

# UK Personal Insurance Distribution 2011

<https://marketpublishers.com/r/UE786D1E237EN.html>

Date: May 2011

Pages: 187

Price: US\$ 4,495.00 (Single User License)

ID: UE786D1E237EN

## Abstracts

### Introduction

This report provides an analysis of the distribution of personal insurance in the UK. It includes information on the advertising spend and market share of the key players and analyzes the effect of online aggregators in the personal lines sector. It also details notable deals made over the past year and explores the evolving balance between the various distribution channels.

### Features and benefits

Insight into the latest issues affecting the personal insurance market and the impact these are having on distribution.

The latest data on the size of the personal insurance market and premium splits by distribution channel.

Forecasts up to 2015 of the market share of different channels in the UK private insurance space.

Detailed insight into consumers' attitudes toward price comparison websites and online arrangement.

### Highlights

Overall, 53.3% of respondents who purchased motor insurance policies did so over the Internet, an increase on the 50.7% who used this channel in 2010. This Highlights the increasing importance of the Internet in terms of the private lines insurance market.

The most common reason that consumers use a particular price comparison site is having previously used its services for other products. In addition, 18.4% selected a particular price comparison site with the perception that it offers the cheapest price and fastest process, and 15.5% used price alone as a motivation.

In May 2011, it was announced that esure would be launched into the broker channel. It is hoped that this move will help esure to broaden its operations beyond the limitations of the direct channel, boosting its value ahead of the intended floatation of the company in 2014.

### **Your key questions answered**

How are consumers purchasing their insurance policies?

What is the relationship between age and income in relation to insurance take-up and retention rates?

What proportion of consumers use aggregators to search and purchase their household and car insurance?

## Contents

### Executive Summary

Private motor and household insurance penetration has fallen over the last year

Older consumers are more likely to hold motor insurance

The market for home insurance has contracted slightly over the last year

High net worth consumers are the most likely to hold buildings and contents only policies

[Missing title]

The Internet is used by the majority of consumers to arrange home or motor insurance policies

Direct insurers account for a growing share of the private motor and household insurance markets

Half of the private motor policies sold in 2010 were distributed through direct insurers

Despite the dominance of household insurance in the bancassurance channel, bank and building society motor insurance GWP sales rose to 7% in 2010

A significant proportion of consumers use price comparison sites purely for research

18% of consumers have not visited an aggregator site for household or motor insurance

## OVERVIEW

Catalyst

Summary

## PERSONAL INSURANCE DISTRIBUTION DYNAMICS

### Introduction

The direct channel distributes half of all private motor insurance policies in the UK

The direct channel's share of the private motor insurance market continues to increase

The broker channel has seen little change in its share of the motor insurance market

The share held by corporate partnerships contracted further still in 2010

The share held by banks and building societies is diminishing

Direct insurers have seen a dramatic rise in their share of the UK home insurance market

[Missing title]

A handful of leading insurance brands distributed the majority of insurance policies

12 major groups hold the majority of the UK home and motor insurance markets

Consumers aged 18–24 are the most likely to buy an insurance product from a top 10 brand

Less than two-fifths of consumers aged 55–65 took out home insurance policies with top 10 providers

Aviva's combined home insurance was most popular among consumers aged 18–24

Respondents aged 55–65 were the least likely to hold contents only insurance with a top 10 provider

Aviva has become the most popular provider of buildings only insurance

Three of the major aggregators were top 10 insurance advertisers in 2010

The top 10 insurance advertisers have increased their expenditure

Gocompare.com and Comparethemarket.com dramatically increased their advertising expenditure

RBS brands Direct Line and Churchill continued to spend heavily on advertising in 2010

Acromas increased its marketing budget by 10%

Half of the top 10 insurance advertisers' budget was spent on television campaigns

Television advertising remains the most popular marketing medium

Direct mail has increased in prominence as a secondary advertising medium

The radio, cinema, and outdoor marketing platforms were used to a greater extent in 2010

The press and Internet were less popular with insurance advertisers than 2009

## **CONSUMER FOCUS**

### **Introduction**

Age is a significant variant in terms of penetration rates of personal insurance

The take-up of motor insurance is affected by age and income more than socioeconomic grading

Consumers are most likely to purchase combined buildings and contents insurance policies

The Internet is used by the majority of consumers to arrange home or motor insurance policies

The postal method is still used by some higher income consumers when purchasing motor insurance

Consumers in lower socioeconomic groups are most likely to purchase household or personal insurance policies by telephone

Age and household income has a significant impact on retention rates in personal lines insurance

Older consumers are generally more likely to switch motor insurance provider

Lower income home contents insurance policyholders are the most likely to be on their first policy

Price is the most important factor for consumers purchasing a motor insurance policy

Convenience, reputation, and experience are also highly valued

Consumers were universally concerned about the price of their motor insurance policies

The factors that are important to consumers when selecting a provider vary from product to product

Consumers under 25 are the least concerned about price but the most concerned about insurer reputation

## **DIRECT INSURANCE**

### Introduction

Direct insurers account for a growing share of the private motor and household insurance markets

Half of the private motor policies sold in 2010 were distributed through direct insurers

Direct Line spent £56m on insurance advertising in 2010

Three-quarters of direct insurer advertising is dedicated to home or motor insurance

The top 10 direct insurer advertisers cut their budgets for all media besides direct mail and outdoor campaigns

Direct Line was the largest insurance advertiser in 2010

Direct Line and Aviva were top three insurers in both the home and motor insurance markets

Near one-third of motor insurance policies were sold by top five direct insurance providers

More than one-quarter of home insurance policies are sold by the top five direct insurers

Ageas has formed significant partnerships which will considerably increase its share of the private motor and household insurance markets

Aviva and RBS Insurance have started to merge underwriting sections in line with Solvency II

Aviva will continue to provide home insurance to Barclays customers

Ageas has strengthened its personal insurance presence via a number of notable partnerships

Kwik-Fit has sold off its insurance wing to Ageas

Esure was purchased in a management buyout and launched on brokers

RSA purchased Oak Underwriting to increase its presence in the high net worth market

## **BROKERS AND INTERMEDIARIES**

### Introduction

The proportion of household and motor insurance sold via brokers showed negligible change

Brokers distributed approximately 30% of motor insurance GWP in 2010

Brokers continue to focus their advertising budgets on the motor and home insurance markets

The proportion of advertising spend shifted towards home insurance in 2010

Brokers now concentrate increasingly on direct mail advertising

The AA remains the top advertiser, with RIAS close behind

The AA continues to dominate the personal insurance market

The AA still dominates broker-distributed private motor insurance, while Hastings is now ahead of RIAS

The AA and RIAS dominate the broker household insurance market

The personal lines broker sector has seen a number of changes

RIAS to sell its policies on aggregator sites

Castle Cover has been acquired by Ageas for £53m

One Call Insurance adjusted its business model to suit the aggregator market

Swinton has continued with its acquisition strategy

Ageas now provides travel and motor insurance to Tesco customers

## **BANKS AND BUILDING SOCIETIES**

### Introduction

Household insurance GWP dominate bancassurance channel sales

Despite the dominance of household insurance in the bancassurance channel, bank and building society motor insurance GWP sales rose to 7% in 2010

Bancassurance advertising spend increased substantially in 2010

After a noticeable decline in 2009, bancassurance advertising spend rose by 22.2% in 2010

Direct mail cross-selling dominates bancassurers' advertising, followed by TV advertising

Only four out of the top 10 bancassurers increased their advertising budget

Banks have a small presence in the motor insurance market, with the exception of Tesco Bank

Lloyds has lost its position as the largest provider of motor insurance among bancassurers

Halifax holds the largest share of the UK home insurance market  
Lloyds Banking Group exited the private motor insurance market with the sale of esure  
Aviva will continue to provide home insurance to Barclays customers  
Royal Bank of Scotland will provide motor insurance for Sainsbury's Bank  
Lloyds Banking Group is no longer in the market

## **AFFINITY GROUPS AND RETAILERS**

### Introduction

Affinity partnership presence decreased in the UK personal insurance markets in 2010  
Affinity groups and retailers have experienced a continuous drop in their private motor insurance market share since 2006  
Affinity group insurers primarily used direct mail marketing  
Overall, 30% of the total budget of the leading affinity insurer advertisers was focused on home or motor insurance  
More than three-quarters of top affinity groups' advertising insurance expenditure was spent on direct mail  
HomeServe, RAC, and Sainsbury's reduced their insurance marketing budgets  
The top affinity and retailer insurance providers saw their market shares decrease  
RAC and Kwik-Fit retained their market shares in the motor insurance sector  
Affinity groups have their largest presence in the combined policy market  
Sainsbury's Bank switched its motor insurance provider  
Royal Bank of Scotland will provide motor insurance for Sainsbury's Bank  
Kwik-Fit has sold off its insurance wing to Ageas  
John Lewis rebrands its Greenbee business  
Ageas wins the 600,000-policy Age UK contract

## **AGGREGATORS AND PRICE COMPARISON SITES**

### Introduction

The main focus of aggregators is to increase their share of the motor insurance market  
Aggregators target their advertising toward the commoditized car insurance sector  
Television was the primary advertising medium used by price comparison sites  
Only Confused.com reduced its advertising budget in 2010  
Older consumers are less likely to consult aggregators  
Younger consumers are more likely to purchase motor insurance through an aggregator  
One-third of consumers under the age of 25 are unwilling to use aggregators to purchase household insurance policies

Moneysupermarket.com has the highest consumer conversion rate in the home and motor insurance markets

The highest proportion of consumers research and buy insurance policies from Comparethemarket.com

Price comparison sites are used less for the arrangement of household insurance  
Moneysupermarket.com has the highest consumer conversion rate in terms of both home and motor insurance

Nearly 10% of Moneysupermarket.com visitors purchase policies

A significant proportion of consumers use price comparison sites purely for research  
18% of consumers have not visited an aggregator site for household or motor insurance

One-third of respondents who did not use aggregators preferred the direct channel

One-quarter of consumers selected a price comparison site based on advertisements

Half of consumers who use online aggregators do so purely for research purposes

Price is the most important factor for consumers purchasing an insurance policy through an aggregator

More than two-thirds of consumers would return to aggregators to buy their insurance products

One-third of UK consumers remain unaware of the existence of cashback websites

## **FUTURE DECODED**

### **Introduction**

The direct channel is predicted to increase its share in the private motor insurance market over the forecast period

The direct channel is expected to continue to record the market share growth it has shown since 2007

Brokers are predicted to slowly lose market share until 2012, and thereafter level out

Affinity partnerships are forecast to witness a market contraction

As the UK comes out of recession, consumers will regain confidence in banks, and bancassurers could gain private motor insurance market share

Direct insurers are forecast to become the dominant providers of UK household insurance

The direct channel is expected to see a continuing increase in market share

Bancassurers are predicted to retain the largest share of the UK household insurance market

Brokers are expected to see a decline in market share from around 2013

Affinity partnerships are expected to see little movement in the UK household insurance market



#### Future trends and action points

The ECJ gender ruling is expected to affect the arrangement of private motor and medical insurance

Motor insurers have targeted household insurance as an expansion opportunity

Google's acquisition of Beat That Quote raised questions in the price comparison sector

Future conditions in the insurance aggregator market

Alternative scenarios include a potential revolution in how insurers and brokers use insurance aggregators, including a government-run price comparison system

Insurers are intending to use technology to retain a strong market presence

## **APPENDIX**

### Definitions

Distribution definitions

Premium income

### Methodology

Datamonitor General Insurance Consumer Survey

Primary and secondary research

Distribution estimates and forecast methodology

Advertising and marketing spend data

### Further reading

Ask the analyst

Datamonitor consulting

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