

Home insurance for the new normal: How the sector is adapting in a post-lockdown world

An analysis of how the shift towards working from home is affecting insurance, and predictions for how the industry will meet new demands from customers.



Thousands of UK companies closed their offices in March and either furloughed staff or set up remote working. But while the effects of lockdown on car insurance have been well publicised, including many providers offering refunds for unused cover, much less has been said about the impact on home insurance. Yet lockdown has transformed claims patterns across the sector and raised huge questions for the industry about what risk will look like if a swathe of customers carries on working at home even after government guidance about going to work changes - which is due on 1 August.

While burglary and major damage from incidents such as fires and escape of water have become less of a risk, claims for accidental damage are on the rise.

The insurer Zurich has reported a 22% rise in claims for flat-screen TVs since lockdown began, with the average cost of damage at £580. Claims for accidental damage to glass have also surged.

Some of this damage may be the result of children spending more time at home, which means the risk is likely to reduce when schools reopen. But that may be a phased process, and there are other factors likely to be at play, too.

A recent Finder study found that 26% of workers say they may continue to work from home in some capacity even after lockdown is lifted. What will this mean for calculating premiums? Are customers clear on what's covered?

This report examines the challenges facing the home insurance industry over the coming months, and how it might meet them. We've spoken to both established providers and innovating newcomers, as well as experts from across the sector to get their views on what the future could look like for insuring the UK's homes.

We've also shared the latest research from Finder, which found confusion is rife - in our survey, conducted in July, 43% of those with home insurance said they were unclear about whether their policy or premium were affected by lockdown, and had had no information about this from their insurer.

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In the first week of April, Finder surveyed 2,000 British adults and found 60% of them were working from home.

As lockdown began, practically overnight houses and flats around the UK became not just living spaces, but offices and safety shelters rolled into one. This had some benefits, such as a drop in crime rates - burglary rates recorded by police dropped 37% in the first four weeks of lockdown.

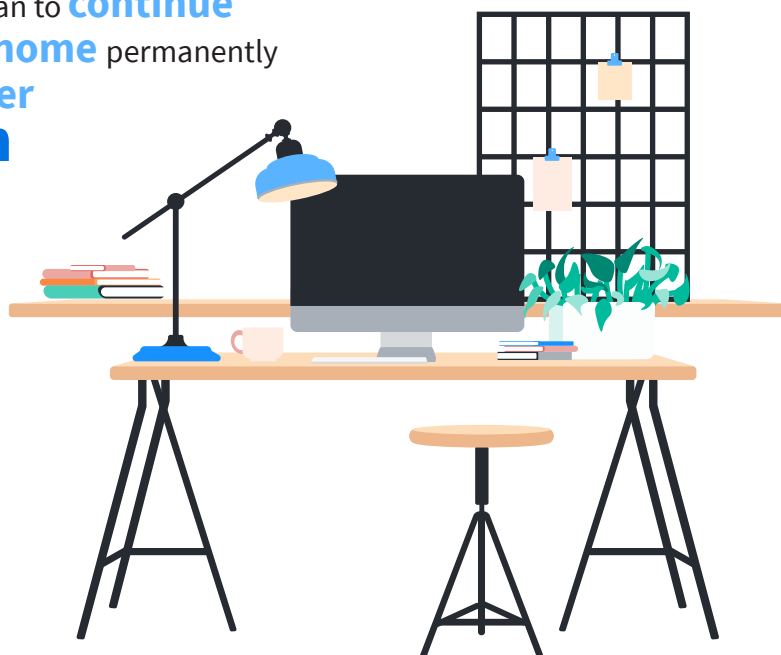
However, it also meant people were more likely to accidentally damage their property. All the insurance brands we spoke to during our research mentioned a rise in accidental damage claims, with home insurance specialist insurer Avantia reporting an increase in claims for major fire damage.

Mark Eastham, CEO of Avantia, says: “With people being at home - cooking, working, looking after their kids - and council waste disposal sites being closed in those first, very hot months, cooking fires and burning of rubbish fires meant claims increased.”

Some of these trends may decline when lockdown ends, but there’s growing evidence that many workers will never return to their previous patterns of going into the office.

Research conducted by Finder in July found that 26% of Brits are planning to continue to work from home either permanently or occasionally after government guidelines advising against travelling to the office relax. While the decision to continue working from home may not always be in the employee’s power, many employers have seen the benefits of it, and are likely to offer at least some flexibility even after the UK is out of the coronavirus woods.

26% of Brits plan to **continue to work from home** permanently or occasionally **after lockdown**



Most insurance companies make a clear distinction when it comes to covering property and equipment used for business vs domestic purposes. But lockdown measures and the shift to home working blurred the lines between business and personal, and meant some customers were potentially in danger of invalidating their policies.

The Association of British Insurers (ABI) collaborated with companies across the sector and released a pledge that absolved customers from the requirement to inform their insurers of changes in circumstances regarding working arrangements, as long as government guidelines recommending working from home were in place.

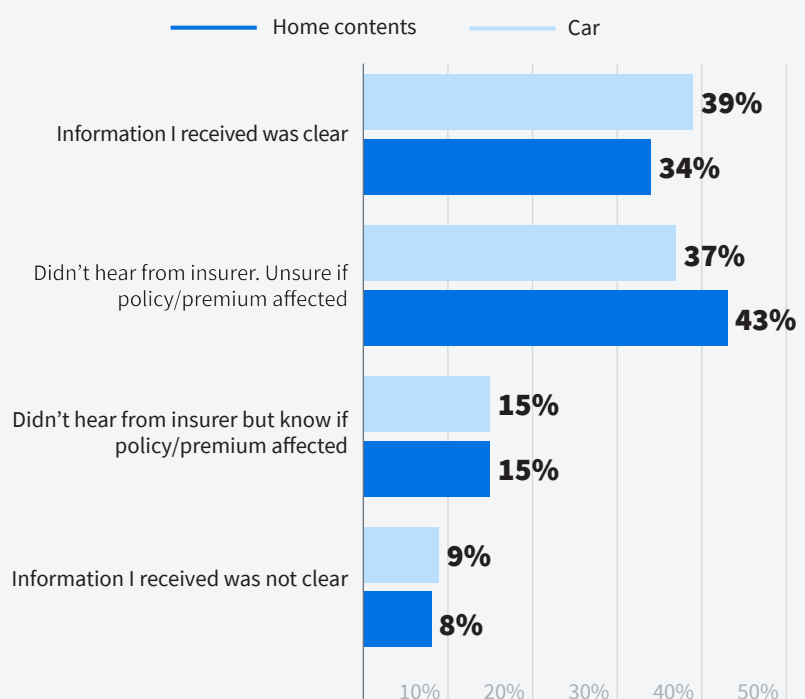
Laura Hughes, property insurance policy manager at the ABI, says: “We worked with our members who write home insurance policies to show some real pragmatism and flexibility around understanding these sudden changes. That was done to ease worries for individuals facing lockdown, but also to make sure we’re speaking with one voice. It was a way for the industry as a whole to provide some clarity.”

However, many customers felt they didn’t receive clear communication and were left confused as to how lockdown affected their car insurance or home contents cover. Our survey of 2,000 UK adults in early July found that 34% of home contents policyholders thought information they got from their insurer was clear. But 43% said they didn’t get any information at all, and were not sure whether their policy or premium were affected. The figures were a little better for car insurance - perhaps due to communication about refunds - but still 37% felt out of the loop and uncertain.

The providers we spoke to all said they took steps to inform customers how working from home might affect their insurance, and added COVID-19 sections to their websites, but our survey results suggest more was needed to keep customers informed. The boomer and silent generations reported the highest rates of confusion about their home insurance - 53% and 47%, respectively (out of respondents to our survey that currently have home insurance).

Insurers might want to consider ways to better target these groups, potentially through different communication channels.

Customer views on insurers’ lockdown messaging



Source: Finder research July 2020



On 17 July, prime minister Boris Johnson announced the further easing of restrictions, including advice for employers. Starting 1 August, the government will relax its recommendation for people to work from home and instead give employers more discretion, asking them to make decisions about how their staff can work safely.

According to the Association of British Insurers (ABI), the insurance industry’s pledge – that customers don’t need to inform their insurer if they work from home while government advice is to do so – won’t be up for review until September 1st. However, this change to official guidelines could still have a serious impact on customers’ home cover, or could cause further confusion - or both - unless companies are clear with customers about their obligations.

Under most policies, customers must let their insurance company know about changes in their circumstances, and this can include working from home. But are people aware of this? The answer for many seems to be no. Our survey found that 26% of Brits (13.8 million) may continue to work from home permanently or occasionally after government advice changes. Of those, 70% aren’t planning to tell their insurer about their plans to work from home.

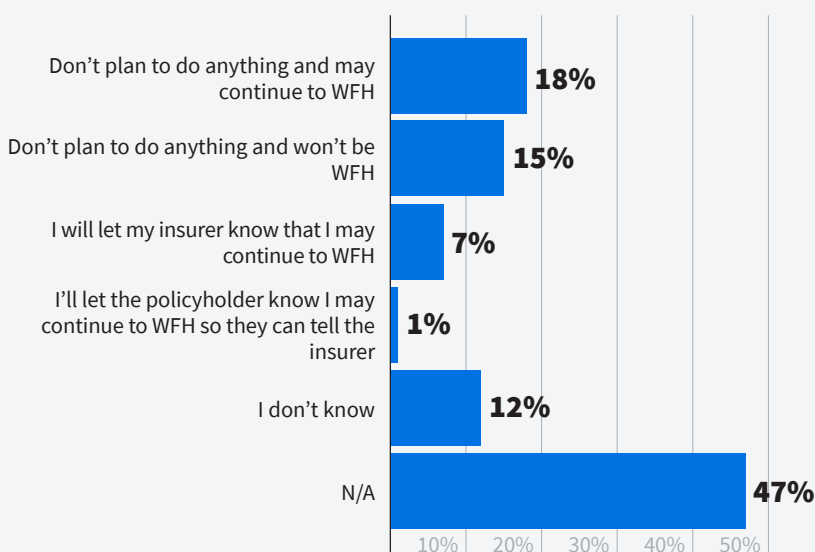
David Fowkes, head of household underwriting at Admiral, says: “Nobody knows for sure what will happen long term regarding home working...We don’t have any plans at the moment to change our policies to reflect more people working from home, but it’s something we’ll keep an eye on and potentially include in our policies.”

This sentiment was echoed by other providers we spoke to, but it’s important to acknowledge that customers are likely to continue being unsure about the effects changing guidelines have on their home insurance policies and might also be left with unsuitable levels of cover as a result of home working.

Government advice also had an impact on insuring unoccupied properties. Many insurers relaxed their restrictions on how often a customer must visit an unoccupied property, but this is also likely to change following the removal of lockdown measures.

It’s not just individuals who might need to adjust their insurance cover. With more people working from home, employers are facing a higher risk of data breaches. A survey of 3,106 UK office-based workers by IT service provider Atlas Cloud found that 58% have stored work files or documents on their personal devices while working from home. This can lead to an increased demand for cyber and liability insurance, which means new opportunities for insurers.

Customers’ plans to tell insurers about working from home



Source: Finder research July 2020



Communication to tackle consumer confusion is one challenge for the industry. But perhaps a greater one is how to calculate risk when customers are using their property in unprecedented ways.

The combination of people spending more time at home and children being off school led to a sharp rise in claims for accidental damage in the home during lockdown.

In July, Zurich reported a 22% leap in claims for flat-screen TVs since lockdown began, with the average cost of damage at £580. Claims for accidental damage to glass rose by 57%, with an average replacement cost of £680.

Zurich's head of customer for UK claims, Amy Brettell, said: "People are using their homes in completely different ways. Children may be in the home more often, which can often cause accidents. Theft is less of a risk as homes are occupied, but all the DIY people have been doing is having an impact. It comes down to people using their home, their possessions, their space in a way that we haven't seen before and inevitably that brings new risks."

She adds: "One positive thing to come out of lockdown is that people can report incidents more quickly as they are usually there when it happens. This means one of our assessors can attend and see the damage quite quickly after the event, and hopefully make a call on coverage and settle the claim there and then, which will be a benefit to customers."

The shortage of public transport - and understandable reluctance to use it - led to a surge in the use of bikes and scooters. Admiral reported a 46% increase in claims for bike thefts for the first 7 weeks of lockdown, compared with the same period last year. This is not surprising considering the rise in use (300% according to The Department for Transport) combined with a shortage of bikes for sale.

Electric scooters have also surged in popularity, despite the fact the law only allows people to ride rented e-scooters, not privately owned ones, on public roads. Online marketplace eBay revealed sales of electric scooters were up 134% in April vs March of this year. All the insurers we spoke to mentioned plans for either new policies or additions to existing ones to cater to this emerging market.

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New popular modes of e-transport are more expensive and more vulnerable to theft, and so that is something we want to think about within our policies.

Mark Eastham, CEO, Avantia

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Lockdown has not only seen many Brits turn their home into an office, it's also seen some leave their home behind.

People losing their jobs or being furloughed, universities shifting lectures online, internships and graduate schemes being cancelled - all this has caused millions to consider saving on unnecessary rent and other home expenses. Finder research conducted in June found that at least 10.5 million Brits moved back in with their parents during the COVID-19 pandemic. Of those that did so, over two thirds (67%) planned to make the move more permanent.

Many who stayed put faced challenges such as a lack of outside space or unsympathetic flatmates, causing them to reassess their living arrangements. And with the option to work remotely on the cards, some city dwellers have considered moving out of town.

Jimmy Williams, CEO of home insurance specialist Urban Jungle, says: "We are seeing a big boom right now in people moving house...Some employers are saying you don't need to be in the office in 2020, so you can live anywhere, as long as the internet connection is strong enough. So there are some challenges, but also a lot of opportunities."

Interest in moving home initially fell at the start of lockdown, with property platform Zoopla reporting that demand in the week to 22 March dropped 40% from the week before. However, Zoopla figures have since shown that the reopening of the property market on 13 May led to a staggering 88% surge in demand in England, with both renters and homebuyers contacting agents to re-start moving plans foiled by lockdown (or start plans prompted by it).

A surge in home-moving opens up opportunities for newer players in the home insurance sector - those hoping to grab a bigger slice of market share perhaps among tech-savvy, younger generations. These disruptors are perfectly poised to use the challenges brought about by the pandemic to their advantage and we explore them next.

10.5 million Brits have moved back in with their parents due to **COVID-19**

67% have not set a date to **move back out.**



Recent years have seen an increase in the number of insurtechs entering the home insurance market.

New York-based Lemonade, which launched in 2015, incentivises ethics-conscious consumers by donating unused premiums to the customer's chosen charity. Meanwhile, Buzzvault, which launched in 2013, offers customers personalised policies by asking them to submit a video of all the items in their home that they would like included in the cover.

These young players are usually tech-driven, with a focus on a younger audience, and renters in particular. Urban Jungle launched in 2016 with the needs of the rental market in mind and a tech-driven proposition. We spoke with CEO Jimmy Williams about what makes insurtechs better placed to deal with unexpected circumstances.

“The important thing for the industry in terms of the crisis is to be able to move quickly and, for us, as a young, agile business, we tend to leverage tech whenever we can to help us answer questions and automate actions,” he says.

As well as being able to move quickly to meet customers' needs, insurtechs usually offer cover that is more modular and personal than the 'one size fits all' approach older insurance companies tend to take. Most people don't really know the overall value of their home contents, which can leave them under-insured. Being able to provide flexible, personalised cover that is easier to set up is likely to grow in customers' estimation when choosing a home insurer.

It's not just reacting to changing consumer demands that might present a challenge to providers. At the start of lockdown, companies had to completely change the way they operate practically overnight. While insurtechs may lack the resources and gravitas of larger, more established providers, the smaller players are typically more agile and use slicker processes.

Mark Eastham, CEO of home insurance provider Avantia, which launched in 2002 but believes it has retained its start-up agility, says: “For us, the pandemic validated a digital strategy. We quote non-standard risks digitally, without needing a phone call. That's made our model very resilient and meant that we don't rely on a contact centre, so we grew market share as our competitors shut their contact centres down or sent their agents home.”

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We're always looking for new opportunities where other providers might be too slow to respond

Jimmy Williams, CEO, Urban Jungle

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The home insurance industry has faced many challenges during lockdown - not least adapting its own operations to carry on serving customers - and there are more challenges to come. We've looked at how companies have gone about tackling these.

Pricing risk

Attempting to calculate risk in such unprecedented circumstances is a major challenge. However, patterns have started to emerge from lockdown behaviour, as we've covered earlier in this report: the number of claims for major damage caused by escape of water has fallen; fire claims have increased, but fires tend to be caught earlier so cause less damage; burglary claims have decreased; and accidental damage claims appear to have risen exponentially, including those relating to TVs and glass.

All of these elements are usually covered within a home insurance policy, but providers are likely to be reviewing levels of cover and pricing with a view to adjusting where this is warranted, particularly considering the 26% of people who may continue to work from home after government guidelines change about travelling to the office, on 1 August.

New types of products

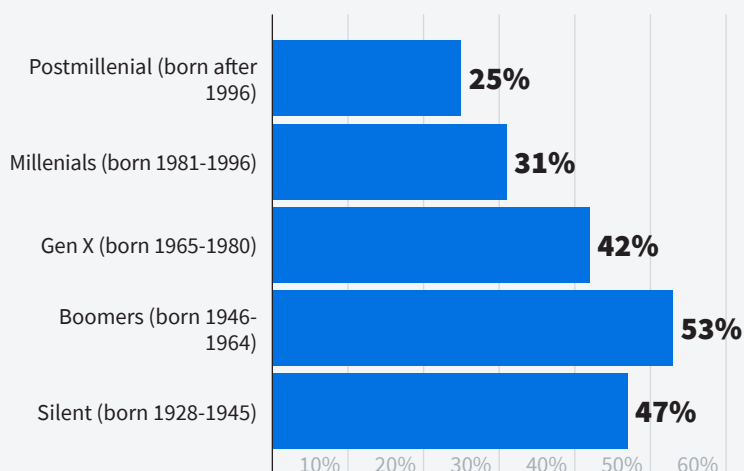
With challenges also come opportunities and the pandemic revealed emerging markets including alternative types of transport. As people have sought to avoid public transport, not only have they turned to bicycles, they've also increasingly been using electric scooters. These can be expensive and vulnerable to theft, and so insurers will want to consider how they can best incorporate this risk in policies. While only rental e-scooters are legal on public roads so far, this could well change to include privately owned e-scooters.

Communication

Our survey showed that most home contents customers (66%) either didn't hear from their insurer about whether lockdown affected their cover or premium, or received communication that was unclear.

Older people (those born before 1980) seem to be disproportionately affected by missing or unclear communication. This could be a result of communications being predominantly digital during lockdown, as call centres and physical premises shut down. This is likely to be a recurring theme for companies in the shift towards digital. Insurers should consider this to make sure they don't leave any customers behind.

Home contents customers who had no information and aren't sure if their policy or premium are affected by lockdown



Source: Finder research July 2020



Recession

The UK's economy has suffered a hit and many people have suffered financially. Those with less disposable income are likely to drop home insurance down their list of priorities, but they may be loathe to lose cover altogether. This presents an opportunity for insurers to develop more flexible options, or basic policies. Direct Line Group is to acquire the insurtech startup Brolly as it looks to beef up its digital capabilities and offer more personalisation. A financial squeeze can also lead some consumers to consider the impact of having to repair damage or replace items without insurance cover, meaning they're more likely to take out a policy.

Urban Jungle CEO Jimmy Williams says: "When times get a bit tighter, people often think more favourably about insurance, because they are less able to deal with financial loss. This makes our market more resilient".

Agility

In such a constantly changing landscape, companies who can respond quickly have an even greater competitive advantage than they do in normal times. Smaller companies tend to be more nimble, especially those based around technology and digital services. However, larger providers are running to catch up.

Amy Brettell, Zurich's head of customer for UK claims, says: "We have to learn to adapt, to be flexible and to innovate in a way that we haven't before. The pandemic has actually accelerated some innovations, including in product and proposition, the way we work, digital innovation and demand patterns - we may see the end of the 9-5."

Business vs home insurance

With more people working from home, companies are more exposed to security risks involving data. The need to cover equipment away from the office has also grown. While these elements don't tend to be included in home insurance cover, insurers might want to consider how they can capitalise on this growing demand.

Advertising

One challenge that might be overlooked is how to reach customers in a changing world. Urban Jungle CEO Jimmy Williams raises this point: "Before the crisis, outdoor advertising seemed like a really good prospect. But when no one's travelling anymore, it doesn't work at all. Whereas TV suddenly has more viewers and is much cheaper."

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When times get a bit tighter, people often think more favourably about insurance, because they are less able to deal with financial loss.

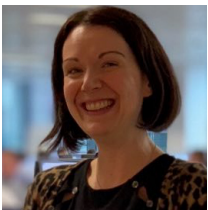
Jimmy Williams, CEO, Urban Jungle

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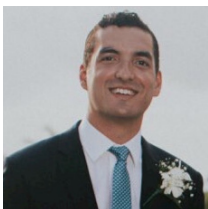
Jimmy Williams, CEO of Urban Jungle

“If you look at the last financial crisis, the home insurance market for new acquisition grew by about 8%, because more people switched their deal, whereas before they just let it roll over. If you’re a challenger brand like us, that’s great as there is more opportunity to win customers. I’ve been saying to my team all along that, while I’m sure there will be lots of challenges from this crisis, there will be lots of opportunities too.”



Amy Brettell, Zurich’s head of customer for UK claims

“I think the crisis has sped up decision-making, which has been helpful. It’s shown the insurance industry that it can act at pace and move in an agile environment... Our products aim to solve the customers’ problems, and that as a principle isn’t going to change. Innovation comes because people need help. What might change is the pace with which we do things. Our customers’ problems might arise and disappear quicker and so we will need to innovate and respond quicker as well.”



Yasha Kuruville, analyst at consultancy GlobalData

“With remote working, there’s going to be a push for cyber insurance, as there is not the same level of security in the home as in the office. There’s a grey area now with what’s covered by business insurance and what’s covered by home insurance. Only time and case studies will make things clearer, but the responsibility will remain with businesses for now. According to our data, not many businesses currently have cyber cover, especially within SMEs.”



Mark Eastham, CEO of Avantia

“With millions out of work or furloughed, there will be a lot of people in financial hardship... What we will try and do is experiment with lighter-touch home insurance. You can have a policy that covers you for every eventuality, or you can have insurance for the really critical things that will make a material difference to your financial wellbeing, like flood damage. There’s an opportunity to create a product that is a lot cheaper, but means you’re covered for things that can be life-changing if you have to pay for them yourself.”

Conclusion

Time spent in lockdown is set to change the way people use their homes for at least the foreseeable future - and it’s unlikely ever to return to the pre-coronavirus days. Experts we consulted for this research all believe that changes to home insurance policies won’t be immediate, as more data is needed on the way that changing consumer behaviour might affect claims. But it’s clear that companies will need to be more agile and flexible in reacting to changing demands if they want to succeed.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (Source: Experian Hitwise).

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About the author

Ronny Lavie is a deputy editor at Finder, specialising in insurance. She has a decade of experience writing about financial topics, including a stint as interim managing editor of the Fintech Times. She has an MA in creative writing from London Middlesex University.