



Press Release

Worry that Long-term Renters are Financially Exposed without Life Insurance

“‘Rent Protection’ is as important for Renters as Mortgage Protection is for Homeowners”

Ireland's 320,000 plus¹ long-term rental households may be in a precarious position with the absence of the financial security that mortgage protection provides to homeowners. This is according to leading protection specialist, Royal London, which says that the tens of thousands of families and individuals in long-term rental accommodation should consider how they can protect themselves financially, if they were unable to pay their rental expenses. Royal London says it's flagging the issue to encourage renters to consider the implications of not having protection in place to cover them if they got seriously sick and couldn't work. With the right type and amount of insurance in place, those who are renting can ensure that their policy will provide financial support which can help pay for rent and other ongoing expenses if they were to get seriously ill or pass away.

Barry McCutcheon, Proposition Lead at Royal London explained,

“This year, the pandemic lockdown restrictions have had a major impact on the supply of housing to purchase, as a result of the weeks-long hiatus on construction activity.² For many Irish people in long-term rental accommodation, this may make the possibility of transitioning from long-term rental to homeownership even more challenging. The most recent Census data show that 18% of the population lives in private rental accommodation – that's over 850,000 people.³ A portion of these renters will have the desire to own their own property one day. But caught in the cycle of high rents, making saving for a deposit more difficult, and faced with the post-Covid-19 prospect of a renewed acceleration in housing demand and prices, many may not be in a position to own their own homes for a long time to come.”

According to the Daft.ie Rental Price Report, Q3 2020⁴, rents in Ireland's urban centres have doubled in the last decade, and more recently, rents in the third quarter of 2020 were, on average, 1.2% higher across the country than the same period last year. In Dublin, rents fell slightly, compared to the same time a year ago and rental stock availability in the capital

is twice its level a year ago. Meanwhile, that picture is not being reflected around the country, as stock of property to rent continues to fall since 2006 and is at close to all-time lows.

Mr. McCutcheon went on to say,

“Traditionally, the demographic of renters in Ireland was single people in their 20s and early 30s – students, young professionals or those passing through on contract work who usually rented for short-term periods. Now, there is a growing cohort of families and individuals in their 30s, 40s and 50s^ who are renting long-term. For this group of people, financial security and protection will become more important as they grow older and settle down, especially if they have children to look after. Long-term renters will be vulnerable if they were to experience an accident or illness as this could have a significant impact on the household’s ability to make rental payments. That’s why we are encouraging long-term renters to review their financial capabilities and consider putting their own form of ‘Rent Protection’ in place by taking out a Life, Serious Illness and/or Income Protection policy.”

“Akin to Mortgage Protection”

Royal London says long-term renters can benefit from reviewing their finances and putting a life insurance in place. This can give them protection that’s similar to how Mortgage Protection works to protect mortgage holders with a lump sum payment if a policyholder was to pass away.

Mr. McCutcheon explained,

“Financial protection can provide peace of mind for long-term renters. By putting financial protection that’s similar to Mortgage Protection in place, they can ensure that rent or other outgoings can be maintained by the family should anything happen to the breadwinners. Life cover, also called Term Assurance, and/or Specified Serious Illness cover, will help provide this security. If you are unable to work due to illness or injury, Income Protection, sometimes called Permanent Health Insurance, can provide a monthly wage until you are able to return.”

“In our experience, the main reason people are deterred from even considering taking out such cover is down to perceived cost and affordability. People may think ‘how can I afford to pay for another expense on top of my current outgoings?’ but they might be surprised to learn how little it can cost per month to have protection in place. To illustrate, we’ve outlined a variety of scenarios below.”

Royal London has outlined the costs of putting life cover in place (see note 1 and 2 below):

Life cover type	Age(s)	Smoker status(s)	Location	Average Rent per month ⁴	Sum		
					Assured needed to cover rent for 10 yrs.	Term (yrs.)	Premium per month
Single	37yr	No	Cork County	€1,057	€126,840	10	€15.15
Joint	35yr 38yr	No No	Limerick City	€943	€113,160	10	€15.15
Joint	33yr 35yr	No Yes	Dublin North City	€1,749	€209,880	10	€27.46
Single	32yr	No	Galway County	€937	€112,440	10	€15.15
Joint	39yr 42yr	No No	Meath	€1,393	€167,160	10	€25.39
Joint	27yr 29yr	No No	Galway City - 1-bed apartment	€1,021	€122,520	10	€15.15
Joint	33yr 35yr	No Yes	Cork city - 3-bed house	€1,392	€167,040	10	€22.76
Joint	39yr 41yr	Yes Yes	Meath – 4-bed house	€1,483	€177,960	10	€44.42
Joint	44yr 45yr	No No	Dublin 2 - 4-bed house	€3,133	€375,960	10	€66.32

Royal London said the cost of Income Protection depends on the amount of cover you need (the percentage of your income which is protected), the deferred period and the term of the policy. This is in addition to occupation, age, health and lifestyle factors. Taking an example of someone who is aged 34 next birthday; Income Protection might provide an annual benefit of €15,642 (a weekly benefit of €300) for a monthly premium of €32.25 (based on an Occupational Class 1⁵, a deferred period of 13 weeks and a retirement age of 60).

Rents and renters on the up

The most recent Census data show a significant drop in mortgaged households in Ireland, with the total number of households with a mortgage standing at 535,675 in 2016, down by 8% on 2011.⁶

Mr. McCutcheon commented,

"Unlike our Continental European cousins where renting for one's lifetime is commonplace, for many people in Ireland, the prospect of owning one's own home is still very much a standard to strive for. That said, Irish society is changing, and long-term renting is

increasing while homeownership is decreasing. The decline in mortgaged households poses the question, as a nation, are we moving away from the dream of home ownership in favour of lifestyle flexibility or is it the increasingly tough property market that is keeping people out of the housing market?"

Royal London reports that just 44%¹ of the population is estimated to have life cover in place, a figure which prompts the question 'what proportion of the remaining 56% are renting their home?'

Mr. McCutcheon concluded,

"In the run up to Christmas, another expense is understandably the last thing you might want to consider. However, as this year comes to an end, it may be a good time to take stock of your financial capacities and plan for the coming new year. If you are renting your home, you can speak to a Financial Broker to find out more about the financial protection you can put in place to best meet your individual needs."

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Notes to editor

About Royal London:

Royal London has a history of protecting our policyholders and their families for over 190 years in Ireland, and we're committed to continue to do so for a long time to come. Today we are owned by The Royal London Mutual Insurance Society Limited – the largest financial life, pensions and investments mutual in the UK, with over 4,300 people, providing around 8.6 million policies and more than €164.3 billion in Group funds under management. (Figures as at June 2020).

Royal London's Irish office is based at 47-49 St Stephen's Green, Dublin 2.

Sources:

¹CSO Census of Population 2016 - Profile 1 Housing in Ireland - Rented Households - <https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/#:~:text=Rented%20households%20approach%20the%20half%20million%20mark&text=Renting%20from%20a%20local%20authority,2011%20to%20326%2C493%20in%202016>

²Housing Market Monitor Q1 2020, Banking & Payments Federation Ireland <https://www.bpfi.ie/news/severe-impact-housing-supply-year-due-covid-19-demand-may-resilient-amongst-borrowers-typical-home-buyer-incomes/>

³Savills Ireland: A Rent Forecasting Model for the Private Rented Sector in Ireland. <https://pdf.euro.savills.co.uk/ireland-research/a-rent-forecasting-model-for-the-private-rented-sector-in-ireland.pdf>

⁴The Daft.ie Rental Price Report, Q3 2020 - <https://www.daft.ie/report/2020-Q3-rental-daftreport.pdf>

⁵The availability and cost of Income Protection cover is directly related to your job or occupation. Occupational Class 1 broadly refers to occupations with no appreciable accident or health risks, often 100% administrative duties.

⁶CSO Census Data: Census of Population 2016 - Profile 1 Housing in Ireland -

<https://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/tr/>

[^]National Economic and Social Council's report on Homeownership and Rental: What Road is Ireland On? No. 140, December 2014 -

http://files.nesc.ie/nesc_reports/en/140_Homeownership_and_Rental.pdf

^{^^}Royal London omnibus survey with 1000 consumers, 2018

Note 1: Level Life Cover only. 1% levy included in premiums shown. Source: BestAdvice.ie as at 02/12/2020. Sum Assured is 12 months x 10 years x Average Rent. Age refers to age next birthday.

Note 2: For illustration purposes the sum assured calculation does not include indexation and assumes that rents remain static for 10 years. For an additional cost you can choose to select indexation on your Life and Specified Serious Illness cover which helps protect against the negative effects of inflation. Royal London's minimum premium is €15.15 a month. In some of the above instances, a higher sum assured may be possible for the €15.15 monthly premium shown.

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