Talisman Insurance: Does Insurance Coverage Help You Avoid Tempting Fate?

Eric Dolansky, Brock University, Canada
Robert Schindler, Rutgers University, USA
Grant Adams

The feeling that one is “tempting fate” is a common one, and this type of magical thinking could also extend to consumer decisions about insurance. Three studies are presented in which it is shown that individuals estimate a lower probability of a prized possession breaking when it is insured.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1009959/volumes/v39/NA-39

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
Talisman Insurance: Does Insurance Coverage Help You Avoid Tempting Fate?
Eric Dolansky, Brock University, Canada
Robert Schindler, Rutgers University, USA
Grant Adams, Rutgers University, USA

EXTENDED ABSTRACT
The feeling that one is “tempting fate” is a common one, and this type of magical thinking could also extend to consumer decisions about insurance. Three studies are presented in which it is shown that individuals estimate a lower probability of a prized possession breaking when it is insured.

In our everyday lives we have all come into contact with magical thinking. Often, everyday instances of magical thinking involve a reluctance to “tempt fate.” For example, one might feel that if an umbrella is left at home, there will be a heavy rain. The purchase of property insurance, such as automobile insurance and homeowners insurance, might also be related to magical thinking. While insurance is designed to protect against the financial consequences of a negative event, it might also be viewed as a “talisman” – a means of protecting against the occurrence of the negative event (Tykocinski 2008). The question addressed by this research concerns whether there may be a magical component to the consumer’s motivation to buy property insurance.

In a series of experimental studies, Risen and Gilovich (2008) found that when a test scenario’s protagonist carried out an action that tempted fate, the protagonist was judged more likely to suffer a negative event than a protagonist who did not tempt fate. Schindler (2009) found that in Japanese price advertisements the number 8, which is considered lucky in Japanese culture, occurred among the rightmost digits of advertised prices far more often than did any other nonzero digit. Kramer and Block (2008) found that positive superstitions pertaining to product attributes (such as color) result in higher satisfaction ratings after product failure.

There is also evidence that the motivation for purchasing property insurance goes beyond the knowledge that one will receive compensation in the event of a financial loss (Tykocinski 2008). An example of what might be involved in this further motivation is provided by Hsee and Kunreuther (2000). They found that, even if the amount of monetary compensation is held constant, the consumer's affection for an object affects his or her desire to have it insured.

Three experimental studies were carried out to test five hypotheses related to talisman insurance. Study 1 was designed to investigate whether the presence of insurance would lead to lower probability estimates of a prized possession breaking (H1) and whether superstitiousness moderates that effect (H2). The scenario presented was one in which respondents imagined that they had just moved to a new city and had left back an heirloom punchbowl. A cousin offered to bring the punchbowl, and whether it was insured differed across conditions. Participants were asked to estimate the likelihood of the bowl breaking en route. A superstitiousness scale was used to create the second condition in the study.

This study showed that while there was no effect of insurance on likelihood estimates of breakage among low-superstitiousness participants (determined by median split), there was a difference in these estimates among high-superstitiousness participants ($p = 0.041$). There was also a significant interaction ($p = 0.02$), supporting H2.

Study 2 used the same design and scenario as Study 1, but rather than examine dispositional superstition, superstitiousness was manipulated using a priming task. It was predicted that the prime would produce effects similar to those based on dispositional superstition in Study 1 (H3). A word-completion task was designed with one version having superstition-related words (e.g. “superstition,” “luck,” “charm”) and another version having only neutral words (e.g. “superhero,” “duck,” “chant”).

The results indicated that the primes were successful. Whereas there were no effects of insurance in the non-primed group, there was a significant effect of insurance in the primed group ($p = 0.01$). The interaction found in Study 1 was also replicated here ($p = 0.42$).

Furthermore, in both Studies 1 and 2 questions were asked concerning punchbowl mishaps not covered by insurance, such as whether it would be scratched or arrive late. In both studies it was found that the likelihood estimates of these mishaps were largely not affected by the breakage insurance.

Study 3 examined the role of affect toward the object, keeping constant the size of the insurance payment. Within the paradigm of talisman insurance, it seems that greater affect toward an object would lead to more of a sense that moving it would be tempting fate and thus there would a greater perceived likelihood that the object would be lost (H4). A greater probability of loss would lead to insurance having greater value as protector, and there would be higher willingness-to-pay for insurance (H5).

A different moving scenario was used in this study. An antique clock that the participant is told he has high [low] affect for is being moved, and may get lost. Insurance can be bought that will provide $100 in the case of loss. Participants were asked to provide their maximum willingness-to-pay for this insurance. In the second part of the study, participants were told that policies had changed, and that the clock would now be insured [uninsured] regardless of previous willingness-to-pay. They were then asked to estimate the likelihood of the loss of the clock.

The results of Study 3 confirm the finding of Studies 1 and 2 that the presence of insurance lowers the perceived probability of loss. They also support H4 and H5: – affect toward the clock increased the estimated probability that the clock would be lost ($p = 0.006$) and there was a significant correlation between probability of loss and willingness-to-pay for insurance ($p = 0.003$). These results provide evidence that there is a talisman component to insurance and that affect increases the sense that protection is required.

These studies constitute first steps toward understanding how consumers may act on a sense of tempting fate. The findings indicate that individuals do, at least under some circumstances, view insurance as conferring protection that it rationally cannot. More broadly, this investigation illustrates how traditional figures of speech, such as “tempting fate,” may correspond to demonstrable psychological phenomena and illustrates how subjecting these traditional concepts to scientific scrutiny can both have practical and theoretical implications.

REFERENCES

