

# UK Household Insurance 2010

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## Abstracts

### Introduction

This report includes information and commentary on the total market share and advertising spend of the key industry players in UK household insurance. There is analysis into consumer trends and the success of various distribution methods by demographic group. It also details the changes in the number of claims in household insurance and their total value as well as the premium prices of policies.

### Scope

- Consumer research on buyer motivations, methods of arrangement and switching behavior based on an exclusive survey of nearly 4,400 consumers.
- Insight into the effects of the credit crunch, including the major changes to the competitor rankings and housing market.
- Data on the market share of the top brands and groups as well as an analysis of the marketing spend of the top brands.
- Forecasts of the future size of the market, its underwriting profit and the drivers that will affect the market going forward.

### Highlights

There is a wide variety of distribution channels represented in the top 10 insurer chart below. For example, Tesco Personal Finance (now Tesco Bank) has a strong presence, demonstrating that even retail affinities can use their commercial presence and nous to successfully market general insurance.

In 2009, the average claim value increased 4.2% to ?1,227 per claim and in correlation the gross claims costs in the UK rose 3.0% to ?376m. However the number of theft-related insurance claims fell 1.2% to 306,000: this was expected to rise with the worsening financial situation in the UK and related increasing unemployment rate.

Though the market has been contracting since 2008, the insurers have adjusted their strategies and started to show growth again in 2010, and when the housing market returns to strength the bancassurers who sell much of their home insurance book on the back of mortgage arrangements, and the rest of the market, will start to see more dramatic growth.

### **Reasons to Purchase**

- Assess the most effective distribution and marketing methods by demographic group and the potential of the new business market.
- Understand the trends in claims by volume and total value and how this impacts on the loss, expense combined operating ratios of the industry.
- Gain insight into the future direction of the sector, including market size and underwriting profitability and the major issues affecting the market.

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The household market shrank slightly in 2009 and will be comparatively static in 2010

The household market contracted by 2% in 2009

The majority of home insurance policies are distributed through the top 10 groups and brands

The top ten insurance groups hold the largest share of the home insurance markets

The dominant platforms for home insurance sales are the telephone and internet

Internet and telephone sales are becoming increasingly prevalent in the home insurance market

The average theft claim value continued to rise in 2009

Household insurance market GWP hits ?7.9bn at the end of the forecast period

The household insurance market is expected to see muted growth

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Market Issues

Introduction

Rates have begun to increase in the market as investment income has come under pressure

Investment returns have declined significantly in 2009

Claims costs are also putting pressure on insurers to increase rates

Despite an increase in mortgage volumes, the total value of mortgages dipped in 2009

The mortgage situation will most affect bancassurers

Insurers have introduced strategies to manage weather perils

The Flood and Water Management Act was passed in Q2 2010

Many insurers are being proactive when dealing with floods

Burst pipes and related escape of water leads to increases in claims

Aggregators have grown their presence in the home insurance market

Around 45% of consumers use an aggregator when arranging their household insurance cover

Aggregators are starting to focus more advertising budget on promoting their home insurance products

Market Context

Introduction

The household market shrank slightly in 2009 and will be comparatively static in 2010

The household market contracted by 2% in 2009

Combined insurance policies constituted the largest share of the total market GWP

Insurers put through price rises following Cockermouth

The past year displayed a steady increase in the market average premium and shoparound premium of combined home insurance

The household contents premium prices fluctuated over the past two years

Insurers continue to increase the price of buildings insurance cover

There is a vast potential market for household insurance

There is a potential market of 21.5m households in England

The number of households in England grew by 0.6% in 2008/09, increasing the opportunity for new business

Privately-rented households remain the largest growing market for household insurance providers

2009 Saw claims costs continue to improve

Claims costs fell marginally in 2009

Escape of water claims increased by 21.2% in 2009

Flood and storm damage claims continued to fall in 2009

Domestic fire claims costs decreased in 2009

Accidental damage claims costs declined slightly to ?397m in 2009

The average theft claim value continued to rise in 2009

The number of burglaries increased slightly in 2008/09

Households with a high level of security were the best burglary risks for insurers in 2008/09

Insurers paid out more in subsidence claims in 2009

Returns are attractive in the household insurance market

The combined operating ratio of the market is currently at a healthy level

Distribution

Introduction

Banks and building societies hold the largest share of the UK home insurance market

The majority of home cover sales can be attributed to banks and building societies

Brokers closed the market share gap with the bancassurers in 2008 and 2009

The direct channel retains a level share of the household insurance market

Partnerships' share of the UK home insurance market has declined

The majority of home insurance policies are distributed through the top 10 groups and brands

The top ten insurance groups hold the largest share of the home insurance markets

The Lloyds TSB, Halifax and Norwich Union brands have the greatest market share

Older consumers are more likely to select a home insurance policy targeted at their age

group

Direct Line's and Halifax's combined contents and buildings insurance policies are particularly popular among younger consumers

Home contents insurance providers showed little age to market correlation, aside from RIAS and Saga

Consumers aged 18-24 were most likely to arrange buildings only home insurance policies through a top ten distributor

Direct Line spent the most money on household insurance marketing

Direct Line spent the most money on marketing home insurance in 2009

The top ten household insurance advertisers spent the majority of their marketing budget on direct mail campaigns

TV advertising was a key medium for the top ten advertisers, in particular the direct insurers

Advertisers ranked 11-20 preferred direct mail campaigns and were also more likely to spend significant sums on press campaigns

The household insurers ranked 11-20 for UK market advertising also showed a preference for direct mail

TV advertising was a key medium for the top ten advertisers, in particular the direct insurers

Press advertising can constitute a prudent secondary advertising platform

Consumer Data

Introduction

Combined household insurance is the most popular type of product sold to consumers

There is a healthy market for home insurance products

Consumers over the age of 55 are the largest target market for combined policies

Higher income households have higher penetration rates for combined home insurance and buildings only cover

Consumers belonging to socio-economic groups A and B display consistently higher penetration rates for combined household products

Price should be the primary focus in insurance marketing campaigns

Insurance companies should emphasize competitive prices when marketing their combined policies

While price remains the dominant attraction for insurance buyers, older consumers are more likely to consider other factors

Although it remains the key factor, older consumers of motor insurance are less concerned about price

The dominant platforms for home insurance sales are over the telephone or internet  
Internet and telephone sales are becoming increasingly prevalent in the home insurance market

Providers of home insurance to the over 65s market should base their strategy primarily around telephone sales

Consumers aged over 65 prefer to use the phone to arrange their insurance policies, whereas other groups prefer to use the internet

Internet selling strategies for combined home insurance should remain the core method of targeting consumers with household incomes over ?30,000

A and E consumers prefer to purchase their combined policy over the telephone

A telephone-based distribution strategy would be prudent for home contents insurance sales

The telephone surpasses the internet as the most popular platform for arranging home contents insurance

Consumers are generally more likely to purchase their home contents insurance over the telephone

The telephone is the preferred platform for arranging home contents insurance policies

There is a significant potential market for distributors of household insurance to target

Combined buildings and contents policy consumers are most likely to switch

Retention rates for combined home insurance peak with middle-aged consumers

The younger consumers were more likely to be on their first household insurance policies

Consumers earning less than ?15,000 are least likely to change their combined insurance provider

Provider-switching of combined contents and buildings insurance policies is high across all socio-economic groups

Consumer aged under 35 are the softest targets for home contents insurance sales

Consumers aged 45-64 are more likely to stay with the same home contents insurance provider at renewal

Consumers with a household income of ?75,000-99,999 are the most loyal to their home contents insurance policy providers

Contents only insurance showed the highest rate of consumer promiscuity

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2009 Saw major changes to the market positions in home insurance

RBSI gained market leadership in household

Groupama stood out from the pack

Lloyds Banking Group profited from a low combined ratio

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The household insurance market is expected to see muted growth

Profitability in the market will remain fairly constant during the forecast period

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Broker

Company staff

Direct

'Other' company agents

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