

2.5m low-income renters risking financial distress

Lack of insurance prompts use of credit to replace household items

July 2019

Financial resilience is poor amongst low-income renters:



72% are worried about their current financial situation.



51% do not have any savings at all.

Source: WPI Economics, ComRes



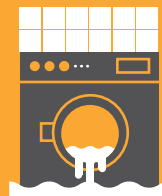
16% have missed the deadline for payment of a scheduled debt in the last month.

Most low-income renters would struggle to meet typical insurable losses:



£551 is the average payout on claims made to Aviva's contents insurance scheme for tenants.

73% of low-income renters say they would find it impossible to meet an unexpected bill of £500, without help from an external source.



And many experience losses:



1.4 million renters in low-income households say they have experienced some form of potentially insurable loss over the last five years.

Source: WPI Economics, Aviva, DWP, ComRes

Low-income families can be more at risk of suffering loss or damage to personal possessions:



Households in social housing are nearly twice as likely to be burgled as owner-occupiers.

Arson rates in low-income communities are 30 times higher than in higher-income communities.



Low-income households are eight times more likely to be in tidal floodplains than more affluent households.

Source: ABI

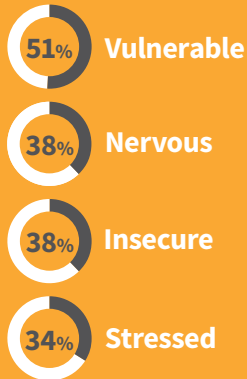
Contents insurance could provide protection and boost financial resilience but:



2.5m (61%) renters in low-income households don't have home contents insurance.

Source: WPI Economics, ComRes

54% of renters in low-income households say the absence of contents insurance has a negative emotional impact on them. In this group, the most common feelings are:



Source: WPI Economics, Aviva, DWP, ComRes
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Lack of insurance is pushing low-income renters to rely on credit:



250,000 renters in low-income households without contents insurance have relied on credit to pay for a potentially insurable loss in the last five years.

Source: WPI Economics, DWP, ComRes



95% of low-income renters without insurance, who relied on credit to repair or replace their possessions after an insurable loss in the last 5 years, say this has negatively impacted on their financial circumstances:



28% say a great extent



67% say to some extent

Source: WPI Economics, ComRes

Conclusion

- There are clear benefits to increasing take up of contents insurance amongst low-income families in private or social-rented accommodation.
- It should be a priority to innovate and build on existing industry initiatives and ensure that others including the Government and organisations like Fair4All Finance focus on the role that insurance can play in boosting financial resilience and reducing financial distress.
- Industry should also ensure that products meet the needs of low-income renters, that the potential benefits are effectively communicated and that the market barriers identified are tackled.



Full results and references available in report: Contents covered: the role and importance of home contents insurance for low-income renters (www.aviva.com/content/dam/aviva-corporate/documents/newsroom/pdfs/reports/contents-covered-report-by-wpi-economics.pdf)