

WHITEPAPER  
**IS CONSUMER OR  
ADVISER APATHY  
REDUCING THE  
NUMBER OF GI SALES  
AT REMORTGAGE?**

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# EXECUTIVE SUMMARY

It's no secret that new mortgage agreements require an up-to-date home insurance policy as part of the contract. And yet, only a limited number of consumers and advisers are having a conversation about GI during the remortgage process. This paper examines whether this is the result of consumer apathy, adviser apathy or a more fundamental issue within the GI market.

## KEY MESSAGES

### Making sense of the market

Only 57%<sup>1</sup> of UK adults review their home insurance every year and according to the ABI, 27% of UK households (7.2 million)<sup>2</sup> have no contents insurance.

### Recognising the remortgage reality

Consumers and advisers don't seem to recognise the importance of a GI review as part of the remortgage process – they assume that the existing home insurance policy will suffice.

### Who is responsible for arranging cover?

34%<sup>3</sup> of consumers don't expect their adviser to review their home insurance product during a remortgage, but would be happy if they did. As an industry, we need more clarity around who is responsible for reviewing GI.

### Understanding consumer apathy

While it's easy to attribute the lack of GI sales to consumer apathy, in reality it may be more about a lack of knowledge and support than a lack of interest.

### Pointing out the benefits

Many consumers aren't interested in updating their GI policy when remortgaging because they're unaware of the range of benefits available in today's market.

### Addressing adviser apathy

If adviser apathy is down to limited time, different product priorities and low premiums on existing policies, support is available to address these issues.

### Reasons to be cheerful

If advisers do include GI in the remortgage process, as well as fulfilling their duty of care, they can look forward to increased revenue, improved client relationships and a more competitive proposition.

### Focusing on the future

If GI is integrated into the remortgage process it's good for consumers, good for advisers and good for the industry.

# MAKING SENSE OF THE MARKET



The closure of the property market during the first lockdown, associated pent up demand from those looking to move home and stamp duty holiday created the perfect storm in 2020. Both house prices and purchase activity skyrocketed and as a result, the UK saw mortgage approvals rise to the highest level seen since 2007<sup>4</sup>.

The remortgage market has been equally buoyant, with highly competitive rates and incentives for homeowners on offer. The low rates afforded many the opportunity to release equity to subsidise income, make home improvements or reduce monthly outgoings during a time when many people faced challenging short, or longer-term, financial scenarios. Interest in this space remains high, with the volume of remortgage completions rising by 31% in July 2021<sup>5</sup>.

Despite all this, the latest ABI figures confirm that 7.2 million households in the UK (27%) have no contents insurance in place to cover their personal belongings, which means the average household is leaving over £20,000 of possessions unprotected<sup>6</sup>. It seems that a large proportion of the population is either unconcerned about the prospect of theft, loss and accidental damage, or in desperate need of insurance advice.

Of those who do have home insurance, only 31% purchase their policies directly. The remaining 69% are arranged by third parties such as financial advisers<sup>7</sup>.

Looking specifically at purchase patterns, a 2020 YouGov survey highlights that only 57% of UK adults review their home insurance every year. Of the remaining 43%, 6% haven't reviewed it for at least 3 years and although a smaller percentage than we've seen previous years, 4% admit to having never reviewed their home insurance.

<sup>4</sup> <https://www.financialreporter.co.uk/mortgages/mortgage-approvals-hit-13-year-high-in-2020-boe.html>

<sup>5</sup> <https://www.mortgageintroducer.com/lms-remortgage-completions-31-july/>

<sup>6</sup> <https://www.abi.org.uk/news/articles/2018/02/britain-uncovered-the-average-uk-household-now-owns-35000-worth-of-stuff/>

<sup>7</sup> [https://www.abi.org.uk/globalassets/files/publications/public-key-facts/abi\\_key\\_facts\\_2021.pdf](https://www.abi.org.uk/globalassets/files/publications/public-key-facts/abi_key_facts_2021.pdf)

<sup>8</sup> All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 1050 adults. Fieldwork was undertaken between 10th - 11th March 2020. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).



### **DID YOU KNOW?**

£266 billion of personal possessions are uninsured in UK homes.

£313 was the average cost of buildings and contents insurance for a UK residential property.

£8 million is paid out every day by UK home insurance companies for household claims.

[https://www.abi.org.uk/globalassets/files/publications/public/key-facts/abi\\_key\\_facts\\_2021.pdf](https://www.abi.org.uk/globalassets/files/publications/public/key-facts/abi_key_facts_2021.pdf)

## **RECOGNISING THE REMORTGAGE REALITY**

In today's market, it's increasingly common for home insurance to be included as part and parcel of a new mortgage arrangement. In fact, most mortgage providers require home insurance to be in place at the point of exchange. But when it comes to a remortgage, the existing policy isn't always scrutinised to make sure it's fit for purpose and reflects any change in circumstance. Even though adequate home insurance remains critical to protecting the client's investment, it doesn't seem to be given the same priority by advisers or consumers – possibly because they assume that the existing policy will suffice.

Since the pandemic, remortgages have become most popular amongst clients looking to make changes to their homes and gardens. Lockdown sent the nation into a DIY frenzy and after months of ticking smaller tasks off the list, many homeowners are planning for bigger, more expensive home improvements – in fact, 12% are planning to extend their home before 2030 and 20% plan to make their properties more eco-friendly<sup>9</sup>.

In these scenarios, any existing cover needs checking to make sure it's fit for purpose. Whether the customer is switching products with the same lender to get a better deal (a product transfer), or taking out a bigger loan with a new lender (a remortgage), these events should automatically trigger a GI review.

# WHO'S RESPONSIBLE FOR ARRANGING COVER?



## DID YOU KNOW?

10% of consumers have remortgaged their property within the last 2 years.

16% have remortgaged within the last 5 years.

20% have remortgaged within the last 10 years.

If we accept that GI is an integral part of the remortgage process, it leads us on to the small matter of who's responsible for arranging the cover. Is it up to the consumer to sort it out themselves, or the adviser, who in the majority of cases has arranged the mortgage?

Neil Dring of Bluetree Financial Services suggests it's a bit of both. He believes that a remortgage is certainly a sensible time for an adviser to review GI because they have the client engaged and looking at their finances, but also admits there is likely to be some consumer apathy. While he accepts that it's ultimately the customer's decision, Neil is quick to acknowledge that advisers do have a duty of care to make sure their clients are happy with any existing GI policies when remortgaging. Even if consumers take responsibility

to keep their GI up-to-date throughout the year, the adviser should make it clear that their clients need to review their insurance whenever there's a change in circumstances.

Opinions also vary from a consumer perspective. 27%<sup>9</sup> say they would expect their financial adviser to review their home insurance during a remortgage or product transfer. 34%<sup>9</sup> wouldn't expect their adviser to help with the review, but would be happy if they did. And 23%<sup>9</sup> wouldn't expect or want any help. It's an area where there is a distinct lack of clarity. Unfortunately, if both parties are leaving it to the other, there is a good chance that many consumers will end up underinsured.

Thankfully, 36%<sup>9</sup> of remortgage customers do take the time to review their home insurance

with or without the help of their broker. So, although there may be some lingering doubts around responsibilities – not to mention missed opportunities by advisers – it seems the importance of home insurance isn't lost on everyone. Nevertheless, it's slightly worrying that the majority of consumers are happy to remortgage their home without giving GI a second thought. More alarming still, 5% admit to not having an existing home insurance policy when they last remortgaged.

More clarity on who is responsible for reviewing GI cover would definitely help. Without anyone owning the GI review process, it's very easy for both advisers and consumers to view it as unimportant, which may explain why it often gets overlooked.

<sup>9</sup>YouGov research carried out on behalf of PaymentsShield. Total sample size was 2139 adults. Fieldwork was undertaken between 4th - 5th January 2021. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+).

# UNDERSTANDING CONSUMER APATHY

Due to the significant sums involved in most remortgages, it's easy to see how some consumers might focus their time and effort on getting the best deal, while forgetting about home insurance and other related products. Obviously this doesn't mean that these 'secondary' purchases aren't important to their financial wellbeing. Still, 32%<sup>9</sup> of consumers don't even consider reviewing their GI policy as part of the remortgage process and a further 27%<sup>9</sup> can't remember if they did or not. Whichever way we look at it, this leaves a substantial amount of remortgage customers with their homes underinsured.

While it's very easy to put this lack of focus on insurance down to consumer apathy, there seems a little more to it than everyday indifference. On closer examination, it points towards a lack of knowledge and support, just as much as a lack of interest.

## LACK OF KNOWLEDGE

One of the major concerns with today's financial services market, is that consumers don't always understand the products well enough to make the right choices. With the sheer volume of information available online, it's easy to get distracted by marketing gimmicks and false promises, rather than making sensible, well-informed decisions.

To get a better understanding of these consumer perceptions and behaviours following the Covid pandemic, the FCA conducted its 2020 Financial Lives Survey.<sup>10</sup> One of the stand-out statistics was that 30% of all UK adults reported low knowledge about financial matters. Although this is an improvement (it was 46% in 2017), it still highlights that almost a third of the UK population is in a vulnerable position when it comes to making financial decisions. It's also worth noting that a third around a third (29%) of adults say they have no-one to turn to for help with tasks related to financial services. Plus, 30% of people with one or more insurance or protection products admit that they choose the cheapest policy rather than compare what different policies cover.

These findings are backed up by a

recent YouGov survey in which 31% of respondents admit to being fairly bad or very bad at knowing what type of insurance they require at different stages of their life.

This lack of knowledge may well explain why so many people feel uncomfortable switching providers or changing their home insurance product once it's in place. Others are concerned that purchasing a different policy may invalidate their existing mortgage agreement – although in reality, they can switch as often as they like.

## LACK OF SUPPORT

While a high proportion of consumers may not fully understand the GI market, this shouldn't be enough to prevent them from purchasing the home insurance they need. After all, there are plenty of more complex products being sold every day. In practice, it may just be that home insurance customers need a little more support than they're currently getting.

From an adviser point of view, this comes down to communication. There is no consumer advertising that suggests customers need advice and if a mortgage adviser hasn't discussed GI with them in the past, they wouldn't necessarily expect them to. In reality, the only way that this is going to improve is if advisers start to initiate the conversation. The responsibility is on them to raise awareness of the importance of getting advice, as well as making sure products are simple, transparent and flexible enough to meet different needs.

Faced daily with advertising from price comparison sites, consumers can't be blamed for focusing on price and price alone – they're conditioned to believe that this should be the deciding factor when it comes to selecting cover. However, every policy is totally different and this is distilled when an aggregator presents them with a list of options listed in order of monthly premium.

When buying online, all the responsibility lies with the consumer to know they've picked the right policy and they can't be sure whether

they have done until the point of claim – when it's often too late. It can be overwhelming and unless they've had a poor claims experience in the past, consumers are unlikely to admit they don't know what they're looking for, so advisers must prioritise explaining that it's not all about price.

The Defaqto Star Rating system goes some way to achieving this, but there's still a lot more that can be done, as it doesn't rate suitability. Advisers must offer more information on individual product benefits and take more time to fully explain the claims process. Customers also need to know that when their personal circumstances change, they may need to make adjustments.

When people remortgage, they tend to focus all their energies on getting the best possible deal, without considering other products. Advisers are perfectly placed to remind them that a mortgage also needs to be fit for purpose and fully protected. As Neil Dring of Bluetree points out, "If we don't think GI is important, neither will the client."

## LACK OF INTEREST

Even with the right knowledge and support, there are still plenty of people who simply don't see home insurance as a priority. According to the FCA<sup>12</sup>, only 36% of consumers have held their policy with the same provider for three or more years. Only 24% read their policy documents carefully and relatively few check that they're not already covered by a different policy.

On face value, it may seem like a thankless task to try and change these perceptions. But, this apathy may be more to do with the time it takes to research the market than any kind of 'can't be bothered' attitude.

If the issue is around time then as an industry, perhaps we need to look at new ways to simplify the process, or at least make it clear to customers that advisers are happy to step in and offer a helping hand. Alternatively, if there is a genuine problem with consumer perceptions, we need to look at ways of reminding customers that GI is an important part of the mortgage process.

<sup>10</sup><https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

<sup>11</sup>YouGov research on behalf of PaymentsShield. Fieldwork dates 4th - 5th January 2021

<sup>12</sup><https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

# POINTING OUT THE BENEFITS

Consumer inertia is, of course, an age-old problem within the insurance industry. Regardless of the reasons behind it, it's all too easy to stick with the same policy year-on-year and accept minimal communication from the respective provider. So, for some people, the prospect of comparing policies mid-term and potentially incurring a cancellation fee, might be quite daunting.

The point that many consumers are missing, is that there are significant advantages (and practical reasons) for reviewing a GI policy when personal situations change. It's not just about making sure the home and mortgage are protected (although obviously that's important); it's about having the right level of cover in place to reflect any other change in circumstance. And because products are getting better all the time, there are more ways than ever to make a positive difference (think home emergency cover and personal possessions cover).

Another consideration that's often overlooked by consumers, is that reviewing their home insurance policy may save them hard earned cash. A recent study by the FCA<sup>13</sup>, confirmed that when it comes to pricing, not all customers are treated equally. On average, new customers who take out combined buildings and contents insurance pay £165 for their cover, while customers who have been with their provider for more than 5 years pay £287.

The simple lesson here is that in order to get the right benefits at the right price, it pays to review your policy regularly. When a trusted product is only available through one insurer, it's easy to see why consumers err on the side of caution and accept a few pounds increase every year. But when the exact same product is available through a panel of insurers (as is increasingly common), it makes sense to rebroke the policy at every opportunity. While money shouldn't be the main driver for change, a financial saving is often a great call to action.

Admittedly, the option of trawling the internet to save a few pounds isn't going to convince everyone to switch on their laptops. But if an adviser is offering to do the work on the consumer's behalf, the proposition is likely to become a lot more palatable. And if consumers don't realise this as an option, it's easy enough for advisers to step in and offer a gentle reminder.

<sup>13</sup>[https://www.fca.org.uk/publications/market-studies/ms18-1-general-insurance-pricing-practices-market-study?\\_ga=2.214700881.797573868.1614190714-360556063.1614190714](https://www.fca.org.uk/publications/market-studies/ms18-1-general-insurance-pricing-practices-market-study?_ga=2.214700881.797573868.1614190714-360556063.1614190714)





## ADDRESSING ADVISER APATHY

As challenging as consumer apathy can be, there's usually a solution to be found somewhere in the form of education, support or incentives. But when it comes to adviser apathy, the situation is a little more complex. There has to be a connection between buying a mortgage and buying advice.

Most mortgage advisers are very aware that GI should be re-evaluated as part of the process, and yet they continue to miss out on sizeable commission by failing to review their clients' home insurance when arranging a remortgage. On top of this, there's the recurring revenue that comes with renewals and requires minimum effort, as they're handled by the provider.

Some of the more pro-active advisers are confused themselves by this behaviour. Gillian Harte, of Slater Hogg Mortgages, suggests that it may be purely down to "time restrictions", while Julie Shore of Acumen Financial Advisers, speculates that it may be a lack of uptake on new quotes. "Clients aren't always interested", she explains. "Plus, some advisers target protection as a priority." Another concern is that advisers are put off by clients have very low premiums in place because they don't think they'll be able to convince them to switch.

### A QUESTION OF TIME?

It is, of course, very easy for advisers to use (lack of) time as a reason for sidestepping GI when arranging a remortgage. After all, the client's biggest financial commitment is most likely to be the mortgage itself. But in an age of holistic advice, it's hard to accept that GI isn't worth a little extra effort – especially when it's a pre-requisite of every mortgage.

While most advisers spend up to 12 hours on a mortgage application<sup>14</sup>, an average home insurance application can be completed in approximately 30 minutes. So, it's hardly a mammoth undertaking.

### COMPETING WITH LOW PREMIUMS

Slightly more worrying, is the suggestion advisers may not feel they're in a position to compete on price with their clients' existing policies. Obviously, premiums are an important consideration, but the starting point of every GI sale should really be whether the product is fit for purpose. In practical terms, an adviser may need a competitive price to seal the deal. But realistically, this should be the final consideration when recommending a policy, rather than the starting point.

### LACK OF UPTAKE

While it's true that some advisers may be neglecting GI due to a presumed lack of uptake, what they may be overlooking is that their clients simply need pointing in the right direction. As the FCA's Financial Lives Survey<sup>15</sup> indicates, there's a lot of misunderstanding around insurance products and how the different benefits work. By educating clients on the range of options available, advisers could help to change these perceptions. And in doing so, they may well start to see conversion rates improve.



<sup>14</sup><http://www.financialreporter.co.uk/mortgages/mortgage-advisers-losing-up-to-75m-in-gi-commission.html>  
<sup>15</sup><https://www.fca.org.uk/publication/research/financial-lives-survey-2020.pdf>

## ADVISERS NEED SUPPORT TOO

Notably, it isn't just consumers who need educating on home insurance. Plenty of advisers would openly admit that they don't feel comfortable recommending GI products. Some claim they don't have the time, while others don't think it's worth their effort (for the reasons above). But with providers happy to help, it's often a much easier option than they realise.

James Watson, Sales Director at Paymentsshield confirms "We carry out training sessions all the time – on a one-to-one or group basis. A lot of advisers just want to test the water, while others have a very clear plan for their business. The firms we speak to are constantly surprised by the financial rewards that GI offers. But it isn't just about that; it's about being able to deliver an end-to-end service to clients, which is what consumers have come to expect these days."



## REASONS TO BE CHEERFUL

With a growing number of mortgage advisers offering a holistic service, it makes sense to include GI in every remortgage conversation. And what some advisers fail to see is that aside from any sense of duty, there are some notable business benefits that are being overlooked.

### INCREASED REVENUE

Revenue is a big driver for advisers looking to build their business and with remortgages on the increase, there's a significant opportunity for them to boost their income. With a typical remortgage quote to GI conversion rate of between 29% and 40%<sup>16</sup>, advisers would start to see a welcome boost in revenue if they were to quote on every case.

### IMPROVED CLIENT RELATIONSHIPS

One of the challenges advisers face when reviewing GI for a remortgage, is that the existing policy isn't always ready to renew. Clients are, quite rightly, reluctant to pay exit fees and switch their provider mid-term. But this doesn't mean that the conversation should be disregarded. It's easy enough for advisers to record the renewal date and arrange a call back nearer the time. As well as taking the hassle away from the client, it's a great reason to stay in touch.

### FEWER COMPETITORS

Besides being good for clients and good for the bank, offering an end-to-end mortgage service can also be a great way to ward off competitors. First of all, it's not a service that everyone offers, which gives advisers an immediate advantage. Plus, it also helps to prevent consumers going elsewhere for individual products and getting their heads turned by competitors looking to build new client relationships.

## FOCUSING ON THE FUTURE

As an industry, there are plenty of positives to take away from today's GI market. For example, the range of products and benefits available to consumers is greater than ever. But when it comes to reviewing existing GI policies, it's fair to say that there's still a great deal of apathy from all parties – especially at the point of remortgage.

For consumers, this appears to be largely based on (a lack of) knowledge and understanding. It's almost as if there's an overwhelming belief that all home insurance products are the same, which leads people to think that there's little

point comparing anything but price. Many don't even recognise that their mortgage adviser can guide them through the process and ensure they select a suitable policy to match their needs – consumers need adviser support more than ever.

Unfortunately, there doesn't appear to be any real sense of urgency from advisers to change these perceptions. Again, this may be due to a lack of product awareness or general indifference. But it doesn't alter the fact that GI sales are often seen as the poor relation in the mortgage process, rather than an essential product.

While it's easy to point the finger at consumers and advisers for this lack of focus, it's perhaps more appropriate to look at it as an industry-wide problem that needs addressing collectively. The good news is that there's no shortage of products and benefits in GI so, hopefully it won't be long before everyone is reaping the rewards.

<sup>16</sup>Paymentshield network conversion data for March 2020 - Feb 2021

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