

# UK Personal General Insurance 2010

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## Abstracts

### Introduction

This unique report provides a detailed analysis of the UK general insurance market with a specific focus on the personal lines sector. It segments the market by line of business and assesses underwriting profits and investment income. The research also includes an in-depth analysis of the distribution and competitive landscape and forecasts the personal lines market size to 2014.

### Features and benefits

Data on the size, structure and profitability of the total non-life market and the personal lines sector.

Insight into the different methods of distributing personal lines insurance products and the changes in the landscape.

Analysis of the total premiums and market share for the largest personal lines insurance groups.

### Highlights

Over the next few years, there will be an increasing number of motor insurers and other distributors seeking to enter the household market due to its higher profitability and lower market saturation. The new entrants to the market will increase competition and exert downward pressure on premium rates.

Underwriting cycles are visible in the insurance industry, and take place over the course

of several years. The progression of these cycles is visible in the CORs shown in Figure 1 below, between 1988 and 1994 and 1994 and 2004, as well as in the total market underwriting profit/loss progressions.

In 2009, the market share held by bancassurers dropped by 4 percentage points to 13%, after remaining at around 16–17% since 2005. While banks and building societies have largely held onto their share of the private motor insurance market, in 2009, their combined share of the household market saw a drop of 2 points.

### **Your key questions answered**

How have the various forms of personal insurance been performing in terms of GWP and profitability?

Which insurers hold the highest GWP and advertising spend in 2009?

How should my insurance company be structuring their personal lines policy book?

## Contents

### Executive Summary

The personal insurance market contracted in 2009

Decreasing premiums across all major lines of personal insurance led to total market contraction

Profitability worsened in the personal lines market

The change in the top 10 personal insurance competitors is predicted to continue due to strategy and sizeable corporate partnerships

Liverpool Victoria entered the top 10 personal insurers in 2009 after continuing strong GWP growth

Fortis's will gain some 1.5 million policies from its partnership with Tesco Bank

RBSI was the largest personal insurers in 2009

Total personal lines premiums are expected to grow between 2010 and 2014

The personal lines insurance market is predicted to grow marginally in 2010

## OVERVIEW

Catalyst

Summary

## MARKET CONTEXT

Introduction

Overall market deterioration was less pronounced during 2009

Market underwriting results continued to contract in 2009

The accident and health line showed the largest decline in premiums. Motor insurance and property insurance dominated the market and together accounted for 61.6% of the total market, representing GWP of £12.6bn and £12.4bn respectively. However, they both witnessed market contractions of 2.1% and 1.6%. Bar liability insurance, which grew by 1.3% in 2009, all other lines of insurance showed some contraction in GWP, most notably accident and health insurance, which saw the largest fall in market premiums, dropping by 2.9%. This reflects the insurance industry's sensitivity to the economic downturn, as it is highly dependant on consumer spending habits. In particular, accident and health insurance is one of the products most likely to be scaled back or omitted altogether in times of recession.

ABI members make up the vast majority of the UK general insurance market. In 2009, the market premiums for ABI members fell to £28.5bn, representing 84.3% of the total market, as opposed to 89.5% the previous year. The Lloyd's market slightly increased

its GWP and saw its market share increase to 6.2% compared to 5.5% in 2007. However, the most dramatic change in 2009 was witnessed by the "other insurers" category (consisting of those that are not part of the ABI or Lloyd's of London), which increased its GWP by almost £1.5bn and almost doubled its market share from 5.0% to 9.5%. This is more apparent in the commercial insurance sector, particularly among the liability lines, in which many "other" insurers operate.

The total market COR remained steadyThe underwriting cycle is becoming less pronounced

The personal insurance market saw a significant increase in combined ratio for 2009

The motor COR has the greatest impact on the overall market, as it is the largest line of business

Only the property and pecuniary loss insurance markets achieved an underwriting profit in 2009

Trading results continued to fall for the total market

Increased investment income was not enough to improve the trading result

Lower reserves were released during 2009

Reserve releases continued to decline, while net earned premiums increased

The property market released reserves of over £0.5bn

Total personal insurance GWP continued to decline

The personal insurance market was worth £25.6bn in 2009

All lines of personal insurance saw an increase in COR in 2009

Profitability worsened in the personal lines market

The personal insurance market made an underwriting loss of £678m in 2009The total underwriting result for the personal lines market plummeted by £1.1bn, from an underwriting profit of £456m in 2008 to an underwriting loss of £678m in 2009. The profitability of the personal general insurance market can be assessed in absolute monetary terms using underwriting result data compiled by the ABI for its members only. The data, split by line of personal insurance (see

The accident and health, and household insurance lines made significant reserve releases

## **DISTRIBUTION**

### Introduction

Direct insurers and brokers gained market share

The broker channel retained a dominant position over personal insurance distribution in 2009

Direct insurers' market share has continued to increase, reaching a peak in 2009

Banks and building societies witnessed a significant drop in market share in 2009

Direct Line remains the highest personal insurance advertiser

The top 10 advertisers increased their expenditure in 2009

Direct Line spent over £30m on advertising in H1 2010

Acromas Group insurers decreased their advertising spend in 2009

Aviva resumed its high advertising spend from 2007

Online comparison sites place a high emphasis on advertising and brand strength

Just over 80% of advertising spending is channeled via TV and direct mail

Television campaigns comprised the largest medium expenditure for insurance advertising

Direct mail is used as an important medium through which to cross-sell to existing customers

Motor insurance continues to be the focus of the majority of advertising campaigns

Motor insurance advertising comprises almost half of the top 10 insurance advertisers' budget

Around one-third of the top 10 insurance advertisers' budget was allocated to advertising household insurance

## **COMPETITIVE DYNAMICS**

Introduction

The top six personal insurers retained their positions in the market

RBSI was the largest personal lines insurer by GWP in 2009

Aviva continued to trim its personal insurance GWP to improve profitability

AXA increased its personal insurance GWP by 4.3% in 2009

Lloyds Banking Group decreased its GWP by 3.9%

BUPA was the fifth largest personal insurer in 2009

The top 6-10th personal general insurers make up 15% of the personal lines market

RSA is estimated to have seen a 7.8% decrease in its UK GWP

Munich Re continued to grow its UK personal insurance business

Liverpool Victoria enters the top 10 personal insurers after continuing strong GWP growth

Fortis's partnership with Tesco Bank will add around 1.5 million new policies

Allianz retained a 2.2% market share in 2009

## **FUTURE DECODED**

Total personal lines GWP will increase over the next five years

The personal insurance market size is expected to reach £29.2bn in 2014

Private motor GWP is predicted to see strong growth

Premium rate increases will drive market growth going forward

The UK private motor insurance market is expected to grow to £7.9bn in 2014. UK private motor insurance GWP is forecast to rise at a CAGR of 3.3% out to 2014, driven largely by premium rate increases. Insurers are increasing rates to improve underwriting profitability as the sector has experienced successive years of losses which were buffered by reserve releases, but as these run out, the focus is on pure (accident year) results.

The household sector will show modest growth

The household insurance market is expected to reach £7.9bn by 2014

The market is forecast to be worth around £7.9bn in 2014

The personal pecuniary loss market will decline further before improving

Personal pecuniary loss GWP is expected to reach £4.7bn in 2014

The market is forecast to be worth around £4.7bn in 2014

Accident and health GWP will see growth in the corporate healthcare space

Rate increases in response to claims inflation will also drive market growth

The accident and health market is forecast to reach £5.9bn by 2014. According to the Datamonitor forecasts, accident and health insurance premium income will increase at a CAGR of 3.6% over the forecast period until 2014, with a slower growth rate at first and improving with time, as consumer and business confidence in the UK economy picks up, driving positive PMI, healthcare cash plan and travel insurance uptake. Market premiums are therefore forecast to recover and reach pre-recession levels by 2014.

## **APPENDIX**

Definitions

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Additional data

Further reading

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