UK Travel Insurance: Market Dynamics and Opportunities 2016

Description: The UK travel insurance market declined by 12.3% to £625.4m in gross written premium (GWP) in 2015. This is a result of fewer policies being written, in addition to rates that have been prevented from hardening due to market competition. The number of policies written has been falling despite rises in the number of UK residents traveling abroad.

The majority of UK travelers visit Europe, which has led to Britons relying on European Health Insurance Cards (EHICs) instead of purchasing travel insurance in the desire to save money. This trend has been driven by younger travelers as opposed to older generations, for whom travel insurance is a more important and better understood purchase due to their higher vulnerability and pre-existing medical conditions.

The profitability of the market is struggling as competition is hindering rate increases, while claims costs for insurers are rising due to medical inflation despite the number of claims being in decline. Recent years have seen a shift towards annual policies over single-trip cover. This is a result of more frequent travel and the convenience of an annual policy; the rise of annual travel insurance distributed via added-value current accounts; and fewer individuals booking a holiday and consequently single-trip insurance through a tour operator or travel agent.

Travel abroad by UK residents has been increasing over recent years as a result of an improving economy following the financial crisis of 2007-08. However, following the UK's decision to leave the EU, it is forecast that pressure will be put on household disposable income. Furthermore, traveling abroad will become more expensive as a result of the weakened pound, which will impact travel trends and consequently the travel insurance market, until the economy begins to recover.

Key Findings

- Total claims costs have risen annually by 6.8% to £364.5m in 2015.
- 27.6% of those with travel insurance had cover through their current account in 2015.
- UK residents made 65.7 million trips abroad in 2015, predominantly to Europe.
- The UK travel insurance market is forecast to be worth £628m in 2020.

Synopsis

The "UK Travel Insurance: Market Dynamics and Opportunities 2016" report provides an in-depth analysis of the UK travel insurance market. It looks at market size and profitability as well as changes in premiums, claims, travel trends, regulations, and opportunities. It provides a thorough overview of the market along with future forecasts.

Reasons To Buy

- Benchmark yourself against the rest of the market. Ensure you remain competitive as new innovations and insurance models begin to enter the market.
- Be prepared for how travel trends and the UK travel insurance market will be impacted by socio-political and economic factors over the next few years.

Contents:

1. Executive Summary
   - Competition is preventing rates hardening, despite rising claims costs
   - Key findings
   - Critical success factors

2. Market Dynamics
Introduction
- The UK travel insurance market continued to decline in 2015
- The UK travel insurance market reported a further drop in value in 2015
- The proportion of GWP from annual travel policies has grown by 6.3pp since 2011
- The number of policies written has remained steady following four years of decline
- Annual policy premiums have remained steady, whereas single policy rates have fallen
- Premium rates and average claims costs are highest for older policy holders
- The market COR is estimated to be below 100%
- Banks and building societies offering travel insurance are a convenient choice
- Over a quarter of those with travel insurance are covered through their current accounts
- Added-value accounts are becoming more popular
- There are disadvantages to travel insurance provided through bank accounts
- Claims costs are rising despite the number of claims being in decline
- Total claims costs have reached a five-year high
- Medical expenses drove up total claims costs in 2015
- The number of UK travel insurance claims has been declining since 2011
- The average cost per claim is in long-term ascent across all perils
- Travel abroad by UK residents is increasing
- Both the number of visits and expenditure abroad by UK residents are increasing
- UK residents are traveling abroad to go on holiday and to visit friends and family
- Over three quarters of trips made by UK residents abroad are to Europe
- Brits are traveling further afield and seeking action-packed holidays
- Airbnb and home-sharing are becoming popular ways to travel
- Travel abroad is influenced by socio-political, health risk, and economic factors
- The socio-political climate of a country is now a concern for holiday makers
- Insurers and holiday companies are responding to those vulnerable to disease epidemics
- Exchange rates can influence which holiday destinations Britons choose
- Expenditure on the luxury of travel is dependent on household disposable incomes

3. The Market Going Forward
- The UK travel insurance market is forecast to be worth £628m in 2020
- GWP for the UK travel insurance market will fall towards 2017 but then start to grow
- The economy will dictate household disposable income and spend on holidays abroad
- Travel insurance will become more important if the EHIC system ends following Brexit
-Premiums will have to rise in response to rising claims costs
- The FCA will respond to appointed representatives mis-selling insurance
- The FCA found that appointed representatives have not been properly regulated by their principal firms
- Appointed representatives will remain an area of focus for the FCA
- Buying travel insurance and receiving claims payments will get easier
- Self-service kiosks are appearing in UK airports for last-minute cover
- Branded debit cards will transfer claim payments in real-time
- Big data will play a part in personalization and managing risk
- Wearable healthcare technology will be able to assess the risk of particular individuals
- Wearable technology could help diagnose and manage medical conditions
- Wearable technology could improve the relationship between insurers and policy holders

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