FINANCIAL INCLUSION

IMPROVING THE FINANCIAL HEALTH OF THE NATION

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The missing piece in the Financial Inclusion Debate? Improving access to household insurance

Financial Inclusion Commission

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FOREWORD BY SIR SHERARD COWPER-COLES, KCMG LVO

Financial inclusion is about ensuring that every adult is connected to the financial 'mains', just as he or she is connected to essential services such as electricity or water. Financial services and products need to be accessible, easy to use and meet people's needs over their lifetime. So far banking and payment services, savings, and affordable credit have come under the financial inclusion microscope but insurance has been forgotten.

Insurance gives people the peace of mind to plan beyond day-to-day expenditure, protects against financial hardship, and helps build financial resilience in an uncertain world.

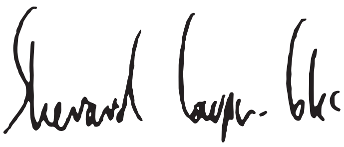
Nearly 16 million adults living in rented or owner-occupied housing in the UK have no home insurance cover and many have little or no savings. If they lost their possessions through fire, flood or theft, they would have to turn to credit, seek charitable assistance or simply do without. As the Grenfell Tower catastrophe reminded us, too many people view household insurance as something they can't afford and 'not for them'. Some struggle with digital channels and other barriers to obtaining the cover they need. Many of those without insurance live in areas of higher crime and are at greater risk.

This report outlines a number of solutions. Further efforts to increase understanding of the role household insurance can play in reducing financial exclusion in the UK and to increase transparency in the sector itself would be important first steps. Additional ways to provide cover and a new default for insurance-with-rent schemes could overcome some of the barriers associated with lack of cover. A comprehensive, effective, industry-led sign posting service for people struggling to obtain appropriate, affordable insurance cover, building on valuable efforts already being made, would help those who want household insurance but struggle to buy it.

While the market can provide some solutions, there is a real role for social policy: the Commission is calling on the Government and regulator to work together to provide clarity on their respective roles and for the Government to develop and lead a national strategy on financial inclusion which fully encompasses household insurance as a vital component.

The Commission thanks all those working to put household insurance on the financial inclusion 'map', especially fellow commissioner Laurie Edmans who has spearheaded this work, the report authors Nick Hurman and Jackie Wells, steering and reference group members, and those who responded to the consultation.

The United Kingdom leads the world in financial services. It should also lead the world in ensuring that every adult is connected to those services in ways that are affordable and meet individual needs.



Sir Sherard Cowper-Coles
Chair of the Financial Inclusion Commission

I. EXECUTIVE SUMMARY

Nearly 16 million adults living in rented or owner-occupied accommodation in the UK have no insurance cover for their possessions, and many have little or no savings. If they lost their possessions through fire, flood or theft, many would have to turn to credit, seek charitable assistance or simply do without. They would also suffer stress (with all of its associated health problems) and other hardships in the aftermath of loss.

Many see household insurance as expensive and 'not for them' or struggle with digital channels and other barriers to obtaining cover.

And yet, even those on low incomes could currently insure their possessions for around 33p a day (or less) if simple low-cost ways could be found to reach them.

This report sets out findings from a research study commissioned by the Financial Inclusion Commission with the aim identifying ways to increase access to affordable home insurance for under-served consumers in the UK.

Exclusion is focused in those on low incomes – 60 per cent of those on £15,000 or less have no contents cover. They face higher risks of loss (up to 30 times in the case of arson) and have limited capacity to replace or repair their goods and belongings - many (over 7 million UK adults) having less than £1,000 in savings. Exclusion is also biased towards the young – 81 per cent of 'Generation Rent' is without contents cover.
But the most striking factor is that of tenure with 10.5 million renters having no contents insurance, made up of 5.1 million renting in social housing and a further 5.4 million in private rented accommodation. Around 5.2 million owner occupiers are also recorded as without cover.

In addition, there are other specific groups who have difficulty accessing cover due to their circumstances or lifestyle, many of whom may be vulnerable.

Our analysis suggests that a complex web of barriers exist:

- On the demand-side, reasons for exclusion include a real or perceived lack of affordability, behavioural biases, a lack of trust, low levels of financial capability, low usage of digital channels and low digital skills, living in high-risk areas and preferred payment methods which are not met by the industry.

- On the supply-side, reasons include complex product design, tax increases, the growth of digital channels, increased segmentation and the use of big data. These can add to the barriers to access, affordability and engagement with contents insurance.

Our research shows that the market can provide solutions across a wide range of customer needs. There is apparent commercial opportunity to address a market of up to 16m adults who are currently underserved. But there is also a sense that the industry may be at the margin of what can be achieved within existing business models and constraints of consumer attitudes and capabilities.

We conclude that solutions are required to:

- address the coverage gap for those who could and should have cover but don't; and

- bridge the access gap for those who want cover but can't easily obtain it.

We suggest that there are four key areas to address:

- Increasing contents insurance coverage for social tenants by developing a new default approach;
- Increasing contents insurance coverage for private tenants by:
  - looking at ways to extend the benefits of Tenants' Contents Insurance to private renters; and
  - researching and innovating new approaches to engage 'Generation Rent';
- Providing better access to household insurance for other groups who are not well served by the mainstream market through a more complete and effective signposting system; and
- Increasing the profile and understanding of household insurance as part of wider financial inclusion agenda.

But most of all, we need to place the issue of the insurance gap firmly into the mainstream of public policy on financial inclusion and as an integral part of a clear, Government-led National Financial Inclusion Strategy. In this way, household insurance can help complete the financial inclusion picture.

II. WHY INSURANCE MATTERS

When carrying out the research for this project, the opening remarks in any conversation with a stakeholder were almost invariably about insurance being the forgotten piece of the financial inclusion debate. There was a presumption that insurance is a natural and necessary part of the financial inclusion landscape but that the focus of efforts has been in other areas – basic banking, payment services, savings and more recently affordable credit.

This section sets out the case that can be made, on the evidence available, that insurance is essential for a financially inclusive society.

Insurance is an important contributor to financial resilience

A family that is covered by household insurance is much more resilient to the financial impact of a fire, flood or break-in than a family which has little in the way of insurance protection.

Data from the ABI[1] shows that 1.2 million successful claims were made on household buildings and contents cover in 2016 with an average payment of just over £2,500. £2,500 represents a figure beyond the savings of many households.

The ability to raise money quickly without having to sell assets, dip into savings or use unsecured credit to replace essential lost items (such as furniture, clothing, bedding, technology and white goods) provides a valuable buffer against financial shocks, especially for those on low incomes and/or with illiquid assets.

Insurance provides:

- immediate access to a capital buffer in case of loss;
- protection from savings being used up paying unexpected bills arising from accidental loss or damage;
- the ability to repay loans taken out for large purchases in the event of accidental loss or damage and;
- peace of mind to help people have confidence to plan financially beyond the day-to-day.

Insurance buys peace of mind

The primary perceived value of insurance to consumers is psychological. Research conducted on behalf of Aviva[2] shows that the most common reason for having home insurance is peace of mind – with more than half of homeowners (57 per cent) saying this is why they have it. It's a factor that seems to become more important with age, as 67 per cent of over 65s cited peace of mind as their top priority when it comes to protecting their homes.

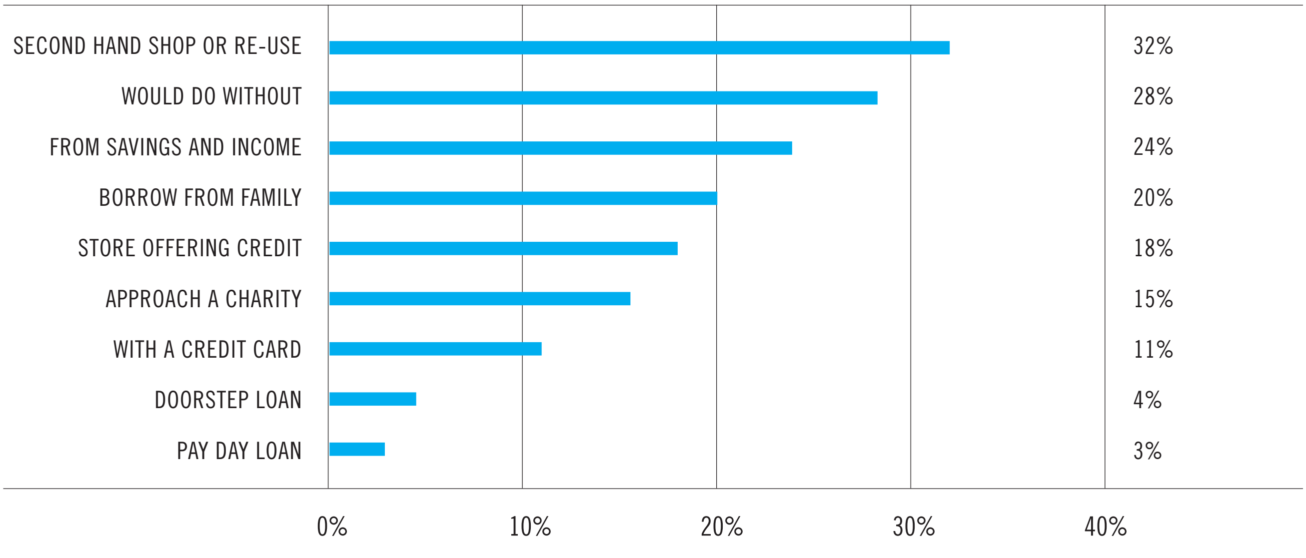
Insurance could be an important support for those on low incomes to replace lost contents

For those on low incomes, financing the replacement of a larger value item is a major issue due to lack of savings and income.

1. ABI Property Claims report cited in their response to the FIC Call for Evidence, 2017
2. Research conducted by ICM with 2,000 consumers for Aviva, May 2016 accessed at https://www.aviva.co.uk/home/home-advice/article/so-why-do-we-buy-home-insurance/

A reader survey of social housing tenants by the Social Publishing Project's 'Quids In' magazine[3] found that, if faced with replacing a washing machine, only around a quarter (24 per cent) would be able to do this from savings or income. So three quarters would have to search for another solution. Around a third (32 per cent) would have to use credit and a further fifth look to borrow from their family, whereas over a quarter (28 per cent) said they would simply have to do without.

Figure 1: Means of replacing household goods for those in social housing



Source: 'Quids In' Survey Report, 2016

This chart illustrates how vulnerable those on low incomes are to relatively small losses of £200-£300. Insurance can provide an alternative to using up savings, borrowing or just doing without. And major losses due to fire, flood and theft may use up both savings and borrowing capacity, so insurance would be the only option in these circumstances to providing financial resilience for low income families if they are not to fall back on charity or the state.

The prevalence of Tenants' Contents Insurance schemes, which has the potential to cover around 85 per cent of all social tenants, demonstrates the importance placed on insurance by social landlords as part of financial inclusion. As we note later in this report, although the potential is high, the take-up of such insurance is relatively low.

Those on low incomes face higher risks

A primary factor used by insurers in pricing household insurance is location. Those on lower incomes can face much higher incidence of loss due to the risks inherent in where they live.

Data from the ABI[4] show how low-income households are often exposed to greater risks. For example:

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

3. Quids in Reader Survey, October 2016 accessed at http://www.socialpublishingproject.com/what-were-up-to/2016-quids-in-reader-survey-report-published
4. Helping Tenants Protect Their Possessions, Association of British Insurers (2010)

As a result, those on lower incomes are more likely to suffer a loss and hence benefit from cover. They are also likely to be charged higher premium rates to reflect this risk. So, whilst they may have less to insure than those on higher incomes, the total cost of insurance may be similar or more than for those on higher incomes and so form a larger proportion of their total expenditure.

The balance of perception of risk and cost of cover is one that is more challenging for those on lower incomes.

A relatively small amount of capital can make a big difference to resilience

Research by StepChange Debt Charity[5] has shown that if every household in Great Britain had at least £1,000 available at times of crisis, it would reduce the number in problem debt by 500,000. Yet the ONS Wealth and Assets Survey shows 7.17 million households in the UK do not have £1,000 in accessible cash savings. The savings gap – the amount these families need to save in order to each reach £1,000 - is estimated at £5.36 billion. In particular, there are very low levels of accessible cash saving among households:

- with a lower income;
- where the home is rented, rather than owned; and
- which contain younger dependent children.

It is likely that these social factors overlap significantly, particularly for those in social housing.

Less than 55 per cent of households with a net income equal to or less than £14,000 a year have at least £1,000 in accessible cash savings and only 41 per cent of households living in rented accommodation have at least £1,000 saved[6].

Saving £3 a day, it will take a nearly a year to save £1,000 at a cost (by reduction of disposable income) of £90 a month.

Home Contents Insurance, via schemes for those in social housing, can provide access to nine times this buffer in the event of damage or loss, with no excess, at a ninth of the cost - around 33p a day or £10 a month – even less for those over 60 or who choose a more basic cover[7].

There are choices to be made as the premiums are a sunk cost – premiums paid are not saved. So in this example, a £10 month premium would result in a £120 reduction in savings in return for the peace of mind for the majority who do not suffer an insured loss.

Where might greater coverage have most impact?

The Money Advice Service (MAS) utilises a market segmentation that contains three core groups of consumers – the "Struggling", the "Squeezed" and the "Cushioned" - as a useful way of delineating between different demographic groups. These segments are briefly summarised below:

STRUGGLING:

Consumers who struggle to keep up with bills and payments and to build any form of savings buffer. They are the least financially resilient and the most likely to be over-indebted.

5. StepChange Debt Charity (2014), The £8.3bn challenge
6. StepChange Debt Charity (2017), Becoming a nation of savers
7. See, for example, City of Westminster tenants scheme at https://www.cwh.org.uk/sites/default/files/documents/2017-06/Home%20Contents%20Insurance.pdf

SQUEEZED:
Working-age consumers with significant financial commitments but relatively little provision for coping with income shocks. They are digitally savvy and have high media consumption but this is more for entertainment than financial information.

CUSHIONED:
The most financially resilient group with the highest levels of incomes and savings and the lowest proportion of over-indebtedness. They are the most highly engaged with their finances.

MAS, in their response to our Call for Evidence, recommended focusing on the squeezed segment, saying "our research indicates that they are both disproportionately affected by this issue, and would also benefit the most in terms of improved financial capability and resilience from intervention".

Conclusion

Insurance can contribute to financial resilience and provide immediate protection against loss. It does not replace the need for banking, saving and affordable credit but adds another dimension to financial resilience. It also broadens the scope of participation in the financial services system and underpins access gained through banking and saving – helping both the struggling and the squeezed as well as benefitting the cushioned and ultimately reducing potential burdens on the state.

Understanding more about the additional value insurance brings – both perceived and financial –would enable a better understanding of the trade-offs between insurance and saving as strategies to improve overall financial resilience, particularly for those on low incomes. It will also better inform where policy is best targeted to ensure the greatest beneficial impact on financial resilience, especially amongst those on low incomes.

But first we need to consider how the market currently delivers household insurance cover to meet these needs and its ability to reach the different customer groups.

III. THE HOUSEHOLD INSURANCE MARKET

This chapter looks at the supply of insurance, its products and channels and the challenges faced in addressing the needs of the whole market.

Household insurance is a major and competitive market

Statistics from the Association of British Insurers (ABI)[8] show that the UK household insurance market is worth around £4.5bn of net written premiums in 2016. This was 17.5 per cent of the total UK general insurance business (£25.5bn). New statistics from the Financial Conduct Authority (FCA)[9] show that UK adults hold 34.2 million household buildings, contents or combined insurance products.

ABI figures show that premium volumes have not grown since 2011 and have shown a decline in the last five years of just under a quarter (23.6 per cent) before allowing for inflation. The market has remained profitable, although profitability declined steadily from £545m in 2011 to £151m in 2015[10].The proportion of premiums paid out as commission and expenses rose 8 percentage points in the last 5 years from 37 per cent in 2011 to 45 per cent in 2016. The ABI separately reported that 2016 saw the lowest average combined buildings and contents insurance premiums on record. For household contents cover, the average premium was £140 per year.[11]

Figure 2: UK Domestic Property Revenue £m (with authors' analysis of ratios)

Year	Net Written Premiums	Total Outgoings	Net Claims	Commission and Expenses	Change in Provisions	Underwriting Result	Claims Ratio %	Expense Ratio %
2007	5,573	6,625	4,533	2,037	149	-1,053	81	37
2008	5,753	5,544	3,296	2,123	62	208	57	37
2009	5,452	5,117	3,110	2,051	-96	334	57	38
2010	5,649	5,694	3,541	2,188	-60	-45	63	39
2011	5,846	5,302	3,005	2,179	160	545	51	37
2012	5,845	5,623	3,177	2,328	62	222	54	40
2013	5,772	5,412	2,805	2,546	12	360	49	44
2014	5,427	5,079	2,735	2,382	-116	348	50	44
2015	5,139	4,998	2,779	2,168	-32	151	54	42
2016	4,463	4,209	2,199	2,010	-580	524	49	45

Source: Association of British Insurers

8. Accessed at https://www.abi.org.uk/data-and-resources/industry-data/free-industry-data-downloads/
9. FCA Financial Lives Survey 2017 accessed at https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults
10. The result in 2016 is effected by a large movement in reserves
11. ABI response to FIC Call for Evidence, September 2017

This paints a picture of a competitive market for insurance but also of increasing cost pressures on insurers. Pressure does seem to be highest on the insurers given the combination of low premiums and increasing proportion of premium income paid out in commissions and expenses - much of which goes to paying intermediaries such as banks, brokers and price comparison websites.

Some interviewed for this project commented on the impact of the continued rise in Insurance Premium Tax (IPT) paid by consumers on household premiums. The IPT rate has risen from 5% in 2010 to 12% in 2017[12] adding to the costs for consumers. For consumers this has meant that although insurers have not seen increases in premiums received, the consumer is paying more for the same cover.

It is worth noting the changes in the level of total premiums do not necessarily tell us that the number of people covered or the amount covered has fallen or risen.

The market has a number of large players and no single dominant insurer. Ten insurers accounted for 74 per cent of market premiums in 2015 with the two largest - Lloyds Bank and Direct Line - both holding a 13 per cent share of the market[13].

Primary market: combined cover for homeowners

The most widely sold product in the market is a package combining buildings and contents in one policy. This product is held by 49 per cent of all UK adults with merely 12 per cent holding contents only and 6 per cent buildings only policies[13].

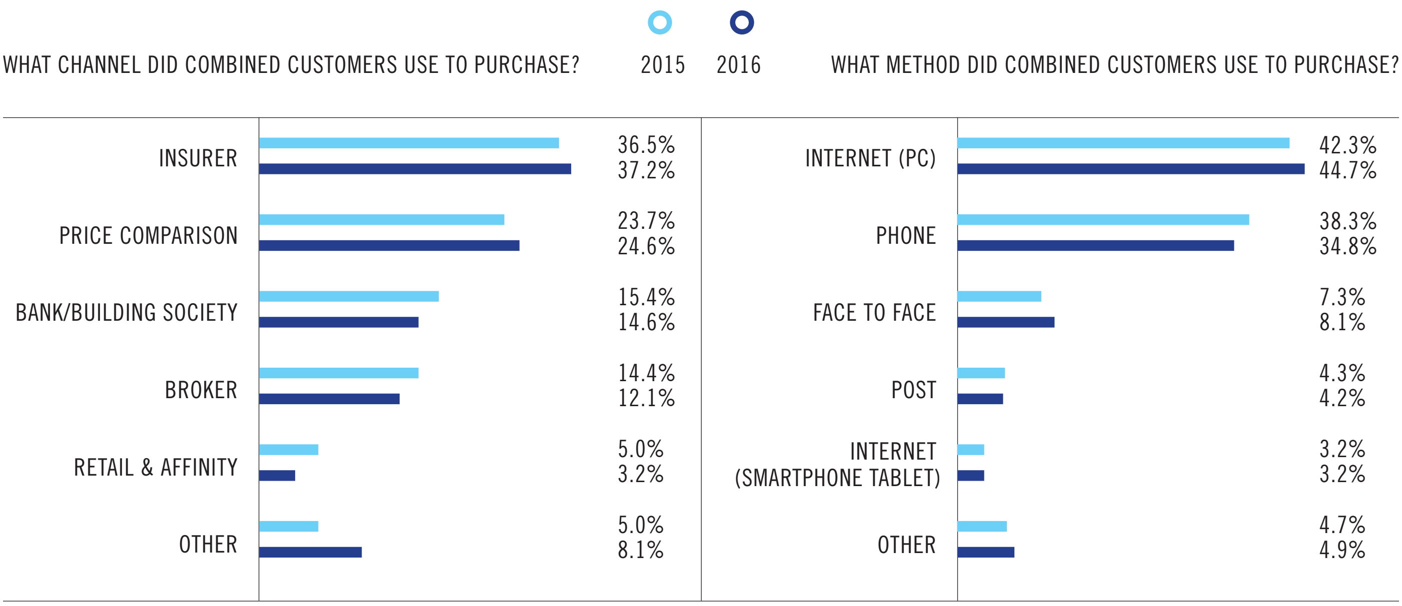
The combined policy is primarily targeted at homeowners and packages together buildings and contents cover together along with a number of ancillary covers as a single solution. This is convenient to the consumer as they have to make only one purchase and have only one insurance relationship to manage for their home. For the insurer, it helps ensure that the need for buildings cover – compulsory where the property is mortgaged - also triggers customer engagement with the need for contents cover[14].

Direct distribution is most popular and increasingly online

For insurers, primary distribution channels have changed over the years. Whereas brokers, banks and building societies were the main channels before the arrival of the internet, now around a third of customers purchase a combined policy direct from an insurer with a further quarter purchasing via a price comparison website. The two most popular of these are Comparethemarket.com and Moneysupermarket.com who together hold a 67.5 per cent share of this channel. Research from the Chartered Insurance Institute (CII)[15] suggests that many of those who go on to purchase from an insurer will use price comparison websites at some stage of their purchasing or renewal journey.

12. See for example https://www.theguardian.com/money/2016/nov/23/autumn-statement-insurance-premium-tax-increased-again
13. UK Household Insurance: Competitor Dynamics 2016 – Verdict Financial
14. See FCA Financial Lives at https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults
15. Research conducted by Critical Research for the CII between 2011 and 2015 across a sample of 3060 UK adults.

FIGURE 3: CHANNEL AND METHOD OF DISTRIBUTION FOR COMBINED HOUSEHOLD POLICIES



Source: Verdict Financial

Almost a half of sales are completed online with a further third being by telephone. Fewer than 10 per cent purchase insurance face-to-face[16].

Combined insurance is a price competitive market

As the primary product in the market, combined insurance is the focus of market development and competition. Verdict research[17] suggests that over half of combined customers research on a price comparison site before purchasing and that price is the dominant factor when choosing their provider.

Over half those buying combined insurance through price comparison sites in 2016 switched provider and overall just under 30 per cent of all combined customers switched regardless of channel provider. But a further 25 per cent automatically renewed with their existing provider without shopping around.

New rules on transparency at renewal, introduced by the FCA in April 2017[18], are intended to prompt more customers to review their premium. The provider is required to disclose last year's premium thus encouraging the consumer to check cover and to shop around in the market. Additional prompts are prescribed for those who have renewed four or more times with the same provider.

Competition and segmentation

The effect of strong price competition, coupled with the increase in online purchasing and the use of price comparison websites is seen by a number of respondents to be driving an increasing commoditisation of the market. Insurers are increasingly required to design products and the purchase process that fit inside a standard set of risk parameters that fit their online systems and those of the comparison websites. This practice risks leaving customers who don't fit within these parameters being excluded from the market.

16. UK Household Insurance: Distribution and Marketing 2016, Verdict Financial
17. UK Household Insurance: Distribution and Marketing 2016, Verdict Financial
18. See https://www.fca.org.uk/firms/transparency-insurance-renewals

Further developments are expected as firms increasingly make use of 'Big Data': data from a wider range of sources coupled with sophisticated analytical tools. The FCA has stated that concerns have been expressed over the potential of big data to increase risk segmentation and consequently lead to consumers with higher risks being unable to obtain affordable insurance. As yet, they have not seen these concerns materialise[19].

Firms are driving hard to streamline the purchasing process to reduce costs and increase volumes. The corollary is that there is less opportunity for human intervention to consider an application on its individual merits and ensure that as many enquirers as possible can receive an affordable quote and have an appropriate product offered.

This type of competition and increased segmentation is seen to have a number of consequences:

- A lower operating cost base supporting lower premiums for standard risks;
- Increased segmentation of the market, leading to more differential pricing and less pooling of risk;
- Reduced prices for those who fit within the product parameters;
- Increased prices for those for those that don't – with some, inevitably, being priced out of the market and living with no cover;
- Fewer cross-subsidies resulting from smaller risk pools;
- An increased focus on price as the point of comparison for consumers, at the expense of other factors such as coverage or reputation;
- Pressure on providers to focus on cost at the expense of other factors in order to win business;
- Increased risk of buying inadequate or inappropriate cover in the absence of being able to discuss individual needs and circumstances over the phone or face-to-face.

Purchasers who do not fit within the product's underwriting parameters are excluded or ejected from the online process - for example on the basis of their claims history or occupation – and either have to restart the process by telephone or try another provider or site.

As a result, the FCA found[20] consumers who are deemed by insurance companies to be high-risk or 'non-standard' may find few options open to them. This may become apparent only after a lengthy, sometimes distressing, search. If they can find products, these consumers may end up paying a high price for a product that doesn't fully meet their needs, choose to go without cover or even fail to disclose their circumstances fully with the risk that any subsequent claims may not be paid.

The Financial Services Consumer Panel described this process as an "increasing demutualisation of risk" and has recently called on the FCA to assess the risk models used by firms, to ensure they are treating customers fairly. But it comments further that this issue is one of wider public policy and that the industry will find it difficult to move away from its current risk models without regulatory and governmental intervention and support[21].

19. See FCA published feedback statement on Big Data Call for Input at https://www.fca.org.uk/news/press-releases/fca-publishes-feedback-statement-big-data-call-input
20. https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-17-access-financial-services-uk
21. See https://www.fs-cp.org.uk/sites/default/files/fscp_response_call_for_input_cancer_and_travel_insurance.pdf

Modular products

An alternative approach to the traditional combined policy now entering into the market is that of creating modular products that focuses more on the types of cover a household requires rather than a standard product with add-ons. The aim is to allow the consumer to customise the product and purchase only the cover that they feel they need either in combination or as a standalone cover. Examples might include gadget cover and home emergency cover as well as traditional contents or building cover[22]. One particular target mentioned in interview was younger customers moving from home into rented accommodation who may have a small number of high value items but little in the way of other household contents.

This modular approach would compete with individual insurance products offered by mobile phone providers, gadget insurers (such as Protect your Bubble) by offering a wider cover and with packaged affinity schemes, such as the NUS/Endsleigh student insurance scheme.

One respondent commented that this requires a change of mindset in designing the sales process. The traditional view is that it needs to be short and slick to capture the essential rating information quickly and to fit the standard templates of the price comparison website. The modular approach turns this on its head, asking the process to enter a dialogue with the consumer to explore what their needs are, tell them how the covers work and explaining their relevance and value.

By doing this, the industry hopes to engage the customer more fully in their purchase choices by exploring the benefits and costs of different choices rather than focusing on the price of standard cover.

Insurers might use the consumer's purchase of a high value item – such as a smart phone, laptop, musical instrument, sports equipment or a bike – as a potential trigger to purchase a wider range of cover.

Affinity schemes

The industry has a history of finding ways of serving customers who do not fit so well into the mainstream market or products through the development of affinity schemes. Intermediaries have a major role in their establishment by identifying the potential market, developing a proposition, finding competitive insurance and marketing and administering the business.

In this way, specialist markets also serve consumers and schemes exist for a wide range of differing needs. Some of these have become major players in the market, such as Saga and Age Concern, but smaller schemes also serve a wide variety of groups.

Tenants contents insurance and insurance with rent

Intermediaries, insurers and registered social landlords have worked together for many years to provide contents insurance for those with low incomes in social housing. In the absence of the trigger of a mortgage and home ownership, landlords offer access to specifically tailored contents insurance schemes as an integral part of the housing service to their tenants.

These arrangements are typically referred to as Insurance with Rent - where payment is made with rent - or more generally Tenants' Contents Insurance where payment is made separately to the scheme provider or a third party administrator.

Tenants' Contents Insurance is widely available to those in social housing – around 85 per cent of the social housing stock had access by 2009[23]. Whilst not compelled to provide such schemes, social landlords have strongly supported provision as part of their wider social purpose and their commitment to promoting financial inclusion. They also see benefits from insurance in making tenants more financially resilient and more sustainable through less pressure on arrears and less claims against/disputes with them as landlord.

22. See TSB Pick and Protect Home Insurance as an example at http://www.tsb.co.uk/home-insurance/ in the UK or Lemonade https://www.lemonade.com/ in the US
23. Kempson and Collard (2012) – Developing a vision for Financial Inclusion (Friends Provident Foundation)

These schemes seek to address the needs of tenants by features such as:

- Simple rolling contracts that do not require renewals;
- Accepting payment as part of and/or at the same frequency as payment of rent – so weekly or monthly – and using multiple payment mechanisms;
- Cover levels (sums insured) that start at low levels (typically less than £10,000 and some much lower) for those with minimal contents and personal possessions;
- Cover for tenants improvements, tenants liability and rehousing costs;
- Clear, published single premium rates underwritten at landlord and not the tenant level; No excesses applied to claims;
- Simple one-page application forms with a small number of tick box answers.

This represents a different proposition from those available in the mainstream market. Premium levels vary depending on the nature and location of the local authority's housing stock and the loss experience, but typical starting costs are in the range of £1- £2 a week for a £10,000 sum insured. Lower rates and sums insured are usually offered to those over 60.

Success, in terms of take-up, is primarily dependent on the degree of engagement of the landlord with the scheme. This drives the availability of literature to promote the scheme, integration into the key touch points with tenants – particularly at the commencement of tenancy – and the training of front line housing staff in operation of the scheme and promoting benefits for tenants.

Respondents commented that take-up rates could vary in the range of 5 per cent to 15 per cent of eligible tenants, which is broadly consistent with past published estimates of 10 per cent to 16 per cent[24].

In traditional Insurance with Rent schemes, the housing authority acts as the administrator and collector of premiums. They receive a commission from the insurer to fund this work, so that the schemes can be self-financing. However, respondents have commented that cost pressures on housing associations have increased significantly and there is a trend towards the administration of Insurance with Rent schemes being outsourced to a third party administrator. When this happens, collection is made separately to rent (though with the same frequency) and front line staff are no longer directly involved with the scheme. This was found to reduce take-up and persistency – one respondent estimated that a 25 per cent reduction in participation might be typical on conversion from Insurance with Rent to third party administration.

Regulation

In the UK, the Financial Conduct Authority (FCA) regulates the conduct of both insurers and intermediaries operating in the market. The Insurance Mediation Directive increased consumer protection from 2005 by ensuring all intermediaries of general insurance were regulated.

This was tacitly accepted by our respondents as beneficial in supporting consumer confidence and an orderly market. However, there was some comment that this restricted the opportunities to involve intermediaries who are not specialist insurance professionals, to participate in the distribution of insurance particularly for those on low incomes.

Regulation has been adapted to protect distribution of insurance through social landlords by means of a specific exclusion. This exemption is not available to private landlords or other service providers, who need to mediate through a regulated entity. Examples of these exist in the Third Party Administrator companies used by some social landlords' contents insurance schemes.

24. Kempson and Collard (2012) – Developing a vision for Financial Inclusion (Friends Provident Foundation)

Regulation was cited as a barrier to increasing coverage of Tenants' Contents Insurance schemes where tenants might be automatically enrolled into the scheme when commencing tenancy and given the option to opt-out. Development of such an approach was reported as being halted in the light of regulatory investigation of wider market practices in the use of add-on covers (for example in the motor market) and default insurance cover in the travel market.

The FCA has sought to protect consumers from opt-out selling of add-ons to general insurance. The FCA conducted a General Insurance Add-ons Market Study in 2014[25] which identified concerns about the way in which additional or 'add-on' covers were sold alongside a primary product, leading to the purchase of add-on covers that were not needed or understood. As result, measures were taken to address these concerns, including improving the information provided to customers buying add-ons and banning the use of opt-out selling for such cover.

A separate issue was raised by credit unions whose ability to offer services is limited by legislation. Credit unions argue they have a strong role to play in boosting levels of take up of home contents insurance for those on low incomes. However, legislation currently only allows credit unions to offer insurance to their members if it is ancillary to the provision of a loan.

The ABI expressed concerns around the impact of the new Insurance Distribution Directive (IDD), which applies from February 2018. This requires an insurance product to meet a customers' demands and needs. They are not yet sure how this will apply to an affordable product, for example covering just some personal possessions rather than all household contents, which may meet some, but not all, of a customer's insurance needs. The FCA has indicated that price is an element of demands and so it should be possible to design lower cost products provided they still represent good value for the consumer.

But this directive may still have implications if it restricts the appetite of providers for offering more basic covers designed to meet the affordability needs of lower income customers.

Conclusion

The evidence suggests that the household insurance market is driven by competitive forces and provides a range of products that are targeted at the differing needs of consumers in the market. Competitive pressures drive both keen pricing and increasingly convenient ways for mainstream customers to compare prices and purchase coverage. But they are also increasing the polarisation of the market between those with standard and those with non-standard risks, with scope for many of the latter to be excluded from the market

Outside of the mainstream - and the strong trigger of home ownership – the market still seeks to deliver different propositions to those on lower incomes and with more specialist needs through affinity schemes, tenants' contents schemes and more modular product designs or add-on covers.

But how far is the industry able to (a) attract consumers to the market who are not home owners and (b) deliver affordable products to those considered a 'non-standard' risk?

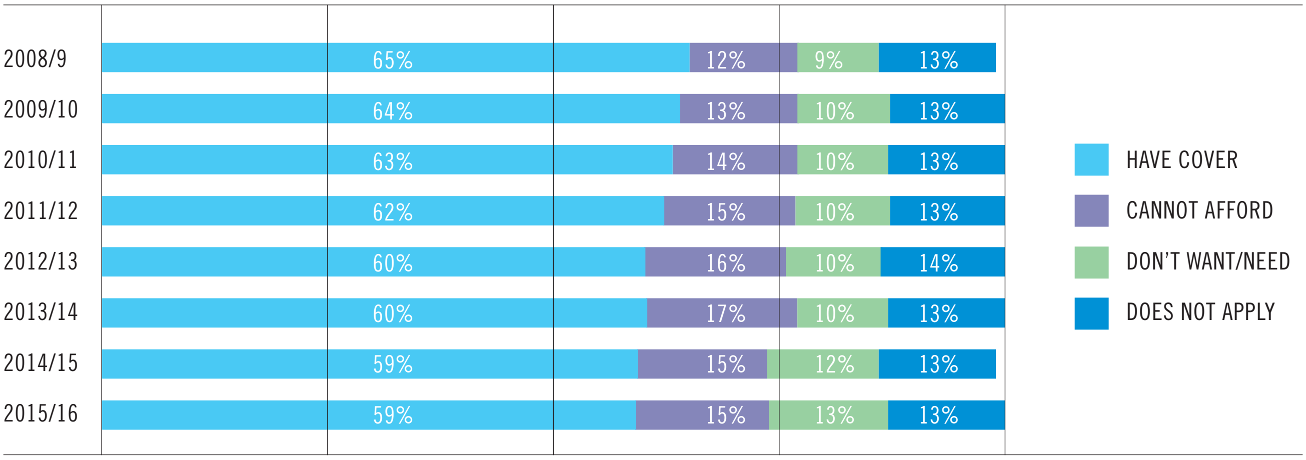
25. https://www.fca.org.uk/publication/policy/policy-statement-15-22-general-insurance-add-ons.pdf

IV. WHERE ARE THE GAPS?

In spite of the industry working to provide products that work for consumers and using efficient channels of distribution, there are signs of significant gaps in coverage and signs of particularly vulnerable groups.

In its annual Family Resources Survey for the Friends' Provident Foundation[26], the University of Birmingham devotes just one page to the subject of household insurance. It provides some high-level analysis of the penetration of home contents insurance among working age adults drawn from the Family Resources Surveys which suggests that coverage is in decline with more than one in four adults (28 per cent) saying that they either cannot afford or don't want or need cover (up from one in five in 2008/09). In part this may be due to the impact of the global financial crisis and austerity measures on household incomes.

FIGURE 4: PENETRATION OF HOME CONTENTS INSURANCE AMONG WORKING AGE ADULTS



Source: Family Resources Survey (analysis by School of Social Policy, Birmingham Business School)

Although the analysis highlights a potentially growing gap in home contents insurance, it tells us little about which types of individual or household lack cover and only a limited amount about the reasons for the lack of cover.

15.8 Million adults with contents but no contents insurance

Further details have been exposed by the recent FCA Financial Lives survey[27]. Overall, just 61 per cent of the UK adult population has some form of contents insurance, either as part of a bundled buildings and contents policy (49 per cent) or as a stand-alone contents policy (12 per cent) . At the level of the UK population aged 18 or over, the data suggest that some 20 million (39 per cent of 51.2 million adults) have no contents insurance. However, some of these individuals will have no need for their own insurance because they live with their parents or children (or others who insure them) or simply have very few personal possessions to insure.

If we include only owner-occupiers and those living in rental accommodation, we can suppose that around 40 million people are likely to have a need for some contents insurance, however small the level of cover. If we isolate these individuals, the FCA survey reveals that the proportion without contents cover falls only slightly to 35 per cent (and 15.8 million in number). If we assume an average of two adults per household, this suggests that around 7 million households have no contents cover and would face difficult times (both financially and emotionally) in the event of significant loss through flood, theft or fire.

26. https://www.friendsprovidentfoundation.org/wp-content/uploads/2017/09/Financial-Inclusion-Report-2017.pdf
27. https://www.fca.org.uk/publications/research/understanding-financial-lives-uk-adults

This is financial exclusion on a grand scale.

Younger and lower income groups are less likely to have cover

The FCA survey suggests that being young, having a low income or living in a rented property are all factors (albeit positively correlated with one another) that can result in failing to have home contents protection. The young are considerably less likely to have contents insurance than older groups, although some will have cover through their parents' insurance or feel that they can replace what few possessions they have. The FCA comments:

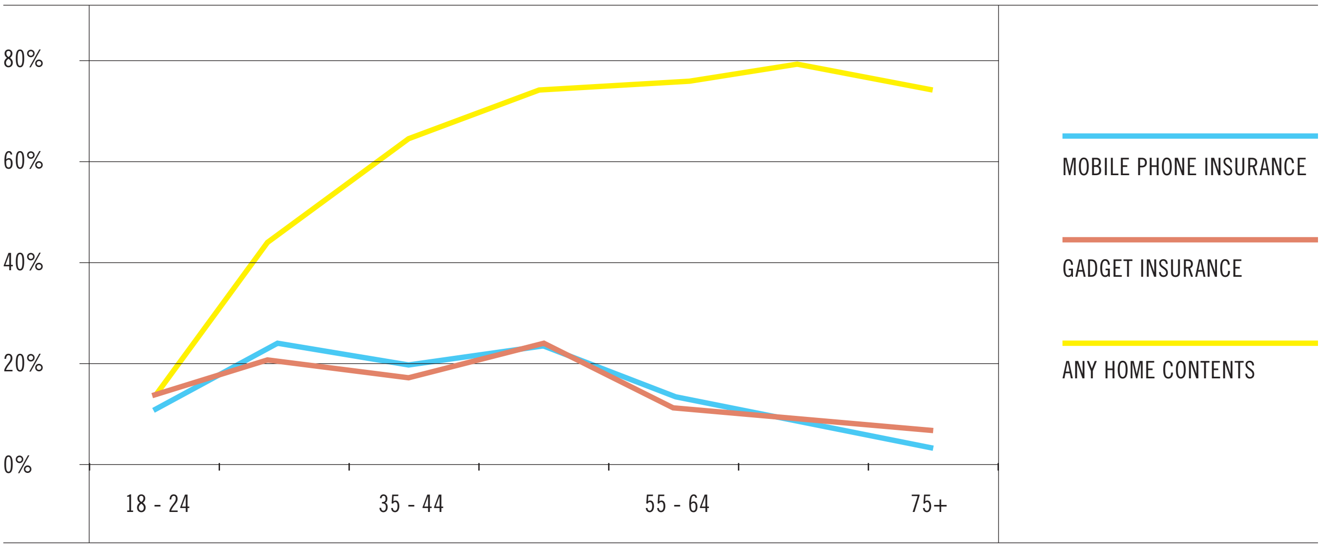
> "perhaps of most concern for generation rent is that only one in five (19 per cent) renters have home contents insurance ... in spite of their relatively higher income levels."

However, they are more likely than older groups to have separate cover for possessions that they particularly value, such as mobile phones or tablets as the chart below shows.

Coverage rises steeply with age during late 20s, 30s and 40s, in part in line with home ownership and mortgages. However, many adults in their 30s, 40s and 50s have no cover.

Worryingly, one in four of those aged 75 (26 per cent) or over and one in five of those aged 65-74 (21 per cent) has no contents insurance even though 93 per cent and 96 per cent respectively are either an owner occupier or living in rental accommodation.

FIGURE 5: HOLDINGS OF SELECTED INSURANCE PRODUCTS BY AGE BAND (AUTHORS' ANALYSIS OF FCA DATA)



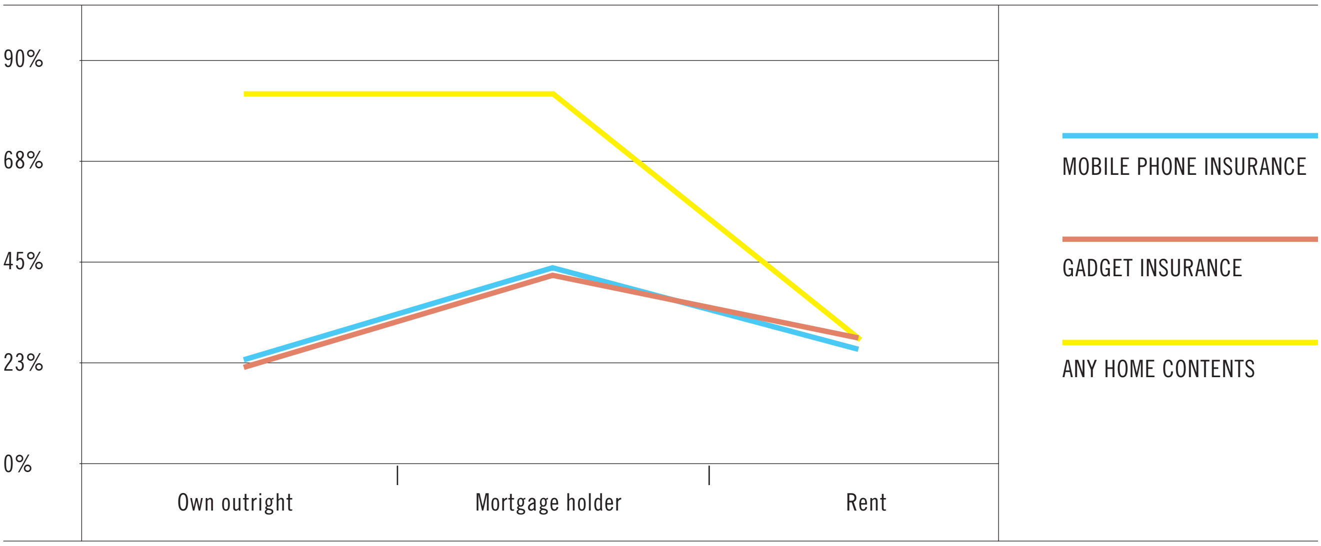
Income and employment status are also factors:

- just 39 per cent of those on an income of £15,000 per annum or below have cover, rising to 78 percent among those on the highest incomes;
- only 25 per cent of the unemployed have contents cover while 64 per cent of those working have cover.

10.5 million of the 15.8 million excluded are renting

The factor that reveals the starkest and most worrying difference in coverage is housing tenure. While more than 80 per cent of those who own their home outright or with a mortgage have some form of contents cover, this falls away to just 28 per cent among those renting. This implies that, of the approximate 14.5 million people renting in the UK, 10.5 million have no contents insurance, reinforcing the FCA's analysis that house purchase is major trigger for the purchase of financial products.

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



The FCA research also tells us more about those who are in rental accommodation and their financial resilience and vulnerability. Vulnerability is defined on the basis of financial resilience, financial capability, recent experience of a major life event and health conditions[28]. The FCA has classified two thirds of those renting as potentially vulnerable to harm due to low levels of financial capability and/or financial resilience, health issues or risk of life events creating difficulties.

Insurance gaps are greatest among those in social housing…

Analysis of ONS Living Costs and Food Survey 2015 by the Money Advice Service (supplied as part of their response to the call for evidence for this report) provides an even greater level of detail and highlights almost complete lack of home contents coverage among some types of household.

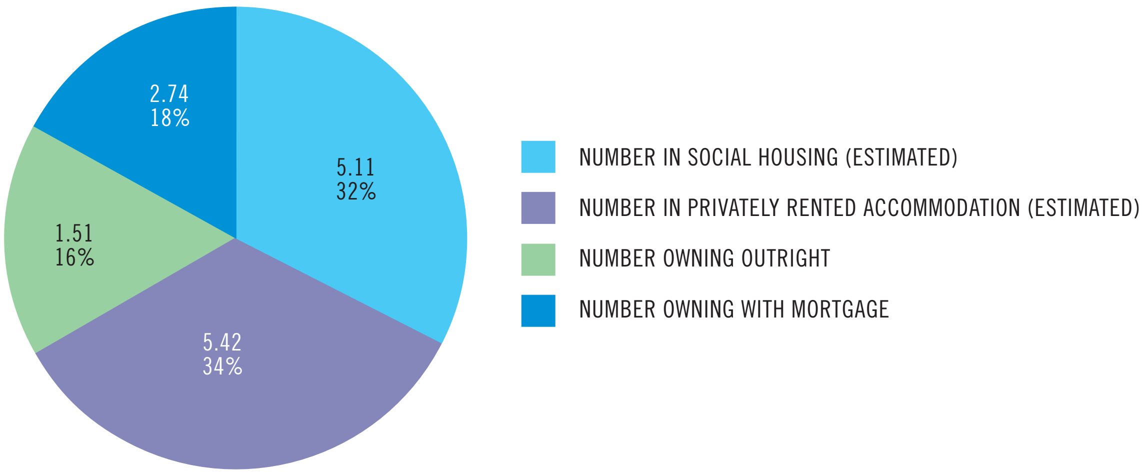
Their analysis shows that 59 per cent of households in unfurnished private rental accommodation are without cover and this rises to two-thirds (66 per cent) for those in unfurnished social housing. Levels of cover are, perhaps understandably, lowest of all among those in furnished rental accommodation. However, even for these households, the loss of personal effects could cause considerable distress and financial strain. Among those renting unfurnished, any catastrophic loss could be even more keenly felt.

…but numbers are greater among the larger group of private renters

Conflating the FCA data (which does not separate social from private sector renters), data on the numbers renting from social and private landlords and the MAS analysis (an imperfect match) suggests that around just under half of those renting and without contents insurance are renting from social landlords and just over half from the private sector. While an imperfect piece of analysis, the findings from other research reviewed for this report suggested a similar picture.

[28] Details of the definitions are available on the FCA website
https://www.fca.org.uk/publication/research/financial-lives-survey-2017.pdf

FIGURE 7: AUTHORS' ANALYSIS OF THOSE WITHOUT HOME CONTENTS INSURANCE BY HOUSING TENURE (MILLION AND PROPORTION).



Home ownership is the strongest trigger

Findings from the FCA's Financial Lives report suggest that buying a home may be the most significant trigger for holding many financial products, particularly general insurance and protection.

In addition, homeowners with mortgages are required to hold buildings cover by their mortgagor and this compels customers to engage with the household insurance market. 75 per cent of home owners hold combined polices on their houses and a further 9 per cent hold separate policies.

However, FCA data also suggests that 5.2 million adults who are owner-occupiers have no contents insurance. While this figure is higher than other surveys suggest (notably the 2015 ONS Food and Living Standards survey), the FCA survey is the most up-to-date and comprehensive survey on this issue.

'Non-standard' risks

Even where there is appetite to buy insurance, those consumers who present non-standard risks are finding barriers to access arising from their personal circumstances or life style.

This type of exclusion is not unique to the household market – for example, there are well documented parallels in travel insurance for those with medical conditions.

A number of issues were identified in the Call for Evidence.

Unoccupancy

When a property is unoccupied for an extended period, typically after 28 days, insurers will often apply restrictions on cover for example for water damage or theft. This reflects the increased risk and severity of loss. In cases where the property is unoccupied at renewal, this can result in insurance being declined.

Problems can also arise with claims where insurers are not notified promptly because the policyholder has been away and not noticed the loss.

Respondents cited problems obtaining cover resulting from unoccupancy in a range of circumstances including:

- armed forces personnel leaving their UK homes as they are posted abroad;
- extended stays in hospital through illness or injury;

- admission to residential or nursing homes and hospices and;
- extended stays with relatives/friends for care or respite care.

Claims history

Respondents reported issues arising for those who have a number of previous claims. This can result in additional premiums being applied at renewal and may limit the ability to shop around for cover because their claims history may take the application outside the normal underwriting criteria. In extreme cases, if cover is declined, this will usually need to be declared on any subsequent application.

Whilst most insurers will time limit the period for which claims need to be declared, declinatures typically will not be time limited.

Obtaining cover in these circumstances will normally require individual underwriting. This will exclude the applicant from mainstream offers via websites, makes access more difficult and may result in higher premiums and limited cover (for example higher excesses, lower claims limits or additional requirements, such as additional security or building works).

Such applicants may need access to specialist insurers or brokers to obtain cover, to find a more affordable premium or better cover.

Shared occupancy

Problems can arise through shared occupancy where limitations on cover are imposed by the insurer, typically for theft. Policy conditions will normally exclude theft claims in these circumstances where there is no forced entry or exit from the premises.

Respondents cited examples of possessions of relatives in care homes being lost or damaged (including expensive equipment such as wheelchairs and spectacles) as well as issues for students and other younger people in institutional accommodation, hostels and flat shares.

Problems can also arise where the insured person shares with another who would not meet normal underwriting criteria for reasons such as criminal convictions or claims history.

Those with criminal convictions

Evidence from Unlock[29], the charity for people with convictions, states that there are 10.5m people in the UK with criminal convictions and estimates that at least 750,000 of these have unspent convictions.

In recent research[30], Unlock looked at the approaches of 42 high-street insurance companies and found that two-thirds failed to make it clear to people that they didn't need to disclose spent convictions. Furthermore, they also found that nearly 1 in 5 companies took into account a spent conviction when considering an application even though they were under a legal obligation to disregard it.

The research also found that all of the insurers researched refused to offer a policy online to an applicant that disclosed a conviction, without any specific consideration about the relevance of the offence to the policy being taken out. Only one company offered a policy over the telephone.

Unlock found that although people with convictions are, in most cases, able to secure some form of household insurance, this often comes at a significant additional cost, and not from the mainstream market.

29. http://www.unlock.org.uk/wp-content/uploads/Unlock-evidence-to-House-of-Lords-Select-Committee-on-Financial-Exclusion.pdf
30. http://www.unlock.org.uk/wp-content/uploads/Insurance-providers-and-criminal-records-Sept-2017.pdf

The impact of criminal convictions reaches beyond the individual – any household with a convicted member will be affected.

Specified occupations

Though not specifically raised by respondents, there are a number of occupations that generally require individual underwriting and so may be excluded from accessing mainstream products, have to pay additional premiums for cover and/or have restrictions or conditions placed on the cover offered. These are generally due to aspects of their lifestyle that present a specific higher risk. Examples range from professional sports people, entertainers and those in the gambling or gaming industries to students, childminders and armed forces personnel.

CONCLUSION

The analysis above suggests that many individuals and households are excluded from the home insurance market and, as a result, would have lower levels of financial resilience in the event of a catastrophic event. Most of these are found in the rental sector – either social or private. There are two types of gap that need to be addressed:

1. A demand gap amongst
    A. those who do not have the strong trigger of home ownership – those in rented accommodation are most clearly disengaged from this market and, at best estimate, number around 10-11 million;
    B. those home owners (5.2 million) who do not have contents cover as evidenced by the FCA's data[31].
2. A supply gap for those who want to purchase cover but in engaging with the market find they are categorised as 'non-standard' risks and need to overcome barriers to accessing cover.

Before examining how best to reach these groups, we need to understand more fully the nature of the barriers to obtaining cover.

31. FCA Financial Lives Survey 2017 at https://www.fca.org.uk/news/press-releases/fca-reveals-findings-from-first-financial-lives-survey

V. UNDERSTANDING BARRIERS

As with other areas of financial exclusion, the root causes of exclusion are complex and relate to the abilities, attitudes and behaviour of individuals themselves, the behaviour of the financial services industry, interactions between the two parties and the influence of other agents such as intermediaries and the media. In parallel, the expectations of both the regulator and Government are integral for any progress to be made.

By far the biggest barrier to reaching the more vulnerable groups identified above will be their complete lack of engagement with the insurance industry when it comes to protecting their contents. Affordability and perceptions of affordability play a significant role in that lack of engagement as does a lack of trust in the industry. Overcoming this lack of engagement and finding ways of reaching these groups is a very significant challenge.

Abilities of consumers and complexities of information and processes can hamper access to insurance

Individuals' abilities can act as a barrier to financial inclusion by limiting their access and interaction with financial services organisations and products. These factors that can also be compounded by the ways in which organisations provide access, such as a growing shift to online services.

In its Occasional Paper on the Aging Population and Financial Services[32], the FCA reports on the impact that physical and mental health issues can have on decision making. Health issues such as poor eye-sight or declining cognitive abilities can hamper access to insurance as they can other financial services.

"Our Financial Lives Survey 2017 indicated that six in ten (59 per cent) of consumers aged 85+ and two-fifths (39 per cent) of those aged 55+ identified themselves as having a physical or mental health condition or illness lasting or expected to last 12 months or more.
This is significantly higher than the proportion (15 per cent) of adults aged 18-54 making the same assessment[33]."

The report also points to significantly lower levels of usage and confidence in using digital services among the very old (only 30 per cent of those aged 85+ have ever used the internet and among those who have, only one-third are confident in using it). In an age where the marketing and distribution of insurance products has become predominantly online, access for those unable to use such services can cause or add to exclusion. CII research found that 15 per cent of adults feel that information about insurance products is not easy to find and 10 per cent do not like the move by insurers to online sales and service (rising to 16 per cent among those aged 55 or over).

A low level of individual financial capability can also limit the ability to understand and engage with insurance, especially when combined with complex information at point of sale. In its consumer research, the CII found that nearly one in five adults (19 per cent) find the information provided by insurers difficult to understand (rising to 25 per cent among those aged 18-25).

32. https://www.fca.org.uk/publications/occasional-papers/ageing-population-financial-services
33. https://www.fca.org.uk/publications/occasional-papers/ageing-population-financial-services

As with many other areas, difficulties in accessing the products and the complexity of information and processes are often attributed as the main barriers to financial inclusion. In its recent paper on the subject of access to financial services[34], the FCA points to three areas of concern:

- the 'maze' of complex and bureaucratic processes;
- the 'fog' of industry jargon and difficulties in making comparisons;
- the 'void' that can be faced by consumers unable to engage through modern channels.

Attitudes and perceptions prevent consumers engaging

In the case of insurance, issues of the affordability of and access to products are compounded by attitudes towards and perceptions of the industry and products which are often negative. These are driven in part by the low frequency of claims but also by what is sometimes seen as untrustworthy behaviour on the part of the industry.

CII research found that one third of adults felt that they did not trust the general insurance industry (28 per cent not very much and 6 per cent not at all). Levels of trust vary little by age, income or housing tenure. Furthermore, one in five adults (19 per cent) feel that insurance is a waste of money (rising to one in four among those aged 18-25) while 49 per cent believe that insurance companies don't treat their customers who claim fairly. One in five (20 per cent) believe that the industry doesn't cater for 'people like me', rising to one in four among the young, those on low incomes and those in rented accommodation.

The FCA Mind the Gap[35] research also highlighted perceptions of poor value for money.

> "I just look at our monthly outgoings and there isn't much for an extra £30 on contents insurance that I'm pretty sure in the majority of cases they'd find a reason not to pay out or it would take weeks on end to get sorted." (Consumer, Epsom)

Such attitudes represent real barriers to financial inclusion and must be overcome if access, engagement and take-up are to be improved.

Affordability, perception and reality

For some individuals and households, a real or perceived barrier to getting insurance is the cost of insurance and the sense that, for many, it does not yield a financial return. ONS data on contents insurance, as reported in a 2017 Financial Inclusion Report[36], suggest that 15 per cent of adults would like to get contents insurance but feel that it is too expensive. What is or isn't too expensive will depend on both a household's budget and the value that people place on having insurance. The Personal Finance Research Centre (PFRC)[37] work on the poverty premium found that issues of affordability can be driven by both:

- demand–side issues such as disposable income, attitudes, biases, financial capability and access to markets; and
- supply-side issues such as product design, distribution methods and pricing models.

34. https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf
35. https://www.fca.org.uk/publication/research/mind-the-gap.pdf
36. https://www.friendsprovidentfoundation.org/wp-content/uploads/2017/09/Financial-Inclusion-Report-2017.pdf
37. http://www.bristol.ac.uk/geography/research/pfrc/themes/finexc/poverty-premium/

Views on the cost of contents insurance are difficult to unpack. In some cases, even a very low premium may still be too much for a household's budget. In other cases, it may be that the individuals have not been able to shop around or find an affordable premium, either through an inability to undertake a search or because they are genuinely priced out of the market, either because they present additional risks or the costs of reaching them are higher. The FCA's Mind the Gap[38] report suggests that those without digital access can feel, and perhaps are, priced out of the market.

In its work PFRC found that low income households can pay more for their insurance than others, due in the main to:

- paying premiums monthly rather than annually in advance (a form of credit that is reflected in the price);
- living in higher risk areas; and/or
- purchasing insurance to cover individual white goods or mobile phones either as an alternative to more comprehensive contents insurance or in addition to.

In total, the report calculates that low income households pay a premium of £27 per year for insurance on possessions (6 per cent of the total poverty premium of £490 per year). The report goes on to suggest that there is scope for government, industry and regulators to address the poverty premium and the contribution made by insurance. It suggests that regulators might examine the costs associated with paying monthly premiums, that simpler low cost products could play a role in reducing the poverty premium and that trusted intermediaries could play a role in reshaping the market.

Some of the differences in pricing between groups may be due simply to the cost and risk-based nature of insurance pricing while some may be due to price discrimination (where different customers with the same risk and cost profile are charged different prices). The issue of price discrimination has been explored by the FCA in its occasional paper in 2016[39]. It notes that charging different customers different prices for the same product or service can be a sign of a competitive market and does not conclude that there is a need for intervention in all cases. However, it does point to the US market where general insurers are prohibited from using criteria (such as inertia) as a tool in pricing insurance.

Nevertheless, there is a sense from feedback from the Call for Evidence and interviews conducted that more could be done for these groups - specifically exploring how:

- cover from specialist markets could be made more broadly available;
- new ways of raising awareness of and distributing these products to the more excluded groups; and
- exploring other ways of reducing access costs.

Accessing the market

For those customers who do overcome the lack of engagement, the way in which the market works can present barriers. A number of the causes of these issues were explored previously when we examined how the industry currently serves the market. From a consumer's perspective, this can present real challenges as they seek to address and navigate the market.

38. https://www.fca.org.uk/publication/research/mind-the-gap.pdf
39. https://www.fca.org.uk/publication/occasional-papers/op16-22.pdf

Understanding of the product

The standard household combined product is a complex product with a number of different coverages packaged together to address the needs of home owners. It is not a frequent purchase and assessing which coverages are required and at what level takes time and persistence. Policy limits and excesses can be difficult to establish. This can be confusing for customers to understand.

Tax increases

As already noted, there has been a rise of 7 per cent in the rate of Insurance Premium tax (IPT) on household insurance over the last seven years from 2010 to 2017.

Increasing dominance of digital channels

We have already commented on the competitive forces that are moving towards more business being sold direct and through digital channels. This is convenient for those who are connected and digitally confident. Those who have poor or no connection and particularly for those with few or no digital skills can find these channels inaccessible or force them to rely on others to assist or access on their behalf.

As more business moves to digital, the choice of product, competitiveness of premiums and standard of customer service available through other channels - over the telephone, by post or face-to-face - is likely to receive less attention and investment.

Segmentation

As discussed earlier, the drive for more individualised risk pricing and the associated reduction of risk pooling is resulting in an increasing segmentation of the market. This can be beneficial for those who receive more competitive pricing within the standard risk envelope, but has the opposite effect for those who sit outside.

As the FCA found in their Mind the Gap research[40], where customers are unable to find an affordable quote, or even take out cover, this can lead to the customer feeling powerless and excluded with no clear sense of how to improve their eligibility – or when the issues they face might cease to be a problem.

> "So, I'm asking for a quote after doing all the right things and looking at the best-rated contents provider, etc. And they're just refusing to even provide a quote! Most people would have given up but I persevered and it was only after I complained they said they wouldn't quote because I'd claimed three times in the past five years, on different policies" (Consumer, Devon)

A complex web of barriers

The evidence base relating to the reasons for exclusion from contents insurance cover is not complete but does suggest a complex web of demand-side and supply-side barriers.

On the demand-side, reasons for exclusion, as discussed above, include a real or perceived lack of affordability, behavioural biases and lack of trust, low levels of financial capability, low usage of digital channels, low digital skills, living in high-risk areas and preferred payment methods.

On the supply-side, complex product design, tax increases, the dominance of digital channels, increased segmentation and the use of big data, can add to the barriers to access, affordability and engagement with contents insurance.

Addressing these barriers will require efforts that address product design, lack of transparency, pricing and the costs inherent in the chain of distribution as well as overcoming consumer inertia and access issues. Appropriate intermediation between the most vulnerable groups and insurers will almost certainly need to be a part of the mix.

40. See https://www.fca.org.uk/publication/research/mind-the-gap.pdf

VI. EXPLORING SOLUTIONS

During the Call for Evidence and interviews, we explored with respondents their ideas for solutions that address the barriers identified by them. This section sets out the main themes and ideas that we captured and then seeks to evaluate them, assessing:

- in what ways a solution addresses the barriers to coverage;
- the potential for significant benefits in terms of increased inclusion;
- whether these would require major investment, action by the regulator, new legislation and/or impose significant costs to put in place; and
- the degree of clarity regarding who has responsibility for acting on the issues.

Our analysis has suggested a complex web of demand and supply-side barriers exists. So for a solution to be effective, there are likely to be a package of measures required. These need to address multiple barriers, potentially both on the demand and supply sides, to help vulnerable customers find a way through to buying appropriate and affordable cover. Formulating effective solutions is made harder by a lack of a joined-up strategy to address financial inclusion in the UK, especially between regulator, government and industry.

That the challenge is significant is illustrated by a study undertaken by Toynbee Hall in 2010[41]. Tenants of a housing association based in County Durham were offered access to a 'Save and Insure' scheme in partnership with a credit union. If they saved £10 a month for six months, they received a £20 credit to their account at maturity. In addition, they had the option for free home contents insurance (of £40 value) and access to affordable loans after 10 weeks. However, despite the insurance being offered free, only 68 per cent of those in the scheme took it up. This shows that even when the barrier of affordability – real and perceived - is taken away, other barriers can remain in play.

Insurance with rent: a new default?

Insurance with rent is an important solution in combatting exclusion, but the data shows that even with tailored products and proactive engagement through housing association staff with tenants, take-up is still relatively low. Inertia remains a key barrier as exemplified by a study in Northern Ireland Housing Executive Tenants[42] where of the 70 per cent without contents insurance, almost a half said the reason was they 'hadn't got round to it'.

A report written for Glasgow Housing Association in 2011[43] concluded that:

- the take-up of Tenants' Contents Insurance policies remains stubbornly low among social housing tenants;
- the product is not viewed by the beneficiary as a value proposition;
- the customer is often uninformed or mistrustful of the product;
- the take up is generationally biased (predominantly over 50s);

41. http://www.toynbeehall.org.uk/data/files/Services/Financial_Inclusion/SavingMoney_InsuringtheFuture.pdf
42. See https://www.nihe.gov.uk/ctos_2015_main_report-3.pdf
43. From evidence submitted by Carnegie UK trust to the study

- the product offering (from the insurance company) is invariably good;
- the price is fair;
- the benefits of Tenants' Contents Insurance are significant; and
- the consequences for not possessing Tenants' Contents Insurance are often severe.

Insurance with Rent schemes operate on an 'opt-in' basis. But some respondents have suggested that Insurance with Rent might be transformed into a 'opt out' scheme mirroring the way in which employees have been automatically enrolled into pension schemes.

Considerable development work has been reported as undertaken to develop propositions that could be used in this way by social landlords. More basic products were proposed – for example a fixed pay-out 'crisis cover' of say £3,000 or £5,000 within 24 hours for major losses such as fire, flood and theft – with premium levels of around 50p per week being targeted to address as wide a market as possible. The prospect of much higher take-up rates suggested economies of scale and technical benefits from a larger pool of risk to help address affordability issues and the ability for this to be built on a commercial and self-funding basis.

But the development has been side lined by fears over the regulatory action on optional and opt-out cover in other sectors such as motor and household insurance and more general legal concerns over inertia selling. It was suggested that the introduction by the FCA of new initiatives such as the Innovations Hub and Regulatory Sandbox may present new opportunities for a group to explore the regulatory and legal feasibility of defaulting tenants into these schemes to find solutions that could strike an appropriate balance between promoting inclusion and consumer protection. The hope was that this may be achieved without changes to primary or secondary legislation.

Insurance with something else?

Whilst not a well formed proposal, a couple of conversations speculated about opportunities to try and adapt the Tenants' Contents Insurance model for those in private rental and find a replacement intermediation mechanism for the social landlord.

Whilst it should be possible for private landlords to partner with insurance schemes provided by third party administrators, the market suggests that this is not a commercial proposition for them. And if it were, there might be concerns that premiums might be balanced more in favour of profit than affordability.

So the discussions focused around whether there are other public or not-for-profit intermediaries that had financial relationships with private tenants where the offer of Tenants' Contents Insurance could be seen as trusted. Some ideas suggested along this line were insurance with housing benefit or with state pension. This might enable a payment mechanism similar to salary deduction for those in employment.

No respondent suggested any serious analysis had been carried out into this area and sceptics pointed out that this would require significant public policy support. Also, the lack of the affinity effect of a landlord (social or private) grouping similar risks together, means underwriting would be technically more difficult with less opportunity for pooling and single pricing of risk – a key feature of Tenants' Contents Insurance schemes.

Mandatory cover

An alternative suggestion to address the issue of the private tenant coverage gap was to place a legal obligation on landlords to provide a basic level of tenants contents cover (or possibly to require that tenants take out such cover) as part of the rental agreement. This would ensure that all tenants – not just social but also private tenants - had access to a level of basic cover.

A number of issues have been raised with this suggestion:

- It is likely to require some kind of legislation to enact;
- The cost of such a scheme would be passed on immediately to the tenant thereby increasing rent or outgoings;
- Tenants who would previously have taken out full cover may now rely on the basic cover and find themselves uninsured beyond the basic level;
- Those who choose to take full cover may end up paying twice for the same cover;
- The market may not form to provide affordable cover for all landlords/tenants or top up cover for tenants wanting more than the basic;
- Enforcement may prove problematic and hence costly.

Signposting to specialist providers for non-standard risks

A solution frequently suggested for specific groups excluded by mainstream insurers was 'signposting' to specialist providers of insurance cover. Evidence suggests that specialist cover is available for most, if not all, those experiencing difficulty accessing mainstream insurance - for example for those with convictions or frequent claims records. However, this cover may be more limited and/or at higher rates and potentially unaffordable.

The issue is that finding specialist cover can be time consuming or even impossible for those without a good understanding of the market and access to online search tools. Signposting is designed to overcome this by referring those discovered to require specialist cover from their point of enquiry to relevant specialists.

Signposting may also be helpful to customers who receive a quote but which is many times higher than a standard premium. In such cases, they may be able to secure better value cover from a specialist but may be unaware that they are in this position. Currently, there is no requirement on providers to flag to consumers that their premium is above a standard rate.

A number of respondents referred to the scheme run by the British Insurance Brokers Association (BIBA) called Find-a-Broker. This scheme was set up in response to issues around age discrimination resulting in lack of access to motor and travel insurance. A non-statutory agreement has been set up with the government that aims to refer enquirers onto brokers who specialise in finding cover for these risks. This involves members of the Association of British Insurers (ABI) and BIBA agreeing to refer older people, outside the provider's age limits, to another company or to a 'suitable signposting service' that can enable access to insurance. BIBA report signposting around 350,000 clients over the last five years via this scheme and expressed strong support for a wider scheme as follows:

> "BIBA's view is that to create a new universal signposting solution for customers who struggle to obtain insurance (with a particular focus on vulnerable customers) is surely a win for the customer and a win for the industry."

The proposals are to provide a signposting mechanism for all groups suffering a lack of access, not just those resulting from age limits. This seems to have significant potential to address the gaps for those who are not finding access to affordable cover as evidenced by the Find-a-Broker service. But it does rely on consumers engaging with the need to obtain cover in the first place.
In developing a successful scheme, respondents suggested a number of issues to overcome:

- The current BIBA scheme was agreed in the context of pressures to comply with age discrimination legislation. Some respondents have commented that similar external pressure may be necessary to cause any extension of the agreement when the market has not already done this freely;

- There is no mechanism currently to alert consumers who has received a quote but where that quote is significantly higher than standard rate;

- Other signposting services have experienced reputational problems where customers have subsequently complained about pricing, issues with getting cover and the level of customer service[44];

- The service needs to be funded in a way that is both sustainable and supports good outcomes;

- Any signposting service needs to monitor enquiries and the effectiveness of the system – for example, was the consumer able to find an appropriate insurance that they considered affordable once they had used the signposting service?

- Any new signposting system needs to have sufficient capacity and authority to establish credibility with stakeholders and good service for customers;

- Embedding signposting messages into documents, websites and scripts will take commitment, time and money.

Signposting has the capacity to address some specific barriers with significant benefits for those customers. The evidence base does not give us the ability to make an estimate but the figures quoted for those with unspent convictions alone suggest that the combined numbers of those who could benefit would be in the millions.

If no self-funding model along the lines of the BIBA service, is available then additional funds would be needed from industry either directly or via, for example, the financial capability strategy[45]. A voluntary code, regulatory or legislative action would be necessary to ensure full and consistent compliance.

Widespread signposting in the pensions market has been delivered for the Pensions Wise service and it was suggested may provide some lessons to help assess and design a viable a model for this market. However, take-up of Pension Wise remains relatively low among those for whom it is designed, indicating that signposting alone may not reach those most excluded from the market.

Basic insurance product

An idea suggested was to create a basic insurance product that might be more affordable for those on lower incomes and/or with less contents/possessions to insure.

Our research has shown that such products have been a feature of the Tenants Contents market for some time and that the development of modular products may also be addressing this opportunity. But there may be a need to define a product standard for a more basic cover to set up a clear alternative to the mainstream combined home buildings and contents insurance package aimed squarely at the owner occupier. Some respondents suggested this might be a partner in some way to the basic bank account.

Possible benefits could be:

- Making it clearer to those who rent that there are products specially designed to meet their needs and pockets;

44. https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf
45. https://www.fincap.org.uk/uk_strategy

- Establishing an alternative underwriting template, particularly for on-line applications via insurers, brokers and PCWs, that could improve the customer experience for those seeking such cover;

- Using the basic bank account as a pathway to access basic insurance.

It feels unlikely that such a development would be viable without strong industry support, which would in turn rely on a strong benefit case. It is not clear where such a drive would come from in the absence of a regulatory or legislative pressure that drove the establishment of the basic bank account. Indeed, the FCA Occasional Paper on Access points to the lack of a joined-up strategic approach between government, regulator and firms as the major obstacle for progress to be made[46]. Some respondents also expressed concerns that introducing a partner product might subtract from the clarity of the basic bank account proposition.

Underwriting transparency

One of the issues raised by respondents was an apparent lack of transparency in the underwriting process. It was often not clear to those who were rated or excluded from cover why this was and whether this was fair. In the absence of explanation, the presumption can be that it is not. In the absence of transparency, the use of blanket exclusions – such as those for criminal convictions – can appear discriminatory.

The insurance industry has certain exemptions under the Equality Act 2010 that allow it to use age and disability as rating factors – but only if based on a reliable and relevant source of information. It is therefore required in these circumstance to be transparent in its application of underwriting to comply with the law. A solution suggested is that the industry would benefit from the application of this discipline to all aspects of underwriting. This would build confidence with consumer groups and other stakeholders that the underwriting is fair. It may also force, it was argued, underwriters to look for evidence outside their own loss experience or practice, to assess whether they were excluding risks that were insurable or to reconsider the ratings they apply to non-standard risks.

Whether this would have a material impact on the gaps in insurance is questionable – commercial confidentiality may mean that data available to a specialist underwriter would not be available to one who is not. But for an industry built on trust, any move towards greater transparency could enhance that sense of trust and confidence, especially amongst its key stakeholders.

More effort with financial capability and education

Many respondents suggested that more work on financial capability and education was needed to address demand side problems.

> "Organisations such as the Money Advice Service (MAS) could also play a greater role in improving financial literacy and awareness about household and contents insurance."

Many of these went on to suggest further efforts from industry, not-for-profit and public bodies, such as the Money Advice Service, with the aim of:

- increasing awareness and understanding of household insurance; and

- changing mind-sets and attitudes towards to need for and value of such cover.

46. https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf

VII. CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Despite the existence of a large and competitive market for household insurance, the bald figures show a huge coverage gap. Nearly 16 million adults in the UK have no household contents insurance when their housing tenure suggests that they have at least some need for the product. This is financial exclusion on a grand scale.

Yet the need for adequate household insurance has no public policy profile. As one respondent commented, it is the 'forgotten child' of the financial inclusion debate. The evidence is that this is a long standing issue and that the coverage gap is getting worse.

Exclusion is focused in those on low incomes, who face higher risks of loss and who have limited capacity to replace or repair their goods and belongings, with over 7million having less than £1,000 in savings. Exclusion is also biased towards the young.

But the most striking factor is that of tenure with over 10 million renters having no contents insurance – 5.1 million in social housing and a further 5.4 million in private rented accommodation. A further 5 million owner occupiers are thought to have no cover.

In addition, there are other specific groups who have difficulty accessing cover due to their circumstances or lifestyle, many of whom may be vulnerable. The evidence base for this is incomplete but suggests this effects a number in the millions.

The barriers to filling this gap are significant and intractable. Affordability is clearly an issue but it proves to be complex, difficult to define and measure. There is almost certainly a group for whom the cost is too much in relation to their other essential outgoings and so choosing to go without is a rational choice. But there is also strong evidence that affordability may be as much a perceived barrier as a financial one. More understanding is required to assess at what point insurance is additive rather than substitutive to overall financial resilience for low income groups.

We have found a complex web of barriers exists:

- On the demand-side, reasons for exclusion include a real or perceived lack of affordability, behavioural biases and lack of trust, low levels of financial capability, low usage of digital channels, low digital skills, living in high-risk areas and preferred payment methods.
- On the supply-side, complex product design, the dominance of digital channels, increased segmentation and the use of big data, can add to the barriers to access, affordability and engagement with contents insurance.

Our research shows that the market can provide solutions across a wide range of market needs. The mainstream market, typically for owner occupiers, is generally well served and specialist markets are adept at creating bespoke solutions and schemes for specific groups who present 'non-standard' risks. In particular, tenants contents insurance schemes have been developed and refined to offer basic, affordable cover for social renters in partnership with their landlords.

An under-served market of around 16 million represents, at least in theory, a major potential commercial opportunity. However, there is a sense from our findings that the industry may be at the margin of what can be achieved within existing business models and and the constraints of consumer attitudes and capabilities.

The market continues to develop and evolve in response to the competitive pressures and new opportunities offered by the application of new technologies. But there are also pressures, such as increased segmentation and the focus on digital distribution, that may be driving increased exclusion on the margins - in return for ever more competitive premiums for the mainstream.

Our research suggests no obvious 'game changers' that are set to transform the market's reach. And the growing numbers of younger, private renters – 'Generation Rent' – is presenting a greater challenge to access without the trigger of house purchase to nudge them to engage with household insurance cover.

We therefore conclude that a more radical approach is required to

- address the coverage gap for those who could and should have cover but don't and
- bridge the access gap for those who want cover but can't easily obtain it.

But most of all, we need to place the issue of the insurance gap firmly into the mainstream of public policy on financial inclusion. It needs to be recognised as the missing piece in the financial inclusion picture.

Recommendations

An agenda for household insurance

We suggest that there are four key areas to address for household insurance:

1. Increasing contents insurance coverage for social tenants;
2. Increasing contents insurance coverage for private tenants;
3. Providing better access to household insurance for other groups who are not well served by the mainstream market; and
4. Increasing the profile and understanding of household insurance as part of the wider financial inclusion agenda.

1. Increasing coverage for social tenants

The primary challenge is exclusion amongst those on low incomes. This is greatest (in terms of proportion) amongst social tenants – more than 5 million have no cover. This feels like the next big challenge for financial inclusion after basic banking and affordable credit.

The development of Insurance with Rent has made some significant inroads into this gap but further progress appears to have stalled with around 85 per cent of tenants having access to such schemes and only 10-14 per cent taking them up.

The first task is to **secure the progress made to date** and establish what more can be done to fully engage and support all social landlords in delivering and advocating insurance with rent to their tenants.

But a second, more ambitious task, is to **transform the adoption rate by tenants**. Our research suggests that a key option to explore is to create a new default, using 'opt-out' rather than 'opt-in', for the provision of such insurance. The potential of this device is evidenced by the success of automatic enrolment in the pensions market.

This would be a bold policy initiative and would require a detailed examination of issues such as:

- Establishing the right product design with coverage designed and costed to fit need – so it is affordable for most and provides value for money;
- Exploring trade-offs between those benefiting from cover who previously would not have had it and protecting those who cannot afford or would derive insufficient benefit from it;
- Assessing the ability to work with financial regulation – particularly as regards inertia selling and the FCA's ban on opt-out for add-ons to general insurance – and possibly wider EU regulation;

- Designing an approach to test or pilot such a scheme in a controlled environment, perhaps using tools such as the FCA's Regulatory Sandbox;

- Defining the political or policy support required to drive through a solution and its adoption by all RSLs (registered social landlords).

2. Increasing coverage for private tenants

Whilst social tenants represent a large group of the excluded, our research suggests there are also more than 5 million without cover in private rented accommodation.

This is a significant population that may need a more segmented approach. Social housing, through its purpose, is occupied by those on low incomes and private renters include a parallel group of low income renters – typically on housing benefit.

For this first group, the concepts of Tenants' Contents Insurance or Insurance with Rent would appear appropriate but to work in this market, **a new mechanism for distribution to low income private renters** would be needed in place of the social landlord. So the strategy would need to explore and develop ways to do this. Ideas that might be considered include:

- Working with large private landlords to find ways to adopt affordable Tenants' Contents Insurance;

- Establishing Tenants' Contents Insurance provision as best practice for good landlord schemes;

- Exploring the role that Credit Unions might play in distribution and the feasibility of amending legislation to enable this;

- Looking at other alternative distribution and payment arrangements, perhaps alongside the housing benefit system or as an additional feature on basic banking products

- Exploring whether there is a case for compulsory provision by landlords in some way

Those in private rental accommodation also extend up the income range and include a growing number in a second group. Many of these tenants aspire to home ownership but are currently unable to access this – the so called 'Generation Rent' – the majority of which are without contents cover. **Engaging Generation Rent** suggests a different policy problem. The industry is trying to engage with this group but the combination of lack of awareness, lack of the trigger of home ownership and inertia are major barriers.

This research demonstrates the growing need but as yet few ideas to address this. This suggests that more research may be needed to understand the attitudes of consumers in this market towards household insurance and how they might be engaged with the need for cover.

But it may be possible to accelerate the development of the ideas behind modular products and digital distribution by pooling thinking. An example might be through processes such as the FCA's Techsprint initiative.

3. Better access for other groups

A further challenge is to facilitate access for those seeking household insurance, who find themselves excluded from mainstream cover. The market is not well geared to referring these customers to specialist sources of cover.

This problem not unique to household insurance but still a significant issue for groups in this market. We noted a number of calls from respondents for a **more complete and effective 'signposting' process.**

47. See https://www.fca.org.uk/firms/regtech/techsprints

We endorse these calls and therefore recommend the development and delivery of a market wide signposting strategy. This would require:

- agreement from, and a mechanism for, providers to refer customer on where they are unable to offer appropriate cover or normal rates;
- a referral point (or points[48]) that can then refer customers onto sources of cover. This referral point needs to be trusted, proactive and sustainable; and
- a mechanism to monitor referrals and to drive a continuous improvement process focused on outcomes for customers.

Given the work that they have already carried out on access to insurance and their parallel work on travel insurance, we believe the FCA may be well placed to convene this work.

4. Household insurance as part of the wider financial inclusion agenda

We need to ensure **household insurance is an integral part of the financial inclusion agenda** in a way which is well understood and evidenced. We suggest that to achieve this there needs to be a better evidence base, for example, around:

- the gaps in coverage - including those owner occupiers without cover and those who may have inadequate cover;
- the question of what is affordable and the beneficial impact of cover when losses strike those on low incomes;
- the attitudes of excluded consumers as to the value of insurance and triggers for them to engage; and
- the numbers and reasons for referral to sources of specialist cover, the risks that are currently excluded from the mainstream (and other markets) and the scale of the impact.

We also suggest the insurance industry could be engaged further with the inclusion debate. Contributions might be around questions concerning

- underwriting transparency;
- the impact of segmentation and demutualisation of risk;
- poverty premium issues (e.g. around premium credit charges); and
  the design of standard products for those on low incomes.

The need for a 'joined-up' national strategy

It is clear that there are many barriers that contribute towards financial exclusion and solving these issues is complex. Historically, it has not been clear who is responsible for addressing the myriad of hurdles that consumers face.

Access is a broad issue and one where it's important for all stakeholders to play an active role. These issues are too big for one organisation to resolve alone. Doing so will require a continuing commitment from the industry, regulators, Government and consumer organisations to work together.

48. Respondents have cited examples where people who have benefited from debt advice or live in flood plains act as effective referral points.

We now have two Government ministers with responsibility for financial inclusion, a regulator that acknowledges that access is a major issue for consumers, and many firms are now aware of the current problems. As others have stated in the past[49], the biggest barrier for addressing financial exclusion is the lack of a joined-up, strategic approach for discussing and solving the problems that exist.

Financial inclusion is now back on the agenda in the UK, but until we understand how far the market and regulator can address the issues raised, and hence when social policy needs to be engaged, progress will be limited.

The FCA's Consumer Approach consultation document[50], published this week, provides a vehicle for further discussions around which issues should sit within the regulator's remit and which form part of wider social policy and should sit better with Government. The appointment of a second minister with responsibility for financial inclusion provides the impetus for the Government to take a leading role on financial inclusion and to drive these issues forward at a national level.

As a result, the FIC is now calling on the Government and regulator to work together to provide clarity on their respective roles and for the Government to develop and lead a national strategy on financial inclusion which fully encompasses household insurance as a vital component.

49. See https://www.fca.org.uk/publication/occasional-papers/occasional-paper-17.pdf or http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf
50. See https://www.fca.org.uk/publication/corporate/our-future-approach-consumers.pdf

APPENDIX ONE – BACKGROUND, APPROACH & CONTRIBUTORS

Background

The Financial Inclusion Commission (FIC) is an independent body of experts and parliamentarians who came together to put financial inclusion back on the political agenda ahead of the 2015 General Election. In its report, "Financial Inclusion: Improving the Financial Health of the nation[51]", the Commission set a vision that every adult in the UK has access to the right insurance cover for his or her needs, at a fair price.

Access to insurance is often the least championed area of financial inclusion despite being an important component of a person's financial resilience. The FIC's own report in 2015 did not cover the issue in as much depth as other areas of financial inclusion and the recent Centre for Study of Financial Innovation report[52] on financial exclusion had only one paragraph relating to insurance in 48 pages. Yet the evidence is that there is a major and growing issue.

The FCA's research paper on improving access to financial services[53], published in May 2016, highlighted a number of issues relating to insurance. Following the publishing of the FCA paper, Scope asked the Consumer Insight Unit of the FCA and the Financial Inclusion Commission to assist in holding a roundtable to develop the access to insurance aspects contained in that report. The roundtable was held in late November 2016 and concluded that the topic of access to insurance for under-served groups is one needing further research and potential action. Two areas were to be focused on: travel insurance for those who have, or have had, cancer; plus household insurance, particularly contents insurance for those on lower incomes. The FCA subsequently decided to investigate the issues around travel insurance, publishing their Call for Input in June 2017[54].

The FIC decided that it would concentrate on the issues for household insurance with the aim of identifying ways to increase access to affordable home insurance for under-served consumers in the UK. In parallel, by tackling the issue of household insurance, the Commission hoped that the information and ideas generated would help to provide a template for widening access to other insurance products. For example, the problems experienced by specific groups such as those with disabilities, criminal convictions or in certain occupations suggest wide reaching problems of engagement and affordability.

The project

The Financial Inclusion Commission appointed two experienced independent consultants - Nick Hurman and Jackie Wells - to assist with the work. This independent work was then carried out with support from a small Steering Group drawn from the Commission, the Consumer Insight Unit of the FCA, the industry and interested consumer groups, which was assembled by the Commission.

Two strands of research were undertaken:

1. Assembling evidence to understand the issues and barriers to providing household insurance to under-served groups.

2. Exploring means of improving access – building where possible on the lessons learned from other market initiatives to address exclusion, such as Flood Re and pensions auto-enrolment

51. Financial Inclusion Commission (2015) Financial Inclusion: Improving the Health of the Nation http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf
52. CSFI (2016) Reaching the Poor: The intractable nature of financial exclusion in the UK. https://static1.squarespace.com/static/54d620fce4b049bf4cd5be9b/t/5858f59cc534a5dba5fb4fd4/1482225081664/CSFI+-+Reaching+the+poor+-+release+version.pdf
53. FCA (2016) Access to Financial Services in the UK https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-17-access-financial-services-uk
54. FCA (2017) Call for Input: Access to Insurance https://www.fca.org.uk/publication/call-for-input/calls-for-input-access-travel-insurance-cancer.pdf

Data and information on the market, experiences of consumers and suppliers, as well as ideas for solutions to access and coverage problems were gathered from representatives of industry, representatives of under-served groups, trade bodies, regulators, government departments and other consumer interest groups and think tanks.

The research process included:

- a brief desktop analysis of available published data;
- a call for evidence, issued to gather additional data, analysis and ideas to improve access and coverage;
- one-to-one interviews with key stakeholders and participation in small group meetings;
- analysis of the information obtained and formulation of conclusions in a written report;
- and a final roundtable event including key stakeholders to review the output and conclusions.

A wider Reference Group was formed, of relevant people and organisations from all aspects of consumer interest, Government, regulators, industry, third sector organisations, academic and subject matter experts. They supported the project with input and critique prior to publishing.

The Commission would like to thank the Reference Group members and all of the contributors to the Call for Evidence for their input and help with the project. A list of the Reference Group and other contributors is set out below.

This report was commissioned by the Financial Inclusion Commission, who assembled a steering committee drawn from the Financial Inclusion Commission, Aviva, Scope and the Consumer Insight Unit of the Financial Conduct Authority. The independent research work was funded jointly on behalf of the Commission, by Aviva and by Lloyds Bank.

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Nick is a highly experienced senior executive and independent consultant who has worked in insurance, pensions, and financial services for over 30 years. During his career, he has held a number of senior executive positions including Director of SAGA's personal finance arm and Managing Director of London Life and has led and participated in a wide range of strategic, change and technical programmes and projects. Since 2005, he has been running his own consultancy practice working with companies, regulatory bodies, government departments and trade/research bodies on strategic and public policy issues.

Jackie Wells

Jackie is an independent policy and strategy consultant with more than 30 years' experience of financial services markets. She has led projects on a range of policy and regulatory developments in pensions and retirement, advice and guidance, ageing population and financial services, consumer behaviour and debt and lending. She has worked previously as a Strategy Director at Deloitte and Bacon & Woodrow, Head of Policy at the Pensions and Lifetime Savings Association and has been a board member at the Chartered Insurance Institute.

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We would also like to thank the following organisations who submitted responses to our Call for Evidence:

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