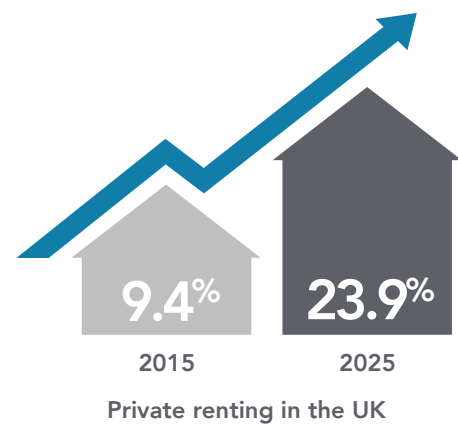




Generation Rent Survey – UK

Generation Rent?

Generation Rent is a term defined by PwC in their [PwC UK Economic Outlook report](#) (July 2015) when they published research into changes in owner occupation and private renting rates in the UK. This revealed that private renting was set to grow from **9.4%** of households to **23.9%** by 2025; a **14.5%** increase. By comparison, owner occupied households would decrease by **-9.5%** over the same time frame.



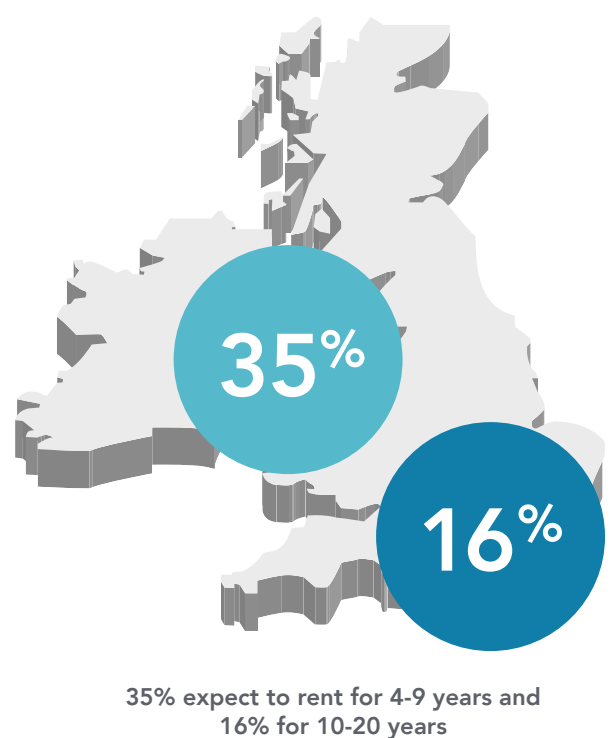
According to PwC, since 2000, the percentage of 20-39 year olds who rent privately has more than doubled from **20%** to **50%**.

Guidewire Methodology

In this survey we explore the attitudes of 1,000 members of Generation Rent (young working adults, aged 20-30 years) towards protecting their property, and towards the business and realities of insurance. Participants were drawn from across the UK and in age range were split: 20-23 years (**25.4%**), 24-26 years (**31.5%**) and 27-30 years (**43.10%**). We also undertook a parallel survey in Germany, with participants from across Germany and from the same age range.

Our UK research confirms that this group of young adults expect to be renting their homes for an average of seven years. They are most likely to be renting for four to nine years (**35%**), followed by two to three years (**32%**) and then 10 to 20 years (**16%**). Only nine percent said they expected to be renting for a year or less.

Unsurprisingly, respondents from southern England were more likely to expect to be renting for 10 to 20 years (**17%**). Respondents from the West also felt they would be renting up to 2036 (**16.3%**).



Attitude to Insurance?

Initial Perspective

As Generation Rent aligns with the much researched Millennials, there is a perception that this group is less concerned about using traditional financial service products like insurance. The importance of the internet and new technologies for this cohort cannot be underestimated. Those who have grown up with Amazon, Facebook, Google, Instagram and Snapchat take speed and convenience for granted. They will expect that insurance products and services are delivered in the same way.

Findings

Our study results suggest that UK Generation Rent may not have a natural insurance habit.

The survey confirms they are not using insurance to protect their possessions. When asked, “Do you currently have home and contents insurance?” a majority of **60%** said no. A low level of awareness is confirmed by a majority (**52%**) who have no idea what happens to their insurance cover when they move. By comparison, **67%** of German Generation Rent respondents said they had contents insurance.

Even the experience of their possessions being damaged or lost seems to have little impact on this resistance to buying insurance. A majority of respondents (**55%**) said they had lost personal belongs, or that they were damaged, while uninsured. This experience did not result in respondents changing their minds about insurance, with the majority (**60%**) saying no, this did not lead them to buy insurance.

The chief reason for Generation Rent not purchasing insurance appears to be that it is perceived as costing too much. This was cited as the number one reason (**55%**) for not buying insurance, well ahead of, “I don’t have anything worth insuring” (**24%**) and, “My rented accommodation is safe and secure” (**18%**). However, more than one in ten (**12%**) of Generation Rent UK respondents said it was because they do not understand insurance.

That said, it would be wrong to believe that Generation Rent regards insurance negatively. When asked, “Do you believe insurance is a con?” only **9%** agreed; and a majority (**48%**) disagreed with the idea that buying insurance is throwing money away.



do not have home and contents insurance



think that contents insurance is too expensive

Attitude to Possessions?

Initial Perspective

There is a body of opinion that this group of potential insurance customers is less inclined to have or prize possessions over other things in their lives, such as experiences. Unlike other generations, Generation Rent is *supposed* to own less physical “stuff” like books, clothes and cars, and may question why they need to be insured at all.

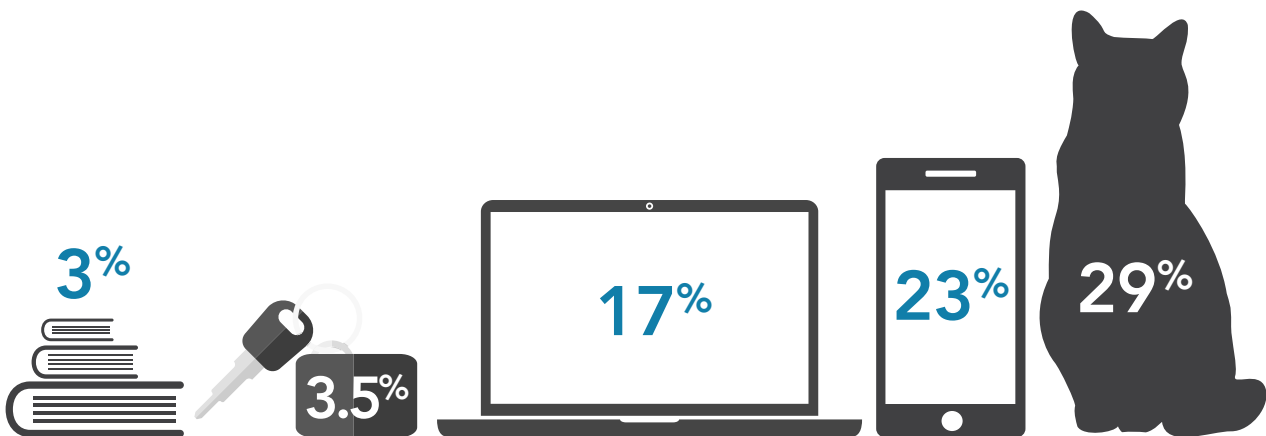
This minimalist trend has been discussed widely and there is some supporting data, for example the [ZenithOptimedia](#) study.

Findings

The second main reason given for not buying contents insurance is *not having anything worth insuring*. This study provides some confirmation of the minimalist lifestyle trend for Generation Rent. It also suggests that Generation Rent do prize their digital devices over almost everything else.

When they were asked what one thing they would save over everything else in a fire, *my smartphone (23%) or my computer (17%)* were higher than *my books (3%) or my car keys (3.5%)*. But *my pet* topped digital devices as the possession to be rescued (**29%**).

Curiously, the idea that Generation Rent perceive their own digital identity as something to protect might be overstated. When asked if their cyber identity and personal online content represented their most precious possessions, more respondents disagreed (**40%**) than agreed (**25%**).



Possession that people would save over anything else in a fire

Relationship with Landlord?



would rent a property knowing the landlord did not have property insurance



would not rent a property knowing the landlord did not have property insurance

Initial Perspective

As private renting grows, the role of the landlord in ensuring their tenant's property is safe and secure becomes increasingly important. Landlords are already responsible for repairing damaged or faulty equipment supplied with a property. Responsibility for a tenant's own possessions becomes more of a blurred line.

Findings

Generation Rent understands, on the whole, that their landlord is not responsible for protecting their personal belongings. A noticeable minority, however, just over one in 10 (**16%**) still do believe landlords are responsible for insuring the tenant's possessions.

Generation Rent felt that landlords should be expected to have building insurance, though a large proportion of respondents were unsure if their rented home was protected. While **28%** said they knew their landlord had building insurance, **65%** said they did not know, and seven percent said the landlord did not have insurance.

It might be seen as important for a landlord to have insurance protection for any serious damage repair to the property. Strikingly, this does not seem to matter to Generation Rent. When asked if they would rent a property knowing that the landlord did not have property insurance, the majority did not know (**49%**) and **28%** said they would rent a property knowing there was no building insurance. **23%** said they would not.

The study reveals that Generation Rent is fairly responsible about looking after their landlord's property. When asked what they would do if they had a party and accidentally damaged the property, a majority said they would repair the damage at their own expense. While this ranked much higher than hide the damage (**6%**) it was notable that only **10%** of respondents would tell the landlord right away.

Attitude to Insurers?

Initial Perspective

Given that the UK market is changing rapidly from a market dominated by owner occupation to one in which private renting becomes significantly more prevalent, it is important that insurers create products and services that help rental customers protect themselves in private property.

Findings

The scale by which Generation Rent UK is under-insured suggests the relationship between this group and insurers needs to be addressed.

Although **30%** of respondents say insurers do understand their needs, it is by the narrowest of margins, with **28%** saying that insurers do not understand their needs and do not offer the right products for renters, while the remainder (**42%**) simply do not know. Further, while a majority disagree (**53%**), almost a fifth of respondents (**19%**) agree it would be OK to make a fraudulent claim because insurers make so much money; **28%** are not sure either way.

When they do interact with the insurer, there is some better news. Of those respondents who have made a claim the experience was average. **49%** said it was OK, not excellent, and **43%** said it went well very smoothly, and they were impressed. It should to be emphasised, however, that the number of respondents who had made a claim was very small.

When considering how insurers can appeal to Generation Rent, almost equal importance is given to the human touch and digital self-service. Respondents ranked being able to go online and manage policies and claims themselves (**83.33%**), and being able to speak with a human (**83.07%**), as the top two factors in considering or changing an insurer; that their insurance policy has additional services like home emergency cover, legal expenses and accidental damage ranked third (**74.48%**). The importance of a brand as a factor was ranked lower, with **52.34%** saying it was important to very important in whether they would select or switch insurer.

Generation Rent UK also shows it is willing to take responsibility for its losses. When asked if, in the event of loss or theft of their personal belongings, they would turn to their parents to replace them, most disagreed (**47.5%**) rather than agreed (**26%**). While they are unlikely to make use of the Insurer of Mum and Dad, it seems Generation Rent is not sure they can afford to make up for these losses themselves. Asked if they would take on extra work to pay for replacements, respondents were divided with **32%** saying they would, while **30%** said they would not, and most simply did not know (**37%**).



say insurers do not understand their needs



do not know if insurers understand their needs or offer the right products for renters

What should insurers do about Generation Rent?

Generation Rent clearly offers insurers a large untapped market in the UK that is going to grow considerably over the next few years. In targeting this segment with contents insurance products, insurers need to take account of how much Generation Rent is synonymous with the Millennials, who tend to be digital natives. The Millennial constituency does not typically follow the same consumer choices as their parents. While this presents a challenge to UK insurers, it is not insurmountable. Guidewire’s parallel study, [German Generation Rent](#), shows that unlike their UK counterparts, the Generation Rent segment of that population will purchase contents insurance. In Germany, where property rental is an established norm, the availability and take-up of insurance by young adults is significantly higher.

Education will play a key part, but it is important to recognise that Generation Rent does not regard itself as uneducated about insurance. What does need to be addressed is a perception of contents insurance costing too much. Insurers need to explain the value of a policy more clearly in terms of financial cost and practical benefit.

Choice is also important; the ability to customise insurance in line with their needs and interests. New business models that allow Generation Rent to tailor exactly the scope of their insurance per item may help communicate real value for money. Innovative products that allow the policyholder to create digital photo inventories and flexible, last-minute, short-duration insurance were popular with over half (55%) of respondents.

Using digital channels is a sensible strategy to connect with this target customer but what we see in this survey is that Generation Rent does not discriminate between communication channels. Generation Rent survey respondents expect to use digital, but they value traditional channels for personal/human interaction, equally.

To be successful in serving this customer group, insurers need to provide a real *omni-channel* approach. This means that all channels and all information from different systems within the insurance ecosystem should be available in a consolidated way. Those insurers who are able to combine their core processes with digital channels and data analytics will be most effective and successful in serving this growing Generation Rent group of customers.



ranked being able to go online and manage policies and claims themselves as the top factor in considering or changing an insurer



ranked being able to speak with a human as the top factor in considering or changing an insurer

New business models, addressing the requirements and demands of Generation Rent for simpler and more understandable insurance offerings, are arriving in the insurance market already. In the UK we are seeing flexible subscription models like [BackMeUp](#), offering an insurance product where customers no longer need to cover their entire household belongings, but can specify their most valuable items (up to three) and other additional options, like loss of keys, for a very competitive price. Another example is [Trov](#) which provides on-demand insurance for any items that are important to people for the timeframe they want, and with easy access and maintenance, through their digital devices. [Buzzmove](#) allows customers to create an inventory of their belongings when moving house and use it to purchase contents insurance.

Last but not least, the findings of this survey do underline the interest of Generation Rent customers in receiving more proactive insurance services, like consultation or risk prevention. They are willing to use connected technology or telematics to this end. Providing insurers demonstrate transparently that using personal data can benefit their customer, such as reduced premiums or enhanced cover, this is an opportunity for building trust and a basis for lasting relationships.

About Guidewire Software

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