



The Insurance
Institute of London
Chartered Insurance Institute

The Insurance Institute of London

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Inclusive insurance

How working with low income families can help insurers improve products and practice – and the financial health of communities



Inclusive Insurance – Key Learning Objectives:

- What are the challenges faced by lower income families and communities?
- How the insurance industry can use its commitment to inclusion to ensure its products and practices help those communities meet those challenges.
- The benefits to both the insurance industry and communities through a partnership approach



About Toynbee Hall



Toynee Hall today



What is the problem? – a quiz!

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A) 12%

B) 17%

C) 22%

D) 27%



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The poverty premium

Essentially, people on low incomes pay
DISPROPORTIONATELY more for things than
higher earners (around £500 per year on average)

Why is this the case?



The poverty premium

Demand side factors

- Constrained finance
- Budget control
- Risk aversion
- Decision making affected
- Low usage
- Limited access (online)
- Debt
- Literacy levels
- Housing
- Location

Supply side factors

- Cost reflective pricing
(higher to serve therefore more expensive)
- Product complexity
- Information availability
(especially offline)
- Cross subsidy of others (eg in high crime areas)

Applying this to insurance: affordability

Low income households pay a premium of £27 per year for insurance on possessions; Which equates to 6 per cent of the total £490 poverty premium per year

75% of unemployed people have no contents cover

Why? – some of the reasons are that

- Eg paying monthly rather than annually is more expensive
- People purchase insurance for individual goods rather than comprehensive contents insurance



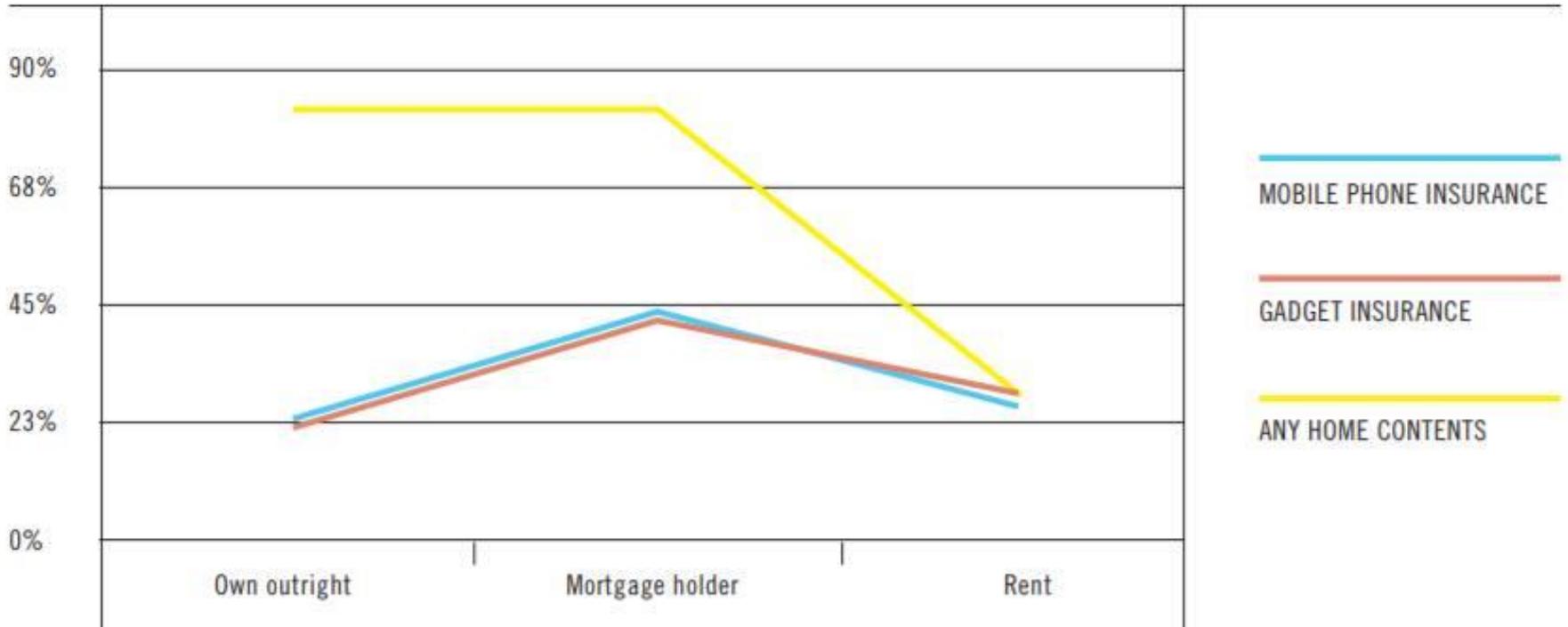
Applying this to insurance: housing

Type of tenure makes a difference

- 81 per cent of 'Generation Rent' have no contents cover.
- 10.5 million renters have no contents insurance
- While more and more social landlords offer insurance support and products, this doesn't apply in the private rented sector
- Also a problem for Landlords – difficult sometimes to get insurance that allows you to let to benefit claimants

Tenure makes a difference

FIGURE 6: HOLDINGS OF SELECTED INSURANCE PRODUCTS BY HOUSING TENURE (AUTHORS' ANALYSIS OF FCA DATA)



Gary and Claire's story



Applying this to insurance: location

Where you live makes a huge difference

- social rented households almost twice as likely to be burgled as owner occupiers;
- arson rates 30 times higher in lower income communities than higher;
- low income households 8 times as likely to be living in tidal floodplains than people in more affluent households

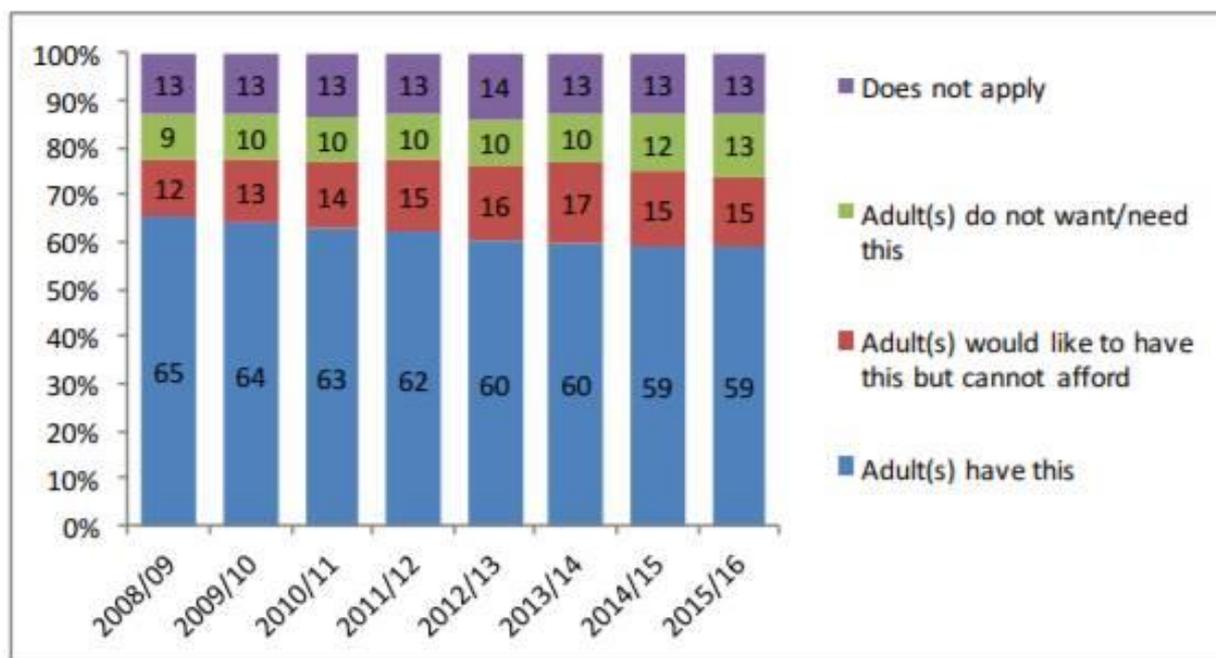
Applying this to insurance: products

- Cheapest prices are available online
- More you cover, proportionately cheaper it gets
- ‘Year one’ deals – then increases afterwards
- ‘Over Insurance’ – cover for things that aren’t needed
- Lack of product choice for eg elderly, young drivers
- Lack of flexibility eg by the day / hour

Growing cynicism about insurance?

Figure 41: Home contents insurance for working-age adults 2008/9 to 2015/16,

Source: Family Resources Surveys



So what could good look like?

- Being able to find cover that meets their needs at a price they can afford.
- Being able to understand what a policy covers and be confident that it would pay out in the situations envisaged.
- Being confident that the price charged is fair, in the sense that it is based on relevant factors.
- The insurer having a straightforward claims process that does not intimidate or demean the claimant.



Some innovation

- Also, pooled risk in flood areas
- Cuvva; car insurance only for people as they need it, from a single hour to a whole day.
- Metromile (US): pay-per-mile insurance for low-mileage drivers, combined with a smart app to track and optimise trips, monitor car health, find a missing car, and get street sweeping alerts.
- Trov (also US): on-demand protection for only the items a customer wants to insure, when they want to via their phone.
- Beam: Bluetooth-connected toothbrush using sensors to log brushing habits. Now offer group-based dental insurance, with discounts on premiums based on group brushing habits.



Why should insurers be concerned?

- Potentially huge market (example of micro credit)
- Competitive advantage
- Build trust in the industry
- Risk of public outcry – eg Grenfell
- Better outcomes for people and communities

How can insurers do more?

- Listen to those communities
- Make a clear business commitment to people on low incomes
- Devote time to innovating with ‘unusual suspects’
- Train customer service and sales staff to understand the challenges facing low income consumers – invite them in to offer ideas (our Fair Finance Panel)
- Make communication simpler, particularly offline
- Partner with organisations (housing associations, local authorities, advice centres) providing access to services and internet

**Together we can insure more people, so
they can live safer more secure lives**



Inclusive Insurance - Learning Objectives Reminder:

Hopefully you have now gained an insight into:

- The 'poverty premium' - and how poorer people end up paying more for essentials like insurance
- The opportunities to co-develop products and services with those of lived experience of financial and other challenges
- The benefits to the insurance industry and to communities of a partnership approach



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