Tenent Contents Insurance
1. The Bill makes no provisions to support increased take up of tenant contents insurance across the social housing sector.

The problem
2. Tenants in social housing have tenant contents insurance take up on average of circa 12% from their landlord and little more than 55% across all forms of contents insurance provision.

3. This has changed little in the last 5 years although resources have been expended by Scottish Government and landlords to encourage take up without significant success.

The Analysis
4. There were, according to the Scottish Executive Statistical Bulletin Housing series 2005, circa 615,000 social housing tenants across Scotland with either a Housing Association or Local Authority landlord.

5. Based on the 2007 report, “Exploring the Take up of Home Contents Insurance – Scottish Executive Social Research”, estimates of contents insurance cover take up there are 300,000 tenancies at risk of a fire, flood or other event which destroys some or all of their belongings. Those tenancies do not include partners and family members who are affected which greatly extends the number of individuals left at risk.

6. In January 2010, during a particularly cold snap one west of Scotland RSL had 28 claims for frozen pipe damage with its insurer, all of which impacted on tenants to one degree or another. Of those 28 claims only 4 tenants had contents insurance or 14%, not 55%!

7. In some social housing organizations it is the case that no landlord provided policy exists and as a result it is left entirely to market forces for contents insurance provision to be made.

8. The landlord, as a regulated and publicly accountable body, usually has some form of property insurance cover enabling the property damage to be repaired at minimal risk of loss of excess; this does not extend to contents. The premium costs of property cover are ultimately passed on to tenants via their rent.

9. Uninsured tenants however face the prospect of trying to restore their belongings at a time where they might also be coping with personal injury or loss as a result of the property damage. In some cases they turn to local charities for support, some turn to families and friends and some without access to those avenues turn to doorstep lenders.
10. The consequences of not having contents insurance cover lead the most vulnerable in society and in many cases those that are least able to afford to replace belongings down avenues which this Housing Bill is supposed to prevent if it is;

“to improve the value that social housing delivers for tenants and taxpayers, to safeguard the supply of that housing for the benefits of future generations of tenants, and to improve conditions in private housing”.

11. The 2007 Scottish Executive research, “Exploring the Take up of Home Contents Insurance”, makes clear that encouragement through the use of marketing campaigns has limited effect having spent £500,000 in 2003/04 and increased take up by little more than 2%.

12. The natural tenancy turnover rate in social housing of between 8 and 12% per annum means the expending of those limited financial resources for marketing and encouragement will be required annually merely to stand still in terms of the levels of cover. This does not occur presently and as a result therefore it would be fair to estimate that the 2007 data regarding policy take up has experienced attrition.

13. Current housing legislation does not allow for a Scottish Secure Tenancy to be granted with conditions, in that case any requirement to take up contents insurance as part of a tenancy agreement may be in breach of current legislation.

14. Social housing providers are unable to provide tenant contents insurance cover for all tenants as the costs would be a substantial increase in cost to their businesses which are currently operated on a not for profit basis whether they be housing associations or local authorities.

15. The all apartment average rent across the RSL sector in Scotland according to the Scottish Housing Regulator’s statistical data for 2008/09 was £57.23 per week.

16. An average contents insurance policy for £10,000 sum insured costs circa £1 per week.

17. The premium cost to social housing tenants represents an additional average 1.7% per week increase in rent at 2008/09 rent levels for one year only as future years rents will include that cost when revising rents.

18. Precedent exists in housing legislation to consider statutory obligations for insurance cover, the Tenements (Scotland) Act 2004, contains provision for all owners in a tenement property having an interest to be statutorily required to hold buildings insurance cover.

Conclusions
19. The current policy of education and encouragement of tenants to take up contents insurance is expensive for Scottish Government wider role resources to support.

20. The current policy of education and encouragement of tenants to take up contents insurance does not demonstrate tangible continuous improvement in the education,
or financial inclusion of social housing tenants leading to improvement in the take up of tenant contents insurance.

21. The current policy of education and encouragement tenants to take up contents insurance has unintended consequences which conflict with the strategic objectives of financial inclusion and education as part of “wider role”.

22. Tenant choice continues to fly in the face of the current policy objectives and consistently creates economic or social ills experienced by social housing tenants and the rest of society when they are affected by a loss.

The solution

23. The Housing (Scotland) Bill should amend current legislation to enable social housing landlords to impose, as a condition of tenancy, that a form of contents insurance cover is procured and maintained throughout the tenancy either by the landlord or by the tenant.

24. In addition, that the landlord has the ability to recover that cost where it is provided by the landlord through either the general rent charge or a specific additional service charge to the tenant.

The outcomes

25. If applied as per the analysis then rents would increase in one year only by an additional 1.7% or so to cover the costs of provision.

26. If applied by all social housing landlords then all 615,000 tenants would have contest cover in place for a basic minimum sum insured.

27. This would result in more than 300,000 tenants who do not presently have cover being covered with substantially more family members benefiting from the imposition of cover.

28. Financial exclusion in the social housing sector from contents insurance cover would be almost eliminated as a result of the policy change.

29. Resources previously devoted to education and encouragement of contents insurance cover provision would be diverted to areas of greater need for support in the social housing sector.

30. The social and economic ills created by the current policy would be almost entirely eliminated as a result of the policy change.

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