

Exploring the Take-Up of Home Contents Insurance

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The aim of this project is to explore the underlying reasons why the level of take-up of home contents insurance by social housing tenants is low, and to recommend measures that would raise it.

Main Findings

Reasons for social rented sector tenants not taking out low home contents insurance include:

- Poverty – tenants on low incomes and facing financial difficulties or strain are less likely to have insurance. They are unlikely to see insurance as a priority
- Product design – low income households may have difficulty paying by direct debit or committing to long term products
- Perceptions – some tenants predominantly young people, do not think that they need to be insured or are confused by, or distrustful of, insurance products,

Uninsured tenants can be categorised as having the following characteristics.

- **Lapsed** - Had previously been insured but had let their insurance lapse due to a change in personal circumstances.
- **Not got round to it** - Had thought about taking out insurance but had not been motivated enough to do it.
- **Not worth it/ too few possessions** - Had made a decision not to take out insurance because they felt it was not worth it due to their having very few, if any, possessions of any value.
- **Unaware/ never thought about it** - Had been unaware of home contents insurance and had never really thought about it.

GHA tenants who participated in focus groups expressed a relatively high level of distrust of insurance schemes, including the one operated by GHA.

Tenants who have taken out home contents insurance did so to guard against loss of possessions due to burglary, fire or domestic flooding.

Tenants with a local authority or housing association insurance policy welcomed the relatively low level of premium payments.

Various measures such as active promotion of schemes through word of mouth, easy payments methods, schemes designed to meet the needs of low income households and targeted marketing could increase take up of home contents insurance.

Introduction

The 2003 Scottish Executive Partnership Agreement included a commitment to “support home insurance schemes tied to rents paid to landlords in the social rented sector.” In pursuing this commitment the Scottish Executive provided local authorities and the Scottish Federation of Housing Associations (SFHA) with £400,000 in 2003/04 to promote take up of their home contents insurance schemes amongst local authority and housing association tenants. A further £100,000 was used for a national publicity campaign.

However, although all but four local authorities, and almost all Scottish housing associations offer their tenants access to low cost home contents insurance schemes, the marketing campaign increased take up by around 10%. However, by 2005 on average only around 12% of social rented sector tenants take advantage of their landlords’ low cost home contents insurance schemes.

The 2005 Scottish Household Survey showed that the level of home contents insurance amongst social rented sector tenants (tenants with insurance cover provided or promoted by their landlord or with their own private insurance cover) fell from 56.1% in 2003 to 54.6% in 2005.

The aim of this project is to explore the underlying reasons why the level of take-up of home contents insurance by social housing tenants is low, and to recommend measures that would raise it.

Methodology

This study was informed by evidence from three sources:

- Desk based review of existing research and practice in Scotland and the rest of the UK
- Stakeholder interviews
- Tenants’ discussion and focus groups.

The main focus of the report is an analysis of the findings of the desk based research and tenants’ discussion groups on the reasons underlying choices made by tenants with regards to whether to take out home contents insurance based around three key questions:

- why do tenants not take out home contents insurance?
- why do tenants take out home contents insurance?
- what works to increase take up?

The report concludes with a series of recommendations on how take-up of home contents insurance could be increased in the social rented sector.

Reasons underlying choices made about home contents insurance

Why do tenants not take out home contents insurance?

A review of three previous studies into low take up of insurance identified that the reasons for low take up of home contents insurance amongst social rented sector tenants can be summarised as:

- Poverty: tenants on low incomes and facing financial difficulties or strain are less likely to have insurance. They are unlikely to see insurance as a priority
- Product design: low income households may have difficulty paying by direct debit or committing to long term products
- Perceptions: some tenants, predominantly young people, do not think that they need to be insured or are confused by, or distrustful of, insurance products.

One study suggested that uninsured households could be divided into four groups according to how they assess risk and make decisions about insurance:

- Risk averse
- Risk calculators
- Risk resigned
- Risk unaware.

A second study categorised uninsured households into four different but similar categories:

- The constrained
- The carefree
- The confused
- The incredulous.

Findings from primary research undertaken for this study

The stakeholder interviews and interviews with tenants who do have insurance suggested that low income tenants, young tenants and single parents are less likely to take out insurance cover for the following reasons:

- It is not seen as relevant, they think they do not need insurance cover or it is ‘not for them’
- They cannot afford to, or choose not to, take out

insurance because they have to make choices about where to spend the small amount of disposable income they have.

In summary, the uninsured tenants who took part in the discussion groups can be categorised as having the following characteristics:

Lapsed: Had previously been insured but had let their insurance lapse due to a change in personal circumstances and had never bothered or got round to taking out home contents insurance.

Not got round to it: Had thought about taking out insurance but had not been motivated enough to do it.

Not worth it/ too few possessions: Had thought about it but had made a decision not to take out insurance because they felt it was not worth it due to their having very few, if any, possessions of any value.

Unaware/ never thought about it: Had been unaware of home contents insurance and had never really thought about it.

In addition, the GHA focus groups revealed that a relatively high proportion of tenants in Glasgow have a high level of mistrust of insurance schemes, including the one operated by GHA.

Most uninsured tenants were concerned about the possible cost. Some had thought that they would need to take out cover for amounts well above the value of their possessions at a prohibitive cost. Many of these uninsured tenants were surprised that the actual cost of taking out insurance might be as little as £1.50 a week. Very few tenants suggested that they or other tenants would not be able to afford this level of premium payment.

Why do tenants take out home contents insurance?

Almost all tenants with insurance cover mentioned that they had taken out insurance to guard against loss of possessions due to burglary, fire or domestic flooding.

Several tenants stated that they had taken out a private policy or had switched from a Council/ GHA policy to a private policy because of bad claims experience.

All the tenants who had a local authority or housing association insurance policy welcomed the relatively low level of premium payments and were also happy to have relatively low levels of cover. Almost all the tenants aged over 60 took advantage of the lower level of cover offered to tenants aged over 60.

Tenants who had taken out their own insurance cover rather than their landlord's had done so for various reasons including, taking out insurance before they had moved to

their rented house or before the landlord scheme was available or wanting a higher level of cover than is available through their landlord's scheme.

Tenants with insurance cover tend not to shop around and stay loyal to their insurance company unless they face a significant increase in premiums.

What works to increase take up of home contents insurance?

Scottish local authorities and housing associations use various methods to try to increase take up of their home contents insurance schemes, including:

- Adverts in tenants' newsletters
- News stories in newsletters
- Providing information and application form to new tenants at the tenancy sign up
- Verbal advice provided by housing officers
- Promotional leaflet mailed out to tenants.

Comparison with schemes operated by local authorities and housing associations in England and Wales suggests that there are no 'magic formula' in relation to product or marketing that would be guaranteed to significantly increase the take up of local authority with-rent or housing association arms-length insurance schemes in Scotland.

Previous studies into low take up of home contents insurance and the stakeholder and tenants interviews undertaken for this study suggest that the following measures can be used to increase take up of home contents insurance schemes provided or promoted by social rented sector landlords.

- Active promotion of schemes by well informed and motivated housing staff including informing tenants when they sign their tenancy or at the follow-up settling in visit
- Working with tenants to design insurance schemes that meet the needs of low income households
- Easy payment methods such as with rent by direct debit and rent payment cards or cash payment in housing offices or post offices
- Marketing home contents insurance through clear, easily understood messages about the benefits of being insured and better information about policies, level of cover etc.
- Encouraging word of mouth from other tenants.

The report concludes with a series of recommendations for landlords and the Scottish Executive on how take-up of home contents insurance could be increased in the social rented sector.

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The report, "Exploring the take-up of home contents insurance", which is summarised in this research findings is a web only document and is available on the publications pages of the Scottish Executive website at

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