CHUBB

The wealth report: United Kingdom

Closing the protection gap in a time of increasing risk

Introduction

Financial success is tougher than ever to achieve - and more challenging to protect.

In a wide-ranging survey, Chubb asked 350 affluent and high net worth individuals in the U.K. how they view their wealth, what they value most, who they turn to for financial advice and what keeps them up at night.

We learned that their passions and lifestyles drive many of their investment decisions when it comes to homes and collections. These assets represent more than their monetary value; they signify the places and experiences that bring friends and family together, the pursuit of a dream or a legacy for the future.

The report that follows examines the growing gap between what people value and how they choose to protect it against an array of risks through appropriate insurance, risk management and loss control programmes.

Survey respondents see many vulnerabilities to their future success: the decline in economic competitiveness and a potential loss of wealth threatens their financial wellbeing, the rise in theft and weather-related damage is a threat to the people and property they value most. Many have not taken steps to understand how they can best protect against risks to their homes, their collections and their lifestyles.

Successful individuals and families have worked hard to build their wealth. Now is a pivotal moment to take action and shore up protection of what they value most with comprehensive risk and insurance strategies.

Stephen Vaughan
Head of Personal Risk
Services Europe, Chubb

Key insights

Shifting mindsets of the wealthy

Financial success is tougher than ever to achieve — and more challenging to protect. Half of the U.K.'s most affluent do not consider themselves wealthy yet and 72% say that achieving affluence today requires greater wealth than it used to.

72%

believe that affluence, upward mobility and prosperity are out of reach for middle-income families in the U.K.

53%

say that building wealth is more challenging than ever before.

61%

dream of retirement as early as possible but only 6% have taken the plunge and retired.

Investing in passions

Affluent individuals in the U.K. have invested in assets that carry emotional value: their homes, their collections and their lifestyles. They continue to invest in property — new homes as well as renovations — entertainment and travel.

80%

are collectors with jewellery, gems and watches named as the most widely collected items, followed by fine art and wine.

70%

own more than one home already and 23% want to add to their property portfolio.

66%

will spend more on international travel this year with domestic travel (61%) and entertainment (56%) not far behind.

Understanding the risk gap

People with wealth are deeply concerned about the threat of extreme weather to their homes and their collections. What keeps successful people up at night? Inflation, the economy and global conflicts.

77%

are worried most about the competitiveness of the U.K. economy.

71%

believe that damage during renovations is the top risk to their home.

86%

see theft as the greatest risk to their valuables.

Protecting against risks

There is a growing gap between the risks that wealthy families see ahead and their understanding of how best to protect against them. Some risks can be prevented, with the right advice and preventative measures.

83%

rely predominantly on their financial advisors to manage their wealth and protect it from risks.

49%

expect their insurance carrier to provide up-to-date asset valuations for their collections and 47% want loss prevention advice.

Mindset

Changing times create a wealth conundrum: More affluence and more worry

The number of people in the United Kingdom with more than $1 million in assets jumped dramatically over the course of the pandemic, growing nearly 28% between 2019 and 2021, according to Statista. But making it into the millionaires' club is not what it used to be. Inflation, higher interest rates and worries about economic competitiveness make for an unsettling outlook even for those who can most afford it.

A Chubb survey of affluent and high net worth individuals in the U.K. finds that despite achieving considerable financial success, 49% of respondents with net assets of more than £1 million do not consider themselves wealthy yet — particularly younger respondents.

The wealthy do not take their success for granted. Only 28% believe that affluence can be achieved by a middle-income family today. Just over half say that building wealth now is more challenging than ever before. They also worry about the perceived concentration of wealth and the political environment in general. More than eight out of 10 believe that the influence of wealth in the U.K. is already too big.

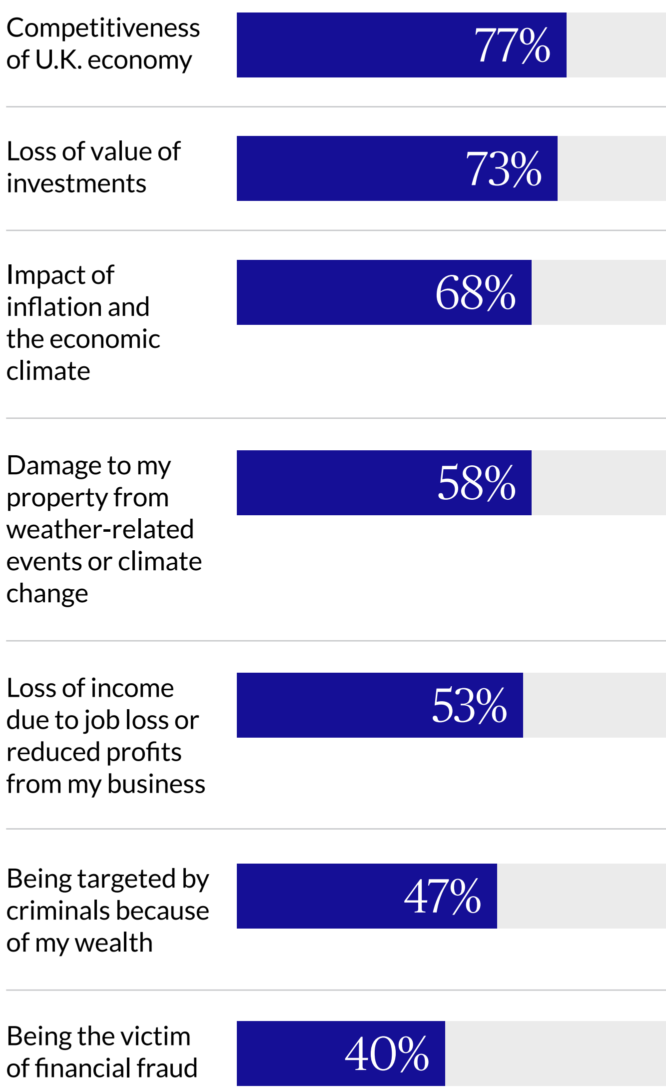
Affluent and high net worth families are also concerned about their own future wealth. They are concerned how the current economic climate will impact their wealth — particularly the competitiveness of the U.K. economy and the potential loss in value of their investments. Some have already seen their net worth fall in the years since the pandemic, according to Statista. The number of U.K. millionaires, measured in U.S. dollars, dropped 10% in 2022.

Whether their wealth was inherited (16%), self-made (45%) or a mix (39%), respondents to our survey stand out for working hard and playing hard. The vast majority (68%) are working, and 39% say they would prefer never to retire.

Mindset

Competitiveness of the U.K. economy perceived as the greatest risk to future wealth

Which of the following do you see as a risk to your wealth and lifestyle?



What keeps them up at night? Government spending, first and foremost, according to 35% of respondents. The same number also worry about global conflicts and the threat of nuclear war. Whether their wealth was inherited (16%), self-made (45%) or a mix (39%), respondents to our survey stand out for working hard and playing hard. The majority (68%) are working, and 39% say they would prefer never to retire.

Wealth building and investing have always been linked to the pursuit of passions and values, even as those passions and values shift over time — from pursuing a higher quality of life to creating new experiences. Over the next 12 months, wealthy Britons plan to spend more on their homes, their collections, travel and entertainment than last year.

As they invest more in curating their homes and enjoying some of the experiences they missed during the pandemic, they face a complex set of risks to their wealth and lifestyle — and a growing gap in how they protect against those risks.

What keeps respondents up at night

Which of these following global issues keeps you up at night?

Government debt/spending	35%	Surveillance state	23%
Conflicts between great powers/nuclear war	35%	The need for social change/ diversity/income equity	23%
Rise of authoritarianism/ decline in the rule of law	31%	Healthcare/pandemics	22%
Terrorism and geopolitical risk	29%	Energy insecurity	21%
Artificial intelligence	28%	Climate change	18%
Economic instability	24%	Poverty/food insecurity	11%

Passions

Beyond the balance sheet: Investing in home, entertainment and collections

For successful people, wealth is more than financial assets on their balance sheet. It is also the memories and stories behind the things they collect, the way they style their homes and the experiences they choose to create. Travel is where the most respondents plan to increase discretionary spending over the next 12 months. A majority plan to devote more resources closer to home as well, on both property and entertainment.

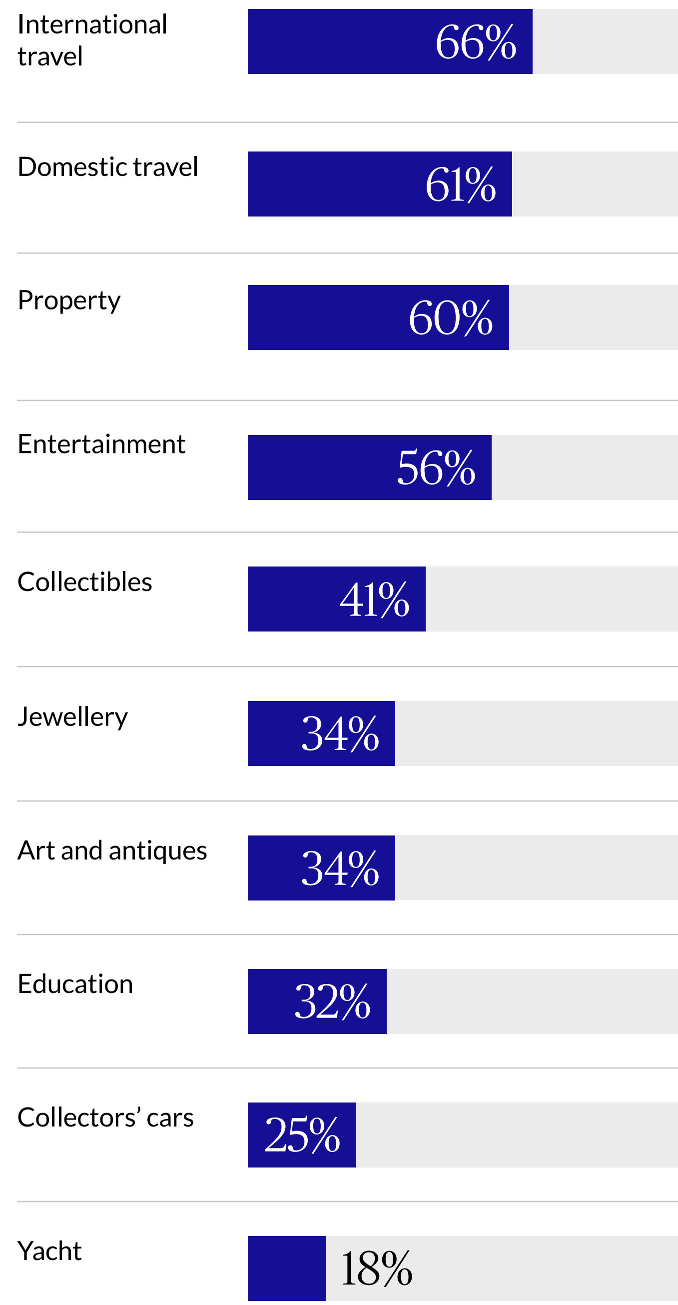
The average value of respondents' primary homes is £6.9 million, and seven out of 10 already own more than one home — a number that is likely to rise. Six out of 10 plan to increase discretionary spending on property in the next 12 months, with 31% planning to upgrade or renovate their properties and 23% looking to increase the number of homes they own, driven primarily by lifestyle changes.

Some lifestyle changes began during the pandemic when being forced to stay within one's four walls inspired people to invest more in their homes. Families have been expanding down and out, fitting gardens with outdoor kitchens and building basement extensions that give them more space. "In places where there is less available space — especially in London and the home counties — they are creating subterranean living spaces with cinema rooms and state-of-the art fittings," says Vaughan. "And not just a single basement, but going down three or four stories and all the way out to the end of the garden." Such renovations entail significant changes to the floor plan — and the risk of flooding.

Some families are still planning projects around basement extensions, wine cellars and outdoor pools but at a slower rate. Over the next 12 months, several areas will see a rise in investment: refit for accessibility, alternative energy sources and outdoor spaces, including tennis courts and pools and waterfalls.

Spending on travel and property set to increase

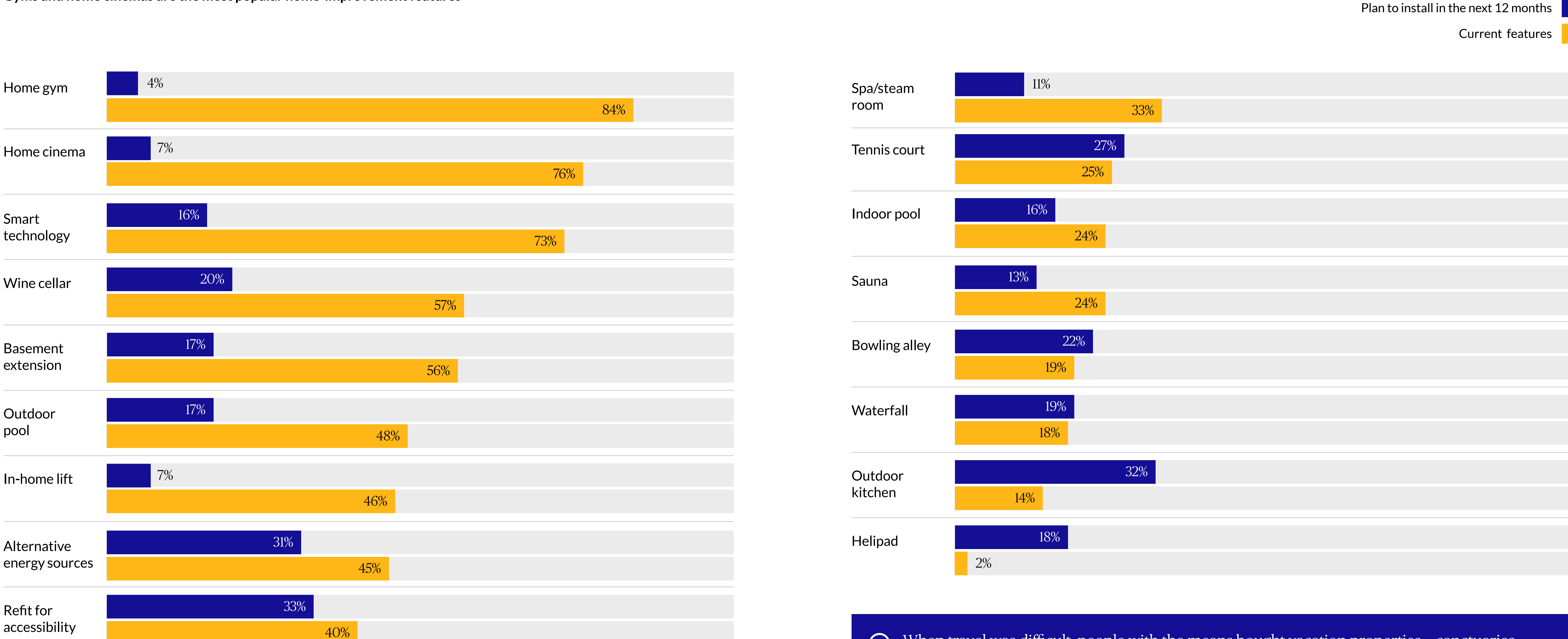
What do you expect will be your discretionary spending over the next 12 months as compared with last year? (Respondents who expect spending to increase)



Passions

Investing close to home

Gyms and home cinemas are the most popular home-improvement features

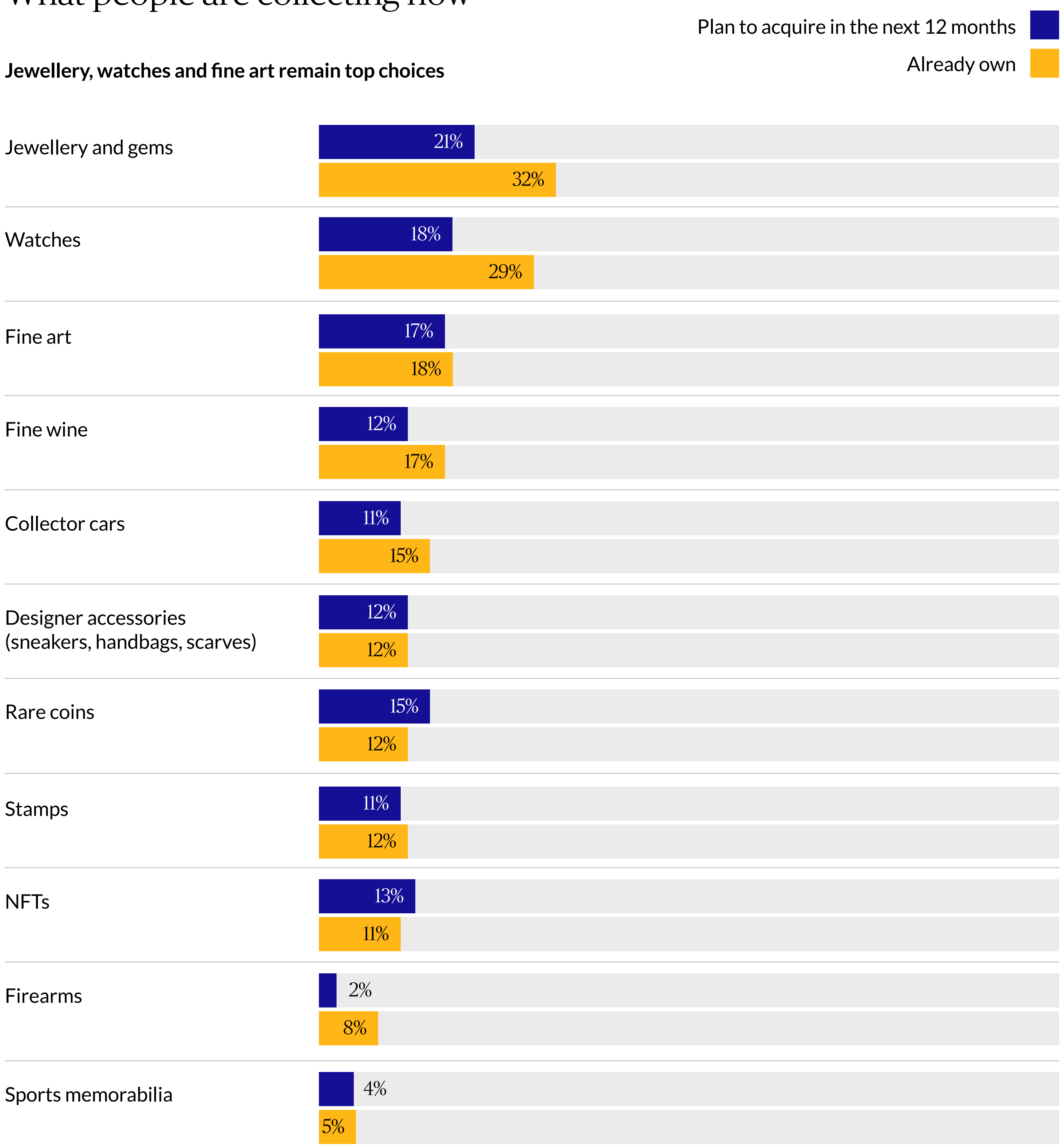


When travel was difficult, people with the means bought vacation properties – sanctuaries where they could escape and host family and friends.

Passions

What people are collecting now

Jewellery, watches and fine art remain top choices



Eight out of 10 respondents are also collectors of fine art, jewellery, cars, wine and other valuables. Some see it primarily as an investment (38%), but most (62%) do it out of passion. Jewellery, watches and fine art are still at the centre of many collections, but a new generation of collectors are expressing themselves and pursuing their passions in new markets.

The market for watches has exploded over the last couple of years. Many of the new trends in collections are driven by millennials, who are now the largest buyers of fine art and jewellery. Collectors of all ages are turning their attention to digital assets such as non-fungible tokens (NFTs) as well. Thirteen percent say they plan to acquire non-fungible tokens — slightly more than the number who plan to invest in fine wine and designer accessories.

Personal collections are now part of the great wealth transfer from baby boomers to millennials, but not all young people share their parents' passions. Just under half of respondents who plan to divest their collections soon would like to give it to family members and just over half believe that their children will continue their collection. Three quarters have decided to whom they will leave their collections, but only 53% have taken legal steps to do so.

Risks

Compounding risks: Creating more worry for the wealthy

Compounding risks — from extreme weather, the shift in collectable assets, and the rise in thefts — are creating new threats to wealth preservation and wellbeing. There is a need to rethink how best to protect what matters most with appropriate risk and insurance management strategies.

Damage during renovation, theft and accidents top the list of perceived risks to homeowners and collectors. They also worry about the effects of extreme weather, fire and water damage.

Weather damage is on the rise everywhere, due to more intense, higher-frequency windstorms, extreme downpours and flooding rivers. "We live on a small island with 70 million people," explains Vaughan. "There's a drive to build more homes, many of which are being built on floodplains, increasing the frequency of fluvial (river flood) events. The costliest damage, however, occurs when there are extreme rain events in developed urban areas which causes pluvial (surface water), sewer and groundwater flooding, such as the cloudburst over West London in July 2021. In addition, coastal areas of the U.K. are exposed to increasing windstorm and tidal flooding events," says Vaughan.

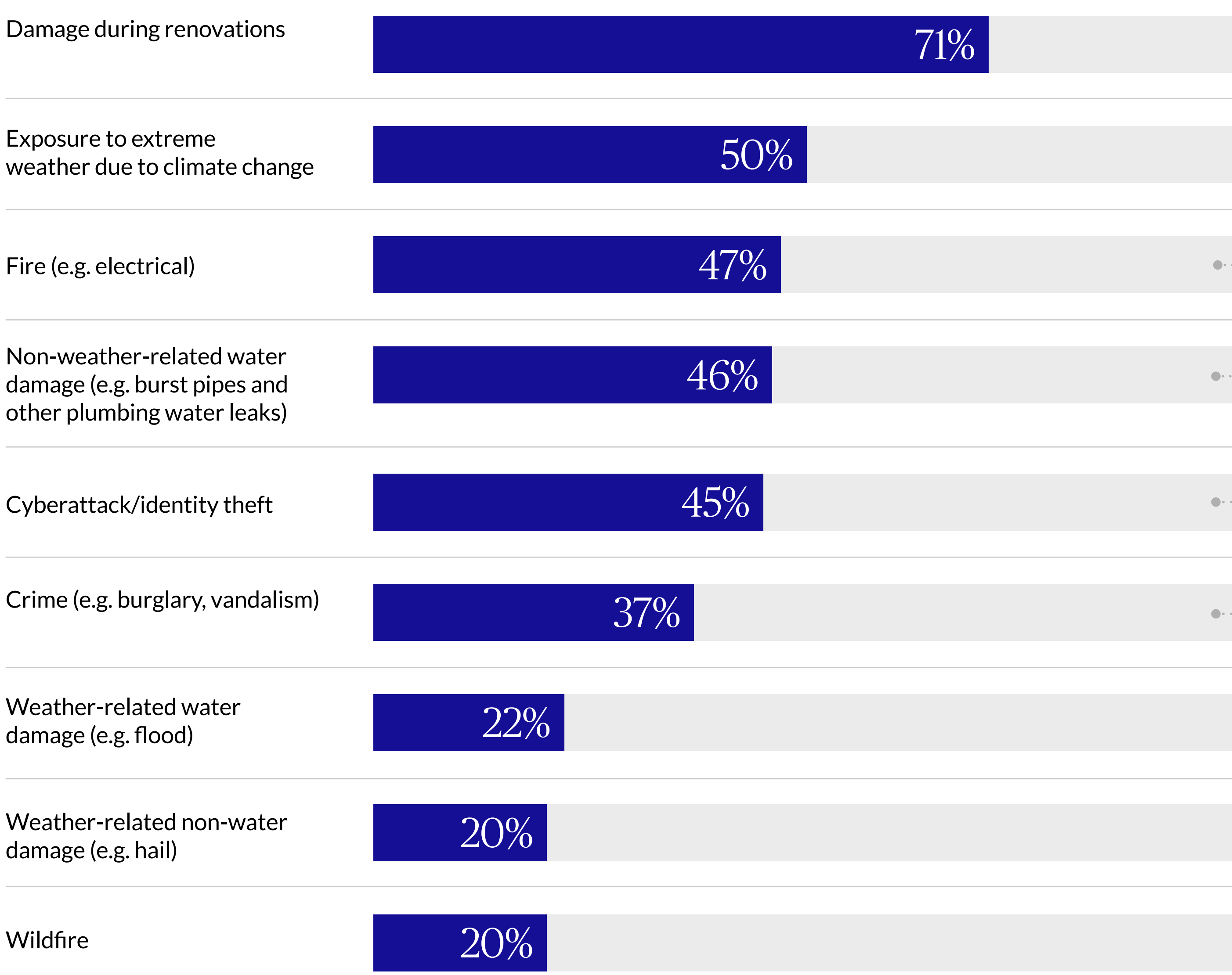
Just under half of respondents expressed concern about non-weather-related water damage. A leaky toilet may not feel as catastrophic as a major storm, but damage from issues that originate inside the home are far more common. "Escape of water is not something that resonates with clients, but it is the biggest loss expense in the whole insurance industry," says Vaughan. Even with a small leak, water will follow the force of gravity and go to the lowest point of the home, causing destruction all along the way.

At the top of the list of threats to wealth preservation is climate change and weather-related damage.

Risks

Proceed with caution: Renovation named as the greatest risk to homes

What do you perceive as the top risks to your home(s)?



Avoiding damage: Steps homeowners have taken to mitigate risks

For seven out of 10 respondents, renovations are a major worry — and an opportunity to make improvements. Smart technology is a top category for home improvement in the survey, and the majority of luxury homes have already invested in various sensors and security systems. There are more steps that renovators can take to mitigate risk. Installing inexpensive leak and smoke detectors, for example, are among the most cost-effective ways to minimise potential damage. When renovations include basement extensions, sump pumps can be installed to pump excess water away and non-return valves can be fitted to prevent the back flow of storm water and sewage into the property during intense rain events. However, only six out of 10 respondents have installed fire detection sensors and four out of 10 respondents have installed leak detection sensors.

Because people are not always home when damage occurs, the fire and leak detection systems should be proactive, explains Vaughan. A device that sets off an alarm is not much help if no one is there to hear it. "There have been situations where clients come home to a torrent of water cascading down. And when you live in your three- or four-storey townhouse, the damage to homes and collections can be very extensive," he says. "A proactive system can alert someone, whether it be a key holder, or a member of staff to turn off the water supply and get someone to the house straightaway."

Which of the following steps have you taken to mitigate the risks of home ownership?

Risks

Theft and damage top vulnerabilities to collections

To what degree are you concerned about the following risks to your collection?

Theft	86%
Accidents caused by guests	80%
Loss or damage from fire	78%
Accidents caused by children	78%
Damage during transportation	77%
Accidents caused by pets	71%
Art fraud (e.g. provenance, forgery)	68%
Natural deterioration	64%
Environmental damage during storage or display, e.g. humidity	52%
Loss or damage from storms or floods	41%
Loss or damage from internal water leaks	41%

Collections are subject to all of the same risks that concern homeowners — storms, fires, floods and water damage — as well as a host of other vulnerabilities specific to each item.

Accidents and damage during travel or transit are among the top concerns for collectors. Many collectors like to share their art with the world through loans to museums they support, or they may consign a work to an auction house or a gallery when they want to sell, exposing works to new risks. Deterioration is also a worry among collectors, and this can include installation hardware. If a work is hanging on the wall, the picture wires can start to fray. Likewise, the settings and prongs for diamonds and gemstones can loosen over time and drop their stones — a phenomenon known as "mysterious disappearance."

The primary worry for collectors in the survey is theft — a particular concern for those who like to wear their collections. Social media exposure can increase vulnerability for people photographed in their jewellery or sporting designer accessories, making them a greater target for thieves. Watch thefts have risen dramatically, says Vaughan. "It is really important to think about your surroundings and whether you really want to wear your most expensive pieces in places where they are hard to protect."

Protecting your passions

It is a universal truth that most people don't like to deal with insurance

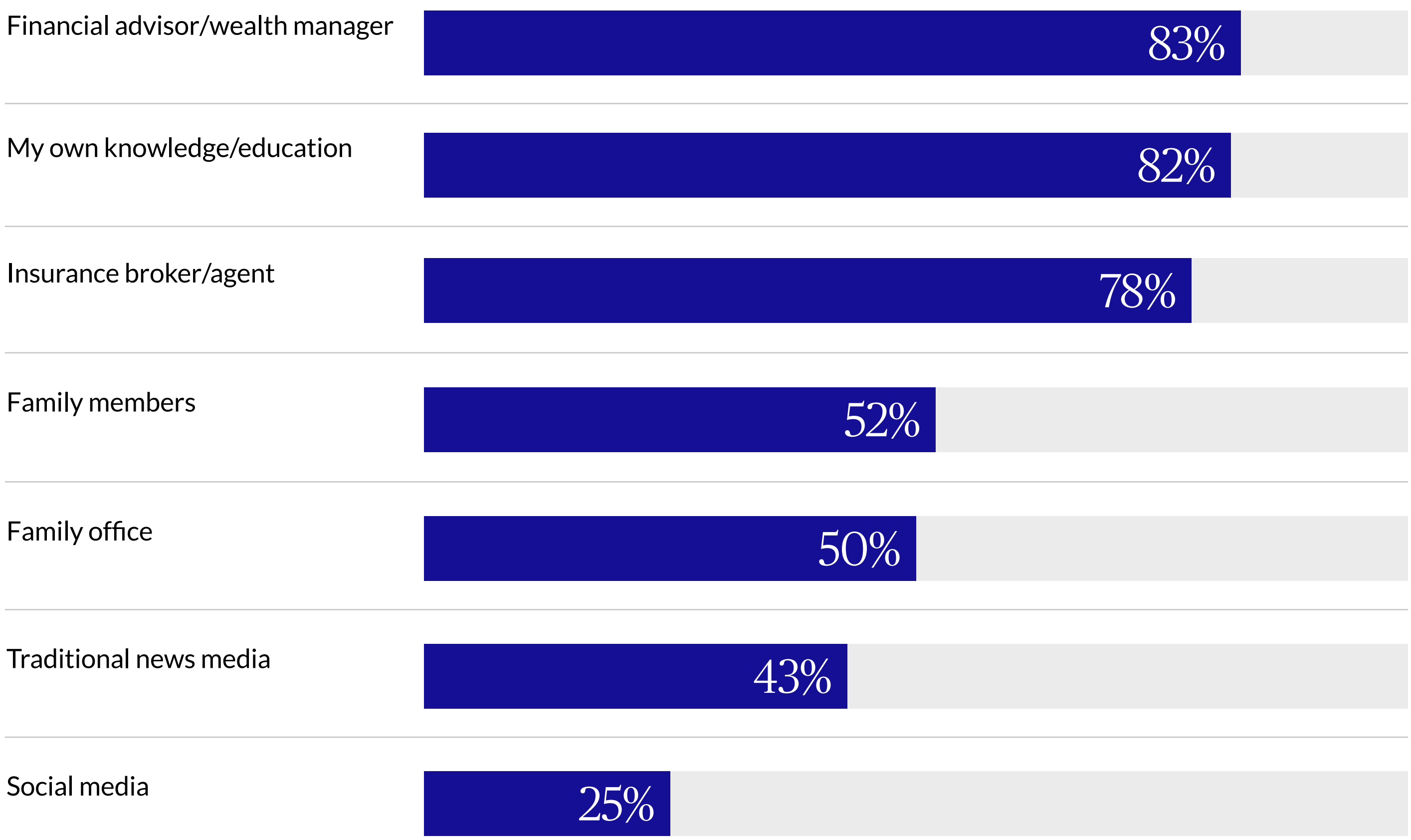
And most people — even high net worth families — put their insurance policies on auto-renew and consider the task complete. However, taking the easy approach may leave a lot of potential resources on the table and expose people to unnecessary risks. Insurance is just as important as any other aspect of a financial portfolio.

To manage their wealth and protect it from risks, high net worth individuals in the U.K. rely primarily on their financial advisors (83%) and themselves (82%). But financial advisors tend to focus on financial assets rather than a complete balance sheet of all tangible and intangible assets. Additionally, some assets carry more emotional value, such as a favourite painting or sports car.

Protecting your passions

Successful people rely on their advisors and themselves to protect their wealth

Which sources do you rely on to manage your wealth and protect it from risks?



An insurance broker can provide a more considered approach to protecting wealth, beginning with a basic understanding of where risks lie, the likelihood and cost of an adverse event and the cost to insure against that likelihood. Insurance by nature involves risk sharing. A lot of wealthy families can afford to self-insure for some risks, and many do — particularly where coverage is prohibitively expensive. The number of catastrophic events and rising replacement costs, among other factors, are driving insurance costs higher in nearly every category. But the worst thing to do is self-insure unknowingly by not considering the risks and the costs of potential damage or loss.

In the survey, just under half of home and car owners feel their current insurance policies offer good value and one in three say they would be willing to pay higher premiums to get the right coverage. Even for those who can afford to self-insure, sharing the risk with an insurer protects against the potentiality of having to liquidate other assets to cover a loss at a difficult time.

A good broker can also point out coverage gaps and offer advice on how best to mitigate risks. An insurer or insurance advisor can bring valuable resources and advice for protecting assets and preventing losses from happening. Aside from advice on security and care for homes and collections, insurers often partner with specialists on such things as safe driving techniques for young drivers with performance cars. For people with large art or car collections, insurers will work with firms that can create and execute an attack and salvage plan in case of a disaster. Such a plan was put into action when Windsor Castle experienced a fire, and many pieces of art were preserved because of the high level of planning and foresight.

"The most important thing is to get everyone away safely. But secondly, it is to ensure that the fire brigade has an understanding as to all the entrance points to the property so they can gain access as quickly as possible," says Vaughan. Then, it is about removing designated valuables out of harm's way. That requires a blueprint of a home's layout and a plan for which pieces to rescue first. Working through such a plan can really focus people on what matters most to them.

High net worth families in the U.K. expect their brokers and insurers first and foremost to understand the risks they face, be digitally savvy so they can manage their insurance online and handle claims quickly and efficiently. "The value of any insurance product is very much about when it's called into action," says Vaughan. Anyone who has had a bad experience after filing a claim understands this too well. When someone is the victim of an aggravated burglary, for example, there are other aspects more powerful and more emotive than the loss of a physical asset.

"If a client has a particularly stressful emotional situation as a result of a loss or claim, we also cover aftercare, which could be counseling for the family or additional security upgrades that are required to strengthen security for the property," says Vaughan. "It's actually about that breadth of service and the emotive way that we deal with our clients as opposed to just looking at an asset we have to recompense the client for in terms of cost."

Protecting your passions

What the wealthy expect from their insurance broker

Which of the following do you expect your insurance broker/agent to provide?

Handling claims quickly and efficiently	48%
Thorough understanding of the risks I face	47%
Being digitally savvy so that we can manage my insurance online	46%
Making the purchasing process painless	44%
Selection of the best insurance carrier and products for my needs	43%
Advice on how I can lower the risks	41%
Keeping me up to date with potential insurance coverage and gaps	39%
Being available for questions	28%
Making sure I'm adequately covered	23%
Option to visit them in person	23%
Being empathetic when something bad happens	19%

Conclusion

Protecting wealth is just as important as creating it and enjoying it

The wealthy face compounding risks and a growing challenge in protecting what they value most. Their coverage requires more customisation — especially for assets that have emotional value. Choosing insurance is more than a financial decision. The right insurance advisor understands the unique aspects of protecting the homes, the collections, and the lifestyles of successful families, and understands how to structure coverage for their risks.

Nobody wants to suffer a loss that could have been prevented. Insurers can be a valuable resource to mitigate loss and minimise damage. They can offer a deep knowledge of how to value and protect fine homes and collections as well as help to protect their clients' wellbeing.

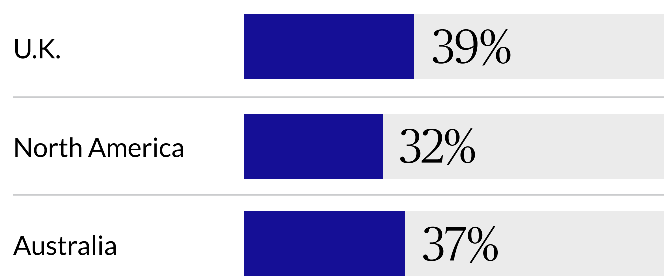
Not all damage is preventable. The best time to think about how to value and protect any asset is before something happens. Partnering with an insurance company willing to take the time to understand their clients' individual needs is a first step.

Wealth around the globe

Wealthy individuals in the U.K., North America and Australia have much in common. They do not take their wealth for granted and they demonstrate a unified work-hard, play-hard attitude to building wealth and enjoying it. The vast majority work and many plan to continue working as long as they are able.

Why retire?

Percentage who responded "I'd rather never retire."



Travel and entertainment are the most universally popular ways to enjoy wealth in all three geographies. In Australia, 68% plan to increase spending on entertainment this year, similarly to the U.K. and North America (65%). International travel will see the biggest jump in spending in the U.K. at 66%. In North America, spending on property will leap by 73% this year, driven by the popularity of extreme nesting and a hot property market.

A majority of respondents in all three surveys believe that building wealth is more challenging than ever before. There was universal agreement that the biggest risks to their wealth are the potential loss of value of their investments and the impact of inflation. However, climate change and weather-related damage to property are seen as a much greater threat for North Americans and Australians than for Britons.

In the U.K., respondents are far more worried about government debt and spending, conflicts between great powers and the rise of authoritarianism. In North America and Australia, the global issues that keep people up at night are remarkably consistent: economic instability, climate change, healthcare, artificial intelligence and energy insecurity.

Affluent Britons have more invested in property than their counterparts in North America and Australia. More of them own multiple properties and the £6.9 million average valuation of their primary homes reflects high property values in the U.K. Respondents in all three areas plan to prioritise investments in alternative energy sources in the year ahead but the similarities end there. Homeowners in North America and Australia will be going big with smart technologies for the home. In the U.K. and Australia, accessibility refits and outdoor kitchens are among the most popular improvements.

Average value of respondents' primary home

U.K.

£6.9 million, and seven out of 10 already own more than one home

NORTH AMERICA

£4.7 million (US$6 million)
46% own more than one home

AUSTRALIA

£5.5 million (A$10.5 million)
48% own more than one home

62% of collectors in the U.K. and North America are passionate about what they collect. In Australia, however, the majority see their collections as primarily an investment. Many traditional collections are built around fine art, jewellery and watches in all three regions as well as new categories, such as designer accessories and digital assets. More than 10% of respondents in each market own NFTs.

Percentage who identify as collectors

80%

U.K. (Jewellery, watches and fine art are the most widely collected items)

82%

North America (Fine art, jewellery and cars are most popular)

76%

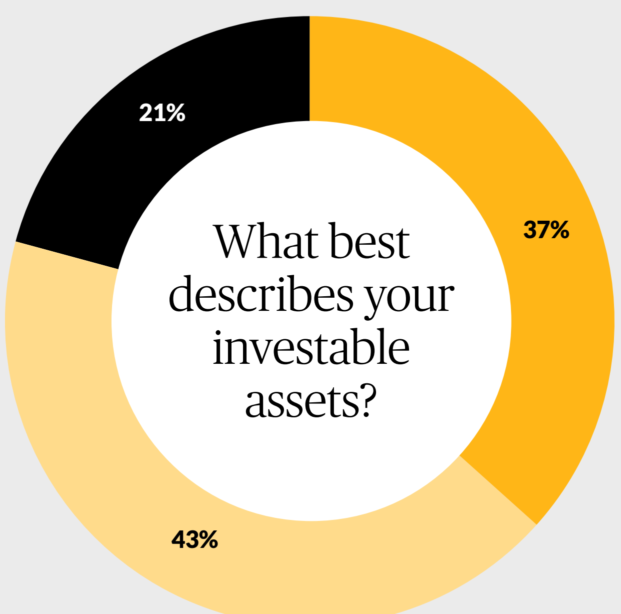
Australia (Designer accessories edges out jewellery and watches as top collectible)

Comparisons are based on responses from 800 high net worth individuals surveyed in North America, 250 in Australia, and 350 in the United Kingdom.

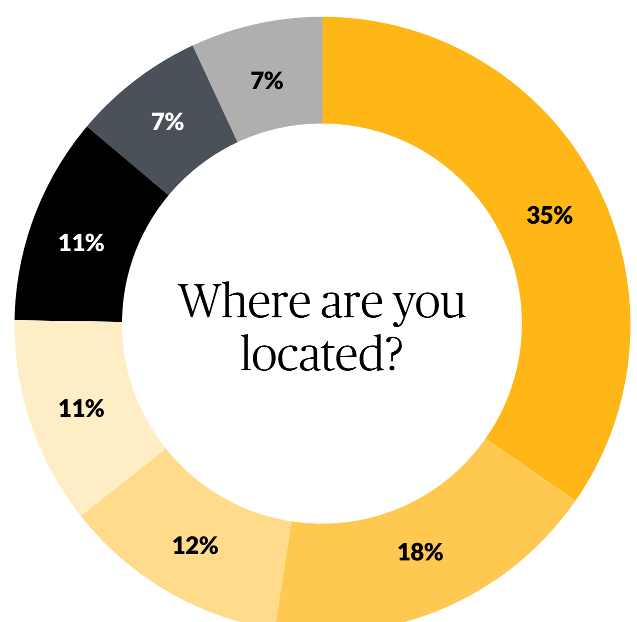
Methodology

What are the findings based on?

Findings are based on a survey of 350 high net worth individuals in the United Kingdom, conducted by iResearch Services in September and October 2023 on behalf of Chubb Personal Risk Services. Respondents have a net worth from £1 million to £30 million and beyond. Participants predominately reside in London and its surrounding suburbs.



- Between $1 million and $5 million (37%)
- Between $5 million and $30 million (43%)
- $30 million and up (21%)



- London (35%)
- Buckinghamshire (18%)
- Surrey (12%)
- Berkshire (11%)
- Kent (11%)
- Hertfordshire (7%)
- Essex (7%)

Profile of survey respondents

45%
self-made, 16% inherited wealth, 39% equal mix

68%
are working

67%
are between the ages of 29 and 58

55%
are married

CHUBB®