

Home Insurance: Inc Impact of COVID-19 - UK - December 2020

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This report looks at the following areas:

- The impact of COVID-19 on the home insurance market.
- The size of the domestic home insurance market as well as a five-year forecast covering gross written premiums.
- The changing nature of claims and its impact on profitability in the sector.
- Competitive strategies, innovations and launch activity within the domestic home insurance market.
- Ways to encourage switching in home insurance without relying so much on price competition.
- Attitudes of consumers towards the changing nature of home insurance including integration of the smart home and expansion into cyberspace.

18% of home insurance holders have reviewed their cover as a result of the COVID-19 outbreak, rising to 38% of 18–34 year olds.

While the impact of COVID-19 on home insurance is small relative to other markets, a renewed focus on value will lead many to review their cover. This is especially true of the under-35s who are most likely to have experienced a hit to their finances. The essential nature of home insurance means few will cancel their policy completely, but some will switch or cut back on add-ons they don't need to reduce costs, further exacerbating the already intense level of price competition in the sector.

The new national lockdown announced on 4 January will have limited additional impact on the market besides further intensifying consumer focus on value. The pattern of claims is likely to reflect the period of the first lockdown when more time spent at home led to an increase in accidental damage as well as fires, while there was a decline in claims for theft. However, the timing of this lockdown – in winter rather than spring – means that weather-related claims are likely to overshadow the lockdown-related shift in claims.



“The economic impact of COVID-19 will focus minds on value for money, further intensifying price competition in the home insurance market. The industry has struggled to increase penetration for a number of years, especially among the private rental market.”

– **Thomas Slide, Senior Financial Services Analyst**

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The home insurance market faces a number of challenges including changing attitudes towards ownership, rising numbers of long-term renters, increasingly unpredictable weather events and growing threats to the home from cyberattack.

These threats also present new opportunities for insurers to protect households and break away from the intense price competition inherent in a market with such stable levels of customer penetration. The growing private rental market offers a particularly significant opportunity for growth for any company than can effectively tap into it – just 36% of private renters currently have home insurance cover in place.

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