

# Landlord Insurance in the UK – Key Trends and Opportunities to 2017

Market Intelligence Report

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## 1 Executive Summary

### **The landlord insurance market is worth GBP2.5 billion**

The UK landlord insurance category is estimated to have generated GBP2.51 billion in gross written premiums in 2012, and accounted for 7.3% of the country's non-life insurance segment. Landlord policies cover the financial risks related to renting out a residential or commercial property, including damage to buildings or contents, loss of rent and public liability.

### **Growth was sustained during the UK's economic downturn**

Growth in the category was maintained during the recession and economic weakness during 2008–2011, as a sluggish housing market triggered an increase in properties occupied on a rental basis. This signaled the reversal of a post-war trend towards property ownership, with close to 35% of properties rented through private or social housing landlords in 2012. This marked a five percentage-point increase from 2000 alone.

### **Property market conditions were supportive of demand**

In addition to the subdued economic backdrop fueling a shift towards rented accommodation, it is also likely to have increased demand for landlord insurance due to greater risk aversion, a larger number of homeowners choosing to rent out property rather than sell at reduced prices, unemployment stoking a rise in the number of tenants in rent arrears, pessimistic businesses reducing their commitment to long commercial leases, and a rise in adverse weather-related incidents.

### **Momentum is set to continue**

Opportunities exist to develop the category during the forecast period. Insurer-led market surveys have found that customers are under-informed about the insurance cover required for landlords, with up to a quarter of residential landlords opting to purchase a standard home insurance policy. Switching policyholders to appropriate landlord insurance policies presents a large growth potential for premiums in the category. Looser credit conditions and an increase in buy-to-let lending suggest additional favorable forces.

### **Flood Re will add uncertainty for landlords**

The outlook for the availability of flood insurance is clouded by uncertainty. Following the shift from the Statement of Principles to the industry and government Flood Re proposal, it has been confirmed that affordable flooding insurance will only be guaranteed for resident homeowners. Consequently, insurance premiums for landlords of both residential and commercial property are expected to face significant upside pressure over the forecast period. Industry associations estimate that the number of properties affected could be as high as 1 million.

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## 2 Introduction

### 2.1 What is this Report About?

This report is the result of extensive research into the landlord insurance category in the UK, covering the market dynamics, market outlook and competitive landscape. It also provides an overview of the leading companies in the category, along with details of the strategic initiatives undertaken.

### 2.2 Definitions

All data is collected in local currency. Conversions into US dollars (US\$) of current and forecast data are made at the 2012 average annual conversion rate. Most values are displayed to one decimal place, with the exception of compound annual growth rate (CAGR) values, which are displayed to two decimal places. As such, growth rates may appear inconsistent with absolute values due to rounding. For the purposes of this report, the review period is 2008–2012 and the forecast period is 2013–2017.

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The key insurance industry terms covered in the report are defined below:

<b>Table 1: Insurance Industry Definitions</b>	
<b>Term</b>	<b>Definition</b>
Bancassurance	The partnership between a bank and an insurance company where the insurance company uses the bank's sales channel to sell products.
Ceding company	A primary insurer that transfers some of its insurance risk by ceding a proportion of its total written premium through a reinsurance contract.
Claims incurred	An estimate of the amount of outstanding liabilities for a policy over the year. It includes the increase in the total reserves for outstanding claims (whether reported or not).
Claim ratio	Claims payable as a percentage of premium income.
Combined operating ratio	Claims and operating expenses as a percentage of premium income. A ratio of less than 100% signifies the company is making an operating profit on underwriting operations.
Commission and expenses	The sum of acquisition cost and administrative cost. The acquisition cost is the percentage of a premium produced that is retained as compensation by insurance agents and brokers.
Earned premium	The amount of money considered to have been earned on a policy by an insurer. It is calculated by multiplying the original premium by the percentage of the policy's term which has expired without a claim being made.
Gross written premium	The total amount of premiums (before deduction of reinsurance costs) customers are required to pay for insurance policies written during the year.
Insurance density	The percentage of total written premium to the country's population.
Insurance fraud	Any act committed with the intent to obtain payment from an insurer through fraudulent means.
Insurance penetration	The percentage of total written premium to the country's GDP.
Loss ratio	The ratio of total losses paid out in the form of claims plus adjustment expenses divided by the total earned premium.
Premium ceded	The share of premiums transferred to a reinsurance company by a primary insurer.

Source: Timetric analysis

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## 2.3 Methodology

All Timetric insurance reports are created by following a comprehensive, four-stage methodology. This includes market study, research, analysis and quality control.

### 1) Market Study

#### A. Standardization

- Definitions are specified using recognized industry classifications. The same definition is used for every country.
- Annual average currency exchange rates are used for the latest completed year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations.

#### B. Internal audit

- Review of in-house databases to gather existing data:
  - Historic market databases and reports
  - Company database

#### C. Trend monitoring

- Review of the latest insurers and industry trends

### 2) Research

#### A. Sources

- Collection of the latest market-specific data from a wide variety of industry sources:
  - Government statistics
  - Industry associations
  - Company filings
  - International organizations
  - Insurance regulatory agencies

#### B. Expert opinion

- Collation of opinion taken from leading insurance industry experts
- Analysis of third-party opinion and forecasts:
  - Broker reports
  - Media
  - Official government sources

#### C. Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and regions

### 3) Analysis

#### A. Market forecasts

- Feeding forecast data into market models:
  - Macroeconomic indicators
  - Industry-specific drivers
- Analysis of insurance industry databases to identify trends:
  - Latest insurance trends
  - Key drivers of the insurance industry

**B. Report writing**

- Analysis of market data
- Discussion of company and industry trends and issues
- Review of financial deals and insurance trends

**4) Quality Control****A. Templates**

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Complex forecasting tool used to ensure forecast methodologies are consistently applied
- Quality-control checklists

**B. Quality control process**

- Peer review
- Senior-level QC
- Random spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
  - Company filings
  - Government sources

## 3 Appendix

### 3.1 Methodology

Timetric's dedicated research and analysis teams consist of experienced professionals with an industry background in marketing, market research, consulting and advanced statistical expertise.

Timetric adheres to the Codes of Practice of the Market Research Society ([www.mrs.org.uk](http://www.mrs.org.uk)) and the Society of Competitive Intelligence Professionals ([www.scip.org](http://www.scip.org)).

All Timetric databases are continuously updated and revised.

### 3.2 Contact Timetric

If you have any queries about this report, or would like any further information, please contact [info@timetric.com](mailto:info@timetric.com).

### 3.3 About Timetric

Timetric is a leading provider of online data, analysis and advisory services on key financial and industry sectors. It provides integrated information services covering risk assessments, forecasts, industry analysis, market intelligence, news and comment.

Timetric helps over 1,500 financial services institutions and their partner companies around the world benefit from better, timelier decisions.

Timetric provides:

- High-quality data including proprietary, specialized industry data, survey-based research, social media monitoring, macroeconomic data and forecasts
- Expert analysis from experienced economists and analysts, who use robust proprietary models, indices and forecasts
- Powerful proprietary visualization and workflow technologies developed over years of extensive investment

Timetric has office locations in London, New York, San Francisco, Hyderabad, Seoul, Singapore and Sydney. It employs 500 people, including 150 analysts and economists, and 200 professional researchers.

### 3.4 Timetric's Services

#### Intelligence Centers

Timetric's industry intelligence centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Timetric offers Intelligence Centers covering the following industries:

- Banking
- Insurance
- Wealth
- Construction
- Travel and Tourism

#### Briefing Services

Timetric offers a range of briefing services, which offer cutting-edge thought leadership and expert commentary on and for the financial services industries. Driven by influential and respected editorial teams with years of experience in their respective fields, these services deliver need-to-know insight and analysis to decision makers across the financial services value chain.

Timetric offers briefing services covering the following financial sectors:

- Accountancy
- Asset Finance
- Banking
- Cards and Payments
- Insurance

#### Consultancy

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to clients.

Dedicated industry analysts and economists provide expert advice and actionable recommendations underpinned by Timetric's market and country knowledge, experience and proprietary databases, panels and research infrastructure.

For projects requiring quantitative data, Timetric undertakes special research projects using its in-house panels and survey technology. These provide ready access to an extensive source of specialist business executives and consumers.

Core capabilities include:

#### Economic Research and Consulting

Highly experienced economists provide a number of bespoke research services covering subjects ranging from macroeconomic forecasting to sector outlooks, business presentations and workshops.

#### Industry Analysis and Consulting

Information analysis, independent expert opinion and advice, facilitated decision or strategic support, are provided by Timetric's extensive body of proprietary data and analysis models. It provides expertise-based consulting to deliver solutions that best suit its clients' requirements.

#### Quantitative Research

Timetric connects with thousands of potential customers for various markets every day. Using sophisticated, interactive and highly engaging graphical surveys, research speed is increased and costs reduced, while ensuring that respondents deliver the insight needed.

### **Qualitative Research**

Timetric's Qualitative Research service helps customers understand the emotional and cultural behaviors of a target audience. Timetric provides unique access through market-leading publications and information services to decision makers specifically brought together to discuss topics that are important to the client.

### **Technology Solutions**

Timetric has built a unique technological platform to collect and visualize data, and employs some of the world's leading experts on data collection and visualization. Through technology and software consulting services, Timetric can provide clients with the means to gather and visualize the data the client has, or wants to collect.

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