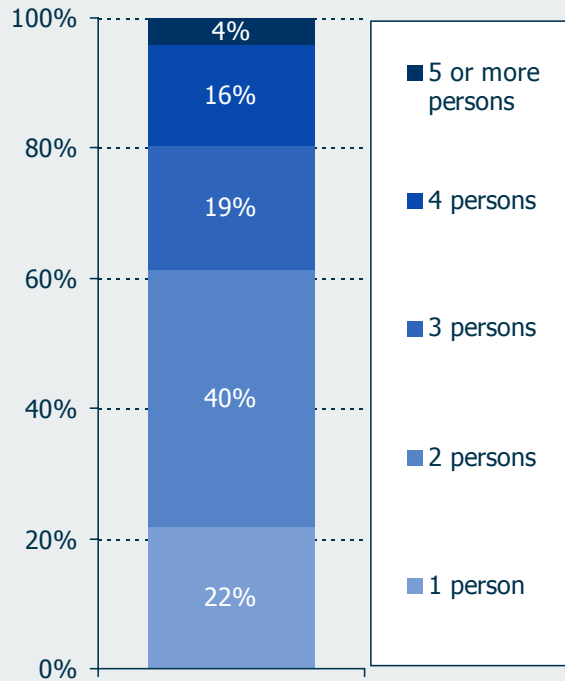




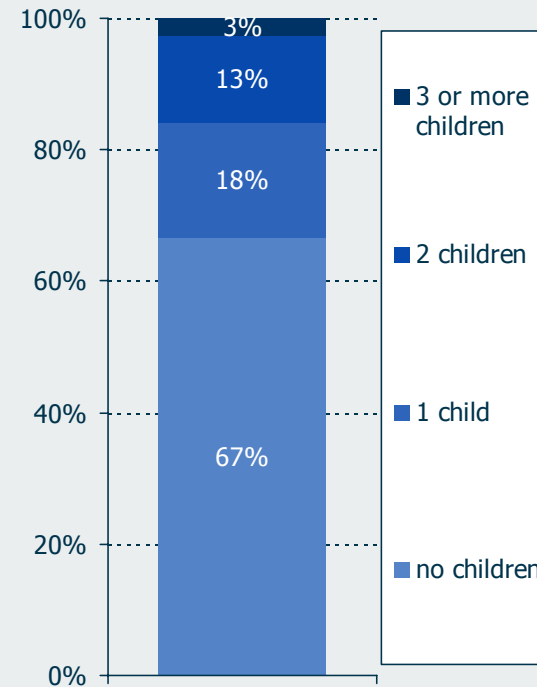
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Number of persons in household and children under 18

Size of household

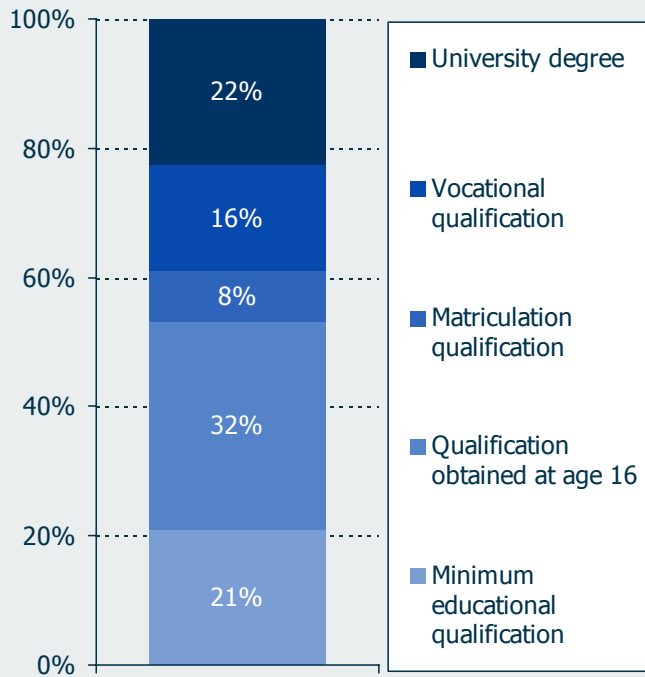


Children under 18

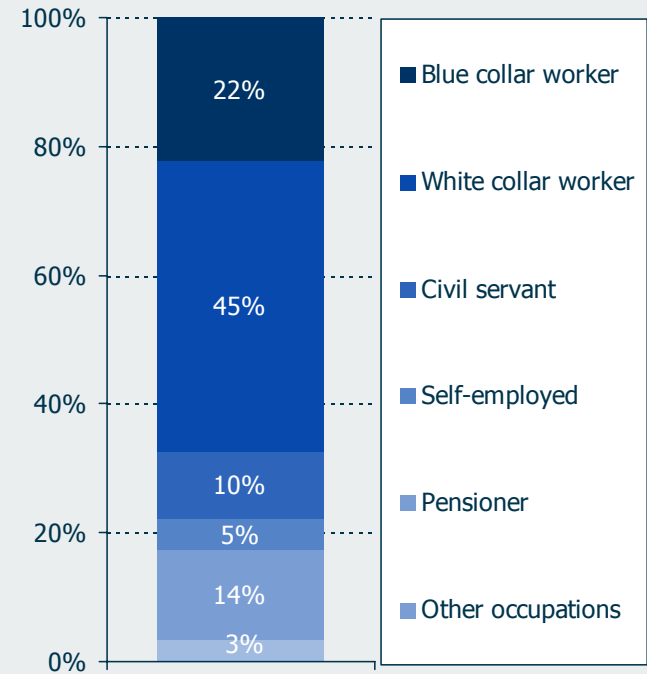


Level of education and occupation

Level of education of head of household



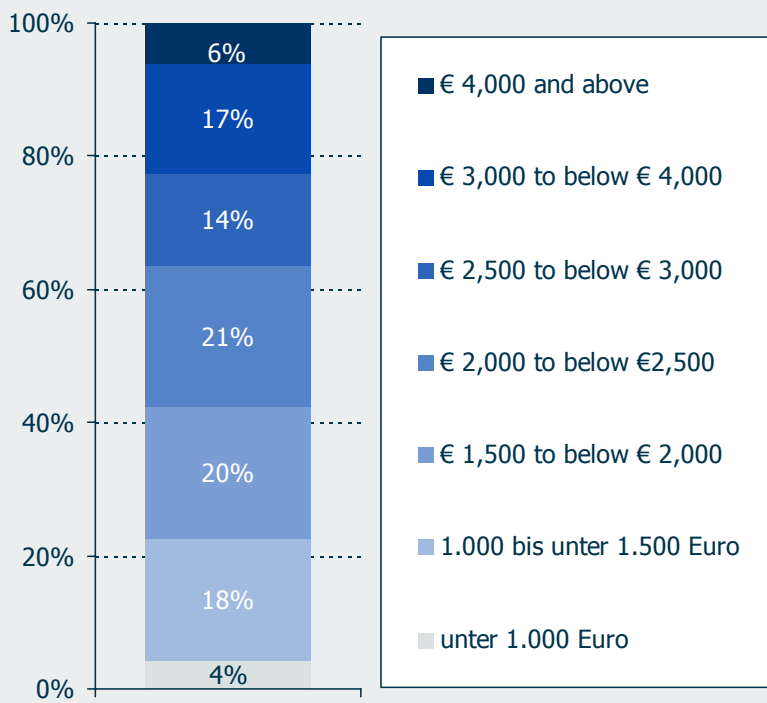
Occupation of head of household



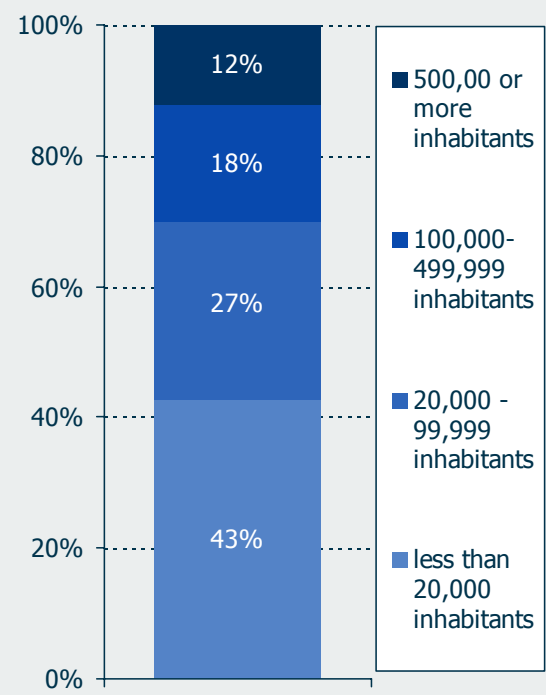


Net household income and size of town

Net household income



Size of town





Thank you for your attention!

