

UK Travel Insurance 2010

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Abstracts

Introduction

This report is a valuable source of information on the UK travel insurance market. It provides analysis and data for market sizes, consumer trends and the key competitors in the travel insurance sector. It also includes with market drivers and recent developments as well as forecasts until 2014.

Features and benefits

Insight into the main competitive developments taking place in the UK travel insurance market and their impact.

A detailed analysis of the marketing spend of the top 10 UK travel insurance advertisers.

GWP forecasts to 2014, based on Datamonitor's in-house sizing model, expertise and primary interviews with top travel insurers.

Highlights

Economic uncertainty across UK consumers, the expense of longer haul flights and the exchange rates between the pound sterling and foreign currencies has led to a lower propensity to travel.

Travel underwriters have stated, in conjunction with ABI figures, that they have been increasing their premium rates. However, due to the lower pricing and increasingly popularity of packaged annual cover, the overall average price for travel insurance has

decreased.

The most notable difference in 2009 was the increase in that of radio campaigns. In 2008, radio advertising made up only 0.2% of the total industry advertising spend in 2008 but rose to 3.1% in 2009. These figures are often dependant on the market players' decisions in a particular year.

Your key questions answered

How has the travel insurance market been faring in the past and how is it forecast to perform in the next four years?

What have been the changing consumer attitudes and trends resulting from the recession?

How does my travel insurance business benchmark against the competition?

Contents

Executive Summary

Travel insurance coverage was under the spotlight following an eventful year for travelers

- The Icelandic volcanic ash cloud led to an estimated £62m payout

- The collapse of airlines and travel agencies led to a number of holiday cancellations

- The coalition Budget will increase the tax on travel cover

Travel insurance marketing spend fell by more than a quarter in 2009

- Marketing and advertising in the travel insurance industry fell by 27.3% in 2009

Press advertising is the most prominent strategy for the top 10 travel insurance advertisers

The number of visits abroad dropped dramatically in 2009 by 15%

- The number of visits abroad fell to 59 million in 2009

Further decreases in travelers and policy sales will lead to market contraction

- 2010 will experience a further decline in the number of individuals traveling abroad

- Rates are expected to rise despite downward pressure from competition

OVERVIEW

Catalyst

Summary

MARKET CONTEXT

Introduction

Travel insurance coverage was under the spotlight following an eventful year for travelers

- The Icelandic volcanic ash cloud led to an estimated £62m payout

- The collapse of airlines and travel agencies led to a number of holiday cancellations

- The coalition Budget will increase the tax on travel cover

Total travel Insurance gross written premiums contracted by 3% in 2009

- The travel insurance market shrank to £744m in 2009

The proportion of premium income derived from annual policies continued to rise in 2009

The difference in average premium rates for annual and single trip policies is decreasing

The number of annual multi-trip policies has increased at the expense of single trip policies

Profit margins are shrinking in the UK travel insurance market

The gross loss ratio for UK travel insurance increased in 2009

Claims inflation decreased despite the total claims bill increasing in 2009

Medical expenses are continuing to increase

CUSTOMER FOCUS

Introduction

The number of visits abroad dropped dramatically in 2009 by 15%

The number of visits abroad fell to 59 million in 2009

The number of visits abroad fell in every quarter since Q3 2008

Visits to all geographic regions fell in frequency, though this was the most pronounced for American trips

The number of business trips fell by almost 2 million in 2009

The number of foreign holidays taken by UK residents saw a downturn of 15.5% in 2009

88% OF UK CONSUMERS WHO TRAVEL OVERSEAS TAKE OUT TRAVEL INSURANCE

Younger consumers are more likely to travel abroad, albeit fewer times in a year

Older UK travelers were more likely to hold travel insurance policies

Younger customers are more likely to purchase single trip cover as they go on holiday less often

Lloyds TSB distributed the most travel insurance policies

Six of the top 10 travel insurance distributors were bancassurers

The direct channel is dominant in travel insurance across all age groups

Travel insurance marketing spend fell by more than a quarter in 2009

Marketing and advertising in the travel insurance industry fell by 27.3% in 2009

Direct mail marketing accounted for over 57% of the total advertising spend in 2009

Press advertising is the most prominent strategy for the top 10 travel insurance advertisers

The overall spend of the top 10 travel insurance advertisers decreased in 2009

COMPETITIVE DYNAMICS

Introduction

The corporate partnerships space is seeing a number of developments

Arc Legal Assistance became the new provider of Aviva travel legal expenses

insurance

Mondial renewed its deal with Lastminute.com

Fortis will underwrite travel insurance for Tesco Bank

ACE Europe took over the ASDA travel insurance book

Fortis and UK General signed their first major partnership contract

Mapfre Assistance has acquired the Insure and Go contract

Munich Re joins the top 5 players in the UK travel insurance market

AXA retains its clear market dominance

RBSI takes over the second place spot

Munich Re displayed an impressive rate of growth in 2009

Liverpool Victoria joins the top ten UK travel insurers

FUTURE DECODED

Further decreases in travelers and policy sales will lead to market contraction

2010 will experience a further decline in the number of individuals traveling abroad

Rates are expected to rise despite downward pressure from competition

The UK travel insurance market is forecast to recover from 2012

Overall market GWP will continue to decline until the recession ends

Improvements after the recession will depend on the performance of the top players

APPENDIX

Supplementary data

Competitive Dynamics

Definitions

Brokers

Bancassurers

Brandassurers

Gross written premiums

Research methodology

Primary research

Market context

Customer focus

Consumer surveys

ABI Statistics

Further reading

Ask the analyst

Datamonitor consulting

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