Travel Insurance

Market Reports 2015

2nd Edition July 2015

ISBN 978-1-78304-311-8

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Introduction & Definition

REPORT COVERAGE AND DEFINITIONS

This Key Note Market Report covers the market for travel insurance in the UK. This entails insuring individuals or groups against the risk of unexpected events that can occur while they are overseas.

There is no general industry standard definition of ‘unexpected events’; for instance, insurers differ on whether the insured can claim for delayed departures, as well as the type of delayed departures that are covered. Despite this, policies sold to consumers tend not to cover the cost of medical treatment abroad and repatriation if needed. The vast majority of polices will cover:

- medical emergencies, including:
  - unforeseen illness, injury or accident
  - repatriation to the UK where the time required to recover from an illness or injury results in missing a booked flight home
  - temporary emergency dental treatment for the relief of immediate pain
  - the cost of burial or cremation abroad or of repatriating a body to the UK
  - 24-hour assistance helplines for medical emergencies
- personal liability cover for injuries to other people or damage to their property
- personal accident
- lost and stolen possessions
- legal expenses
- cancellation and curtailment of a trip in certain circumstances, such as family bereavement, illness or burglary.

While the instances in which the insured is entitled to make a claim in the event of a delayed departure differs between insurers, travel insurers generally cover delays due to some, if not all, of the following:

- adverse weather conditions
- industrial action/strikes
- mechanical breakdown of a mode of transportation, including aircraft, coaches, sea vessels and trains.

However, many insurers include specific policy exclusions, stating that the insured is not covered for delays caused by strikes and industrial action where the date of the strike/industrial action was known at the time of booking. Insurers also tend not to cover policyholders in the event of an airline cancelling and then rescheduling its flight.

The Association of British Insurers

The Association of British Insurers (ABI) acts as the voice of the UK insurance industry, representing the general insurance, protection and long-term savings industry. Formed in 1985, it now has almost 300 members accounting for approximately 90% of premiums in the UK.

The ABI presides over a UK insurance industry that is a global leader; UK insurers manage assets of £1.8 trillion, with investments amounting to 24% of the UK's total net worth, and contribute £10bn in taxes to the Treasury. This makes the insurance industry the fourth-highest payer of corporation tax of any sector in the UK economy. Employing over 275,000 people in the UK alone, the insurance industry is also one of this country's major exporters, with around 20% of its net premium income coming from overseas business.

MARKET SECTORS

There are two broad types of travel insurance:

- single-trip insurance
- annual multi-trip insurance.

Single-trip insurance covers the insured for a single trip abroad and can be purchased for individuals, couples or families. A new policy must be purchased each time the insured takes a trip abroad. Annual multi-trip insurance covers the insured for multiple trips during a set period, usually 12 months. Sometimes, insurers impose a predetermined limit on the number of trips taken; insurers may also impose a maximum number of days each individual trip can last.

This report breaks down the travel insurance market in terms of gross written premiums into annual multi-trip policies and single-trip policies. Annual multi-trip policies represent the largest part of the market by some margin; it is also the area within which growth is concentrated, at the expense of the declining market share of single-trip policies.

Within these two sectors there are several, more specific types of travel insurance policy. The coverage of these varies depending on the length of the insured's trip; their destination; how many people they are travelling with; their age and health (particularly pre-existing medical conditions) at the time of booking and travel; and the nature of their holiday (i.e. will they be participating in hazardous sporting/leisure activities such as winters ports, watersports, skydiving or bungee jumping). For hazardous sports/leisure activities travel insurance is required.

A subset of travel insurance is over-65s cover. Although there is an increasing amount of choice available for adults of this age wishing to get travel insurance, many find it difficult to get covered due to their age.

Family travel insurance is a product designed to cover members of a family taking the same trip. There is no standard definition of ‘family’ used by travel insurers, with it generally being left up to the insured to tell the insurer who they wish this group policy to cover. When purchasing family cover, some insurers offer free coverage for those in the party who are under 18.

Similarly, group travel insurance covers an entire group of people without the need for them to be related. Such cover generally stipulates that all of those insured on such a policy must depart as a group from the same country.

Some insurers offer Europe-only policies as a way of keeping costs down for their policyholders. Europe-only coverage is usually cheaper than worldwide travel insurance because of the higher cost of medical treatment in countries outside Europe, and the availability of EU healthcare schemes allowing discounted treatment for EU residents.

Insurance policies also exist to cater to backpackers and those travelling on gap years. These policies cover backpackers and students for extended trips abroad (usually up to 18 months). Within this type of policy are a number of variables that affect the cost of the premiums, including the length of time the insured will be away, which countries they are planning to visit, whether they will be working during their trip or if they will be partaking in hazardous sports/leisure activities.

Executive Summary

In this Market Report, Key Note has laid out an overview of the market for travel insurance in the UK, including the volume and value of policies sold and the total cost of claims to the industry. The market is split into two types of policy: single-trip policies, covering just one specific trip; or annual multi-trip policies, which last for a period of a year and offer customers cover for numerous trips over the policy period (generally up to an agreed limit). The latter is the largest part of the travel insurance market following several years of robust growth, particularly boosted by sales with packaged bank accounts and the like.

Key Note examines the travel insurance market within the wider context of the holiday and travel sector, looking at the number of overseas trips taken by UK residents and the number of passengers uplifted by UK airlines. Buying behaviour for holidays is also examined. The effects of changing holiday purchasing patterns — including the fragmentation of the market as the result of the introduction of 'pick and mix' holiday offerings, where elements of the holiday are bought separately rather than as part of a package — have had a particular effect on the market.

Another issue faced by travel insurers that Key Note includes in this report is the changing demographic makeup of the UK, chiefly as a result of the rapidly ageing population. With the current crop of retiring baby boomers having benefitted in the main from rising house prices and often generous, final salary pension schemes, appetite for travel among the wealthier, healthier older generations has grown. Yet it is difficult and more expensive for older adults to get insurance: the average claim per policy for someone aged 91 and over is more than eight times higher than someone aged 41 to 55.

Despite recovery in the travel market, however, the industry has suffered both volume and value declines in recent years. Annual multi-trip policies have cut down on the volume of policies sold, even as travellers take more trips, while one of the biggest factors was the tightening of regulations surrounding the sale of travel insurance from travel agents as an ancillary product, which saw many withdraw from the market. Competition, meanwhile, has driven down prices, just as it has in most other areas of the general insurance market.

Between 2010 and 2014, gross written premiums for travel insurance fell by 22.9% and the number of policies written fell by 27.1%. Annual multi-trip policies dominate in terms of both volume and value, accounting for 77.9% of the market by value and 82.2% of the market by volume in 2014. Going forward, continued downward pressure on prices and poor results for single-trip premiums is likely to see the overall market contract by a further 4.8% in the 5 years to 2019; a continued decline in single-trip policies will offset the modest forecast rise for annual multi-trip policies in the coming 5 years.

What's KEY in the Market?

KEY DRIVERS

- Annual multi-trip policies continue to be the major driver of the market in both volume and value terms.
- Point of sale (PoS) has become an important channel for travel insurance policies, with these often sold alongside holidays or flights.
- Air Passenger Duty (APD) reforms have further opened up foreign holidays by cutting the cost of flights, boosting the number of UK residents travelling overseas and wanting insurance.
- Retiring baby boomers, many of whom have benefitted from booming house prices and generous final-salary pension schemes, have both the leisure time and the funds to travel abroad, and more frequently than previous generations.
- Overseas trips have increased as the economy has recovered.
- There has been a considerable rise in travel to less traditional destinations as holidaymakers look to travel beyond North America and Europe to destinations such as Latin and Central America, Southeast Asia and parts of Africa.
- More competition, especially from the rise of price comparison websites (PCWs) has driven premiums lower, even for the old or those with medical conditions.

MARKET TRENDS

Overseas Trips by UK Residents

In 2014, UK residents made a total of 60.1 million trips abroad — an increase of 4% on the previous year. The growth in the number of trips made by overseas residents in 2014 is the highest level of growth seen in the past 5 years; both 2013 and 2014 saw growth compared with the 0.5% decline in overseas visitors in 2012 at the height of the Eurozone sovereign debt crisis. While in 2012 consumers were cutting back on luxuries, including foreign travel, as the recession deepened (exacerbated by the spike in oil prices over this period making jet fuel and thus air travel more expensive), as the recovery has firmed up consumers appear to be willing to travel again as their confidence rises.

In 2014, 47 million, or 78.3%, of all trips made abroad by UK residents were to Europe. Despite the economic difficulties over this period and the decline in overseas trips to the world as a whole in 2012, growth in trips to Europe was achieved year-on-year. Between 2010 and 2014, there was growth of 10.5% in the number of overseas trips made by UK residents to Europe. For UK residents, the rise of budget airlines and the decline of the euro against sterling meant that, despite economic difficulties, breaks in

Europe remained relatively affordable.

Of the 47 million trips to Europe, Spain was the most popular destination, with some 12.2 million overseas trips made to the country, representing 26% of all trips to Europe. Trips to Spain also accounted for 20.4% of all UK residents' overseas trips in 2014, reflective of the continued popularity of resorts in mainland Spain, as well as the Canary and Balearic Islands. Over the review period, Spain saw growth in the number of UK visitors of 17.9%, although the tabulated destination with the highest level of growth in overseas trips was Italy, which saw a 31.1% growth in overseas visitors from the UK, rising from 2.2 million to 2.9 million.

There was also growth in the number of overseas visitors to North America over the review period; however, unlike trips to Europe, growth was only marginal. There were just 0.7% more visitors to North American in 2014 (3.68 million) than there were in 2010 (3.65 million). There was a substantial decrease in the number of trips to North America in 2012, when overseas trips by UK residents fell by 7.5% to the review period low of 3.4 million. A strong dollar and rising air fares on the back of a high oil price may be behind this. Still, despite marginal growth, North America was the second-most visited destination by UK residents, with 6.1% of all UK overseas visits being made to the region. The number of visitors to the US in 2014 (3.3 million) accounted for 88.6% of all visitors to the region that year. Travellers to the US have to pay notably higher travel insurance premiums on the back of the very high cost of medical treatment in the country.

In 2014, UK residents made 3.1 million trips to Asia; this figure is 5.3% higher than the 2.9 million trips made in 2010. Asia only saw a fall in the number of UK visitors in 2013, when they declined by 1.5%. Trips to Asia accounted for 5.1% of all overseas trips made by UK residents in 2014. Japan saw the highest growth in visitor numbers, at 18.8%, although this growth is from a small base and remains low, at 120,000. The country with the highest number of visitors was India; this grew by 4% over the review period from 850,000 to 884,000.

Meanwhile, Southeast Asia is a popular destination for backpackers/gap year students from the UK; one country in this region, Thailand, saw growth in the number of visitors of 15.6% over the review period, rising to 392,000 by 2014. These travellers spend longer abroad than the typical holidaymaker and therefore tend to pay higher medical insurance premiums. The risk of civil unrest (for example the Thai army overthrew the country's government in 2014 after several months of political crisis) or disease in these countries is also factored in to higher medical insurance premiums.

African tourism has had a difficult few years on the back of the Arab Spring. Previously popular destinations such as Egypt have seen visitors from the UK fall dramatically;

there was a 55.9% decline in visitors to Egypt, with the number falling from 671,000 to 296,000. In 2010, Egypt was the most visited of all tabulated destinations in Africa; by 2014, it ranked fourth, behind Morocco, Tunisia and South Africa. The civil unrest that followed most of the country's push to oust dictatorial governments has proved long lasting in most countries outside Tunisia, which appears to have transitioned to a stable democracy. Visits to Tunisia grew by 4% over the review period, to 440,000; however, the tourism industry has been hit by a recent terrorist attack at the Bardo National Museum in Tunis and the June 2015 mass shooting at a beach resort popular with Western tourists, where total fatalities were overwhelmingly UK citizens.

Morocco has seen the largest gains in visitors from the UK of all tabulated African nations, with 460,000 in 2014; this is 49.4% higher than in 2010. As one of the North African countries which remained relatively stable throughout the Arab Spring, visitors may be more inclined to choose Morocco over other North African countries. In total, there were 2.4 million visitors to Africa from the UK in 2014, accounting for 3.9% of all outbound UK visitors.

There was growth of 24.9% in the number of visits abroad by UK residents to the Middle East between 2010 and 2014, with the number rising from just over 1 million in 2010 to 1.3 million by 2014. Visitors to the Middle East accounted for 2.1% of all visitors. Much of this growth has been driven by the United Arab Emirates (UAE), whose city Dubai is an increasingly popular destination among British tourists, particularly those seeking winter sun. In total, the number of visitors to the UAE has increased year-on-year, one of few destinations to enjoy such visitor numbers. Growth over the past 5 years stands at 45.7%, rising from 499,000 to 727,000. This makes the UAE the second-fastest-growing destination for UK visitors in the world, after Morocco.

Between 2010 and 2013, there was a notable decline in the number of UK overseas visitors to the Caribbean, likely on the back of straitened economic circumstances (the Caribbean is often seen as a 'premium' or 'luxury' destination), as well as the high cost of long-haul air travel due to increased fuel prices. Total visitors to the Caribbean fell by 19.2% over this period, from 873,000 to 705,000, despite a 6.8% increase in visitors from the UK in 2014. Total visitors to the Caribbean in 2014 accounted for 1.2% of all outbound UK visits that year.

However, while the number of visitors to the Caribbean has declined, there has been notable growth to Central and South American countries over the review period, particularly Mexico, which has seen a 38.2% increase in visitors from the UK. Many of these countries have a coastline on the Caribbean Sea but are perhaps cheaper to visit than the Caribbean due to the fact that their tourism industries are still emerging. The number of UK visitors to Mexico rose from 314,000 to 434,000. Brazil saw a 13.5% increase in the number of visitors, with business travellers likely making up a sizeable proportion of these visitors on the back of the country's emerging market economy, which boomed for most of the review period. Overall, visitors to Central and South America grew by 26.6%, from 541,000 to 685,000, with the figure in 2014 accounting for 1.1% of total UK overseas visitors that year.

Oceania was the least-visited region by UK residents in 2014, and the number of visitors has fallen by 10.1% over the review period, from 595,000 to 535,000. However, the 2014 figure represents growth on the review period low of 481,000 in 2012. Distance and cost are likely a factor in the fall in visits to Australia and New Zealand over this period. New Zealand has seen a considerable decline over the review period, from 141,000 visitors to 105,000, while the decline in visitors to Australia has been more modest, falling from 454,000 to 430,000. Just 0.9% of all UK residents' overseas visits in 2014 were to Oceania.

Table 2.1: Number of Visits Abroad by UK Residents by Destination Country (000), 2010-2014

	2010	2011	2012	2013	2014
Europe					
EU	38,925	40,487	40,777	41,958	43,834
Of which:					
— Spain	10,383	10,654	11,110	11,622	12,246
— France	9,058	8,932	8,781	8,755	8,784
— Republic of Ireland	2,972	3,372	2,827	2,793	3,095
— Italy	2,248	2,334	2,630	2,790	2,948
— Germany	2,082	2,234	2,307	2,385	2,323
Non-EU	3,640	3,578	3,440	3,361	3,191
Of which:					
— Turkey	1,815	1,604	1,419	1,342	1,406
— Switzerland	890	846	865	932	848
Total Europe	**42,565**	**44,065**	**44,217**	**45,319**	**47,025**
% change year-on-year	-	*3.5*	*0.3*	*2.5*	*3.8*

North America					
US	3,240	3,231	3,011	3,025	3,257
Canada	413	437	382	364	420
Total North America	**3,653**	**3,668**	**3,393**	**3,389**	**3,677**
% change year-on-year	-	*0.4*	*-7.5*	*-0.1*	*8.5*
Asia					
India	850	914	794	837	884
PRC	445	486	518	458	476
Of which:					
— Hong Kong	157	143	184	139	145
Thailand	339	364	371	393	392
Pakistan	430	362	416	391	390
Japan	101	86	94	100	120
Sri Lanka	116	103	110	99	109
Other Asia	637	692	750	730	702
Total Asia	**2,918**	**3,007**	**3,053**	**3,008**	**3,073**
% change year-on-year	-	*3.1*	*1.5*	*-1.5*	*2.2*
Africa					
North Africa	1,489	1,245	1,257	1,382	1,274
Of which:					
— Morocco	308	305	356	452	460
— Tunisia	423	360	388	448	440
— Egypt	671	516	407	394	296

South Africa	371	329	343	292	302
Nigeria	117	124	151	138	138
Other Africa	590	596	564	587	658
Total Africa	**2,567**	**2,294**	**2,315**	**2,399**	**2,372**
% change year-on-year	-	*-10.6*	*0.9*	*3.6*	*-1.1*
Middle East					
United Arab Emirates	499	554	580	623	727
Israel	98	103	88	89	101
Other Middle East	410	358	393	379	430
Total Middle East	**1,007**	**1,015**	**1,061**	**1,091**	**1,258**
% change year-on-year	-	*0.8*	*4.5*	*2.8*	*15.3*
Caribbean					
Jamaica	199	221	184	138	220
Barbados	91	86	96	32	67
Other Caribbean	583	559	481	490	418
Total Caribbean	**873**	**866**	**761**	**660**	**705**
% change year-on-year	-	*-0.8*	*-12.1*	*-13.3*	*6.8*
Central/South America					
Mexico	314	299	299	451	434
Brazil	96	89	117	97	109
Other Central/South America	131	146	151	143	142
Total Central/South America	**541**	**534**	**567**	**691**	**685**
% change year-on-year	-	*-1.3*	*6.2*	*21.9*	*-0.9*

Oceania					
Australia	454	406	373	409	430
New Zealand	141	121	108	104	105
Total Oceania	**595**	**527**	**481**	**513**	**535**
% change year-on-year	-	*-11.4*	*-8.7*	*6.7*	*4.3*
Fly/cruise (stay onboard)	621	551	482	519	546
Rest of the world	222	309	206	204	206
Total world	**55,562**	**56,836**	**56,536**	**57,793**	**60,082**
% change year-on-year	-	*2.3*	*-0.5*	*2.2*	*4.0*

Source: Travel Trends 2014 (May 2015), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

New Holiday Purchasing Patterns

The growth of the Internet and the prevalence of Internet-connected devices have seen a sizeable swing away from travel agents and tour operators towards independent bookings of travel, accommodation and car hire, etc. Dedicated websites such as Expedia and TravelRepublic — which later progressed into mobile apps as smartphone ownership boomed — have become hugely popular intermediaries for customers looking to 'build' a holiday. Similar sites exist just for hotel rooms (e.g. Booking.com, Hotels.com or Trivago) or just for flights (e.g. Skyscanner or Fly.com). Moreover, the major PCWs have also increasingly entered the holiday/flight/hotel comparison market.

This has seen travel insurance shift from being distributed with package holidays to becoming almost a standalone product. Consumers might buy their travel insurance independently, perhaps through a PCW, in the same way that they purchased the other elements of their holiday. There is less in the way of premium volume being sourced from tour operators and the like affiliated with travel insurers as this trend grows.

This has encouraged more companies into the market, as well as an increasing number of insurance brokers offering cover for 'speciality' risks, such as the oldest travellers or those with serious health conditions. More products are also now available on the market as a result of this trend, and there is a greater presence of travel insurance on PCWs. The distribution of travel insurance has become much more like other types of general insurance, such as motor insurance, in that consumers have far more choice when choosing travel insurance, drastically increasing the competitiveness of the market.

As well as the rise of independent booking over package holidays, the UK foreign holidays market is also seeing a rise in short breaks and city trips, typically lasting no more than 4 nights, particularly to European destinations. This has been aided by budget airlines, a weak euro and online providers such as LastMinute.com or Groupon offering cheap, last-minute deals.

Part of this has also been down to squeezed household budgets; consumers are taking a greater number of shorter overseas breaks rather than one long annual holiday. Popular destinations include capital cities such as Paris, Rome, Amsterdam and Stockholm, as well as other large European cities such as Barcelona, Florence and Nice. For multiple short trips abroad each year, annual multi-trip insurance quickly becomes far better value than single-trip policies.

Rise in Hand Luggage-Only Fares

As a result of the trend towards taking shorter overseas trips, travellers in general require less luggage. Equally, because many budget airlines — the rise of which has become so important in the recent proliferation of city breaks — charge to check luggage into the hold of the aircraft, many passengers are choosing to take hand baggage only to get the cheapest flight possible, as well as to save time at check-in desks and avoid baggage reclaim. Even airlines that offer to check baggage for free have started offering hand baggage-only fares at cheaper rates as part of a move to counteract the deleterious effect that budget airlines are having on their business.

The considerable rise in hand baggage has been noted by the Civil Aviation Authority (CAA), which released a safety notice on June 2011 regarding the safety hazards that had arisen because of the rise in hand baggage. The CAA highlighted concern over the quantity and size of hand baggage arriving at the aircraft door and problems with the associated stowage of these items. The CAA published the notice to remind operators of the need to ensure hand baggage is stowed securely in a manner which does not endanger aircraft safety. This followed reports of safety issues, including:

- non-compliance with procedures in an operator’s operations manual with regard to size and weight of hand baggage
- exits being blocked by hand baggage during boarding and, usually, refuelling

- confrontation between cabin crew and passengers, possibly leading to disruptive behaviour
- hand baggage being relocated to the hold (internal or external) without being subject to questioning about content, particularly with regard to spare lithium batteries
- numerous items of hand baggage being relocated to the external hold without flight crew knowledge and associated mass and balance considerations
- hand baggage being stowed in non-approved stowage areas, including toilets
- aircraft taxiing while cabin crew were still trying to stow hand baggage
- passengers standing during taxiing due to inability to stow hand baggage
- unrestrained hand baggage being carried on the flight deck.

More passengers travelling abroad on flights partly as a result of cheap hand baggage-only fares means a greater pool of customers for travel insurers; however, it comes with a far lower risk of lost or damaged luggage, reducing the possibility of claims from such situations. Insurers benefit from a rise in volume of business but a lesser risk of claims in this area. However, with the rise in hand baggage-only fares has come the rise of consumers packing a high number of valuables, such as phones, tablet computers, e-readers, passports, foreign currency, etc. into one bag. There have been reports of criminals snatching hand baggage items outside airports, knowing that customers travelling with just hand luggage are likely to have at least some valuables of notable worth inside.

Number of Overseas Holidays and Short Breaks

A higher proportion of adults had been on two to three holidays or short breaks abroad in the year to 31st December 2014 than had been on just one such trip; with penetration at 14.9% compared with 12.9%, respectively. This is likely due to the aforementioned trend towards individuals taking a greater number of shorter breaks than in the past. 3.7% of adults went on between four and five trips abroad in the year to 31st December 2014, while 1.9% when on between six and seven. Just 0.7% of adults went on eight or more trips per year.

Repeated visits abroad make positive news for the travel insurance industry; it also offers the opportunity to sell annual multi-trip policies over single-trip policies. Customers who make more frequent trips may also be tempted to purchase annual multi-trip insurance as part of an added-value bank account, for instance, reasoning that they will get greater use out of it.

Table 2.2: Number of Holidays and Short Breaks Taken Abroad by Adults in Great Britain (% of adults), 2014

	1	2 to 3	4 to 5	6 to 7	8 or More
All adults (%)	12.9	14.9	3.7	1.9	0.7

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

Air Passengers

Between 2010 and 2014, the number of passengers uplifted by UK airlines increased year-on-year, rising from 122.1 million in 2010 to 140.8 million in 2014. This represents growth of 15.3% over the review period. There was a particularly notable gain in the number of passengers uplifted in 2011, when the figure grew by 7.8%. Restrained growth was noted in both 2012 and 2013 before growth returned in 2014, with a rise of 3.9% in passengers uplifted by UK airlines. Economic recovery has been a part of this return to growth, with leisure passenger numbers growing due to increased consumer confidence and business travel levels growing due to this economic growth offering more in the way of opportunities.

Table 2.3: Number of Passengers Uplifted by UK Airlines (000), 2010-2014

	2010	2011	2012	2013	2014
Passengers uplifted	122,077.7	131,567.8	133,699.3	135,500.7	140,805.9
% change year-on-year	*-*	*7.8*	*1.6*	*1.3*	*3.9*

Source: Civil Aviation Authority

Rise of Budget Airlines

In 2000, the top ten airlines in terms of passengers uplifted accounted for 80.6% of the 103.8 million passengers uplifted that year. The UK's national carrier, British Airways, topped the list by some margin, uplifting just shy of 31 million passengers, or 29.9% of the total; this is more than the airlines ranked second to fifth combined. easyJet featured on the list in tenth position, uplifting 4.4 million passengers or 4.2% of the total. However, by 2014 the picture was very different. easyJet was the UK's top airline by passengers uplifted, carrying 38.4% of passengers. The number of passengers carried by the airline has increased by 1,132.9% between 2000 and 2014, from 4.4 million to 54.1 million. In comparison, the number of passengers uplifted by British Airways has increased by just 27.9%, while it saw its market share decline by 1.7 percentage points.

Another low-cost carrier, Monarch, has seen a 43.5% increase in passengers uplifted over this period, with the number rising from 4.9 million to 7 million and its market share rising by 0.3 percentage points, from 4.7% to 5%. Lower-cost carriers that did not feature on the list previously, Flybe and Jet2, now rank fourth and seventh respectively on the list. Flybe uplifted 7.2 million passengers in 2014, taking a 5.1% market share, while Jet2 uplifted just over 6 million passengers, giving it a 4.3% market share ahead of Virgin Atlantic.

Though skewed by the very large number of passengers uplifted by easyJet, it remains that these four low-cost carriers (easyJet, Monarch, Flybe and Jet2) uplifted over half (52.8%, or 74.4 million) of all passengers in 2014. This rise in low-cost carriers has made it significantly cheaper to travel abroad, boosting uptake of foreign travel and thus demand for travel insurance.

Table 2.4: The Ten Busiest UK Airlines by Number of Passengers Uplifted and Total Number of Passengers Uplifted by UK Airlines (000 and %), 2000 and 2014

	PassengersUplifted (000)	% of Total UKPassengersUplifted
2000		
British Airways	30,987.6	29.9
Britannia Airways	8,053.1	7.8
British Midland	7,143.1	6.9
Air 2000	6,550.1	6.3
Airtours International Airways	6,234.3	6
JMC Airlines	5,745.7	5.5
Virgin Atlantic Airways	4,996.9	4.8
Monarch Airlines	4,896.5	4.7
British Airways†	4,576.2	4.4
easyJet	4,391.1	4.2
Passengers uplifted by top ten UK airlines	**83,574.6**	**80.6**

Total passengers uplifted by all UK airlines	103,750.5	100.0
2014		
easyJet	54,137.4	38.4
British Airways	39,643.3	28.2
Thomson Airways	10,367.0	7.4
Flybe	7,178.1	5.1
Monarch Airlines	7,027.6	5.0
Thomas Cook Airlines	6,043.5	4.3
Jet2	6,007.5	4.3
Virgin Atlantic Airways	5,966.0	4.2
BA CityFlyer	1,710.9	1.2
Loganair	642.6	0.5
Passengers uplifted by top ten UK airlines	**138,723.9**	**98.6**
Total passengers uplifted by all UK airlines	140,805.9	100.0

† — British Airways (European Operations at London Gatwick), at the time a subsidiary of British Airways

Source: Civil Aviation Authority

ECONOMIC TRENDS

The population has seen year-on-year growth over the past 5 years, rising from 62.8 million to 64.5 million — up by 2.8% overall. An increasing population provides a growing customer base for general insurance products, including travel insurance. Much of the recent population growth has been driven by increasing longevity and a rise in the number of older people; such adults cost more to insure due to the greater risk that they will require medical attention abroad and specialist insurers have cropped up as a result of the growing demand from older travellers and their needs.

Growth in GDP in annual chain-linked terms was at a 5-year low in 2012 of 0.7%. However, growth picked up from this point; the rate of growth quadrupled between 2012 and 2014, reaching 2.8% by the end of the review period. This has been a major factor in the upswing in outbound travel following reduced demand throughout the depths of the recession on the back of tight household budgets and limited business travel. Furthermore, travel insurers, like other general insurers, also benefit as the economy improves from better investment returns, providing a more solid income from areas other than premiums. Like many investors, insurers have suffered from the eroding effects of inflation on any holdings of cash, while the low interest rate and low growth environment has hampered returns in many other areas. Inflation has often outpaced growth in investment income, further muting the possibility of non-premium income.

Inflation has begun to fall back from its 5-year peak of 5.2% in 2011 — this was largely brought about by high oil prices, a factor which pushed up the cost of jet fuel and thus air travel and trips abroad, but one which has ceased to be an issue throughout 2014 as oil prices have collapsed — but remains above the Bank of England's (BoE's) 2% target, at 2.4% in 2014. As the price of oil has plummeted, so have costs for airlines.

Unemployment has fallen considerably in the last 2 years of the review period; from a peak of 1.59 million people in 2012, the number of unemployed people has fallen by 35.2% to a 5-year low of 1.03 million in 2014. There was a 27.5% fall in unemployment in 2014 alone, corresponding with the strongest growth in outbound UK visitors seen for 5 years. With the economy improving and unemployment falling, it is unsurprising to find that household disposable income has also enjoyed year-on-year growth. However, this growth has been below the rate of inflation for the past 5 years, meaning that consumers' incomes have not been increasing in real terms.

Table 2.5: UK Economic Trends (000, £m, %, million and £), 2010-2014

	2010	2011	2012	2013	2014
Resident Population Estimates (000), Mid-Years					
Female	31,954	32,188	32,390	32,556	32,747
Male	30,805	31,097	31,315	31,532	31,764
Total population	**62,759**	**63,285**	**63,705**	**†64,087**	**64,511**
% change year-on-year	-	*0.8*	*0.7*	*0.6*	*0.7*

Gross Domestic Product (£m)					
Current prices	1,558,365	1,617,677	1,655,384	1,713,122	1,791,490
% change year-on-year	-	*3.8*	*2.3*	*3.5*	*4.6*
Annual chain-linked GDP	1,591,494	1,617,677	1,628,338	1,655,447	1,702,153
% change year-on-year	-	*1.6*	*0.7*	*1.7*	*2.8*
Rate of Inflation (%)					
Inflation	4.6	5.2	3.2	3.0	2.4
Percentage point change year-on-year	-	*0.6*	*-2.0*	*-0.2*	*-0.6*
Actual Number of Unemployed Persons in the UK (million)					
Actual number of claimants	1.50	1.53	1.59	1.42	1.03
% change year-on-year	-	*2.0*	*3.9*	*-10.7*	*-27.5*
Household Disposable Income Per Capita (£)					
Household disposable income	16,776	16,875	17,378	17,623	17,890
% change year-on-year	-	*0.6*	*3.0*	*1.4*	*1.5*

† — does not sum due to rounding at source

GDP — gross domestic product

Note: inflation is at retail price index (RPI); inflation data shown are annual average changes; claimant count measures the number of people claiming Jobseeker's Allowance.

Source: Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Mid-2001 to Mid-2010 Revised, December 2013/National Population Projections, 2012-based projections/United Kingdom Economic Accounts, 18th May 2015/Consumer Price Inflation, April 2015/Labour Market Statistics, May 2015, National Statistics website © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

MARKET POSITION

Between 2010 and 2013, gross written premiums for general insurance remained stable, with the 1.5% gain in 2011 cancelled out by the following 2 years of contractions in the market. Overall, gross written premiums declined marginally, from £39.16bn to £39.14bn. Falling motor insurance premiums over this period have contributed to part of this slide, although Key Note estimates that there will be a marginal return to growth in 2014, with gross written premiums for general insurance rising to £39.45bn.

Travel insurance is only a very small part of the overall general insurance market, occupying just 2% of the general insurance sector by gross written premiums in 2010; this share fell over the course of the review period. This is despite UK airlines uplifting over 120 million passengers each year and UK residents making in excess of 55 million trips abroad in any given year between 2010 and 2014.

Between 2010 and 2014, the overall value of the travel insurance market by gross written premiums declined by 22.9%, from £764m to £589m, with particularly notable declines seen in 2011 and 2013. This has affected the sector's market share, with the declines seen in travel insurance premiums being far greater than those seen in the industry as a whole. Between 2010 and 2014, gross written premiums for travel insurance fell from 2% of all gross written insurance premiums to just 1.5%. Growing competition has resulted in prices for travel insurance falling, as has the 'uncoupling' of travel insurance from the packaged holiday market. Meanwhile, the widespread uptake of annual multi-trip policies, particularly those offered through the added-value accounts of banks and building societies, has further depressed prices across the review period.

Table 2.6: The Total UK Market for General Insurance and the Market for Travel Insurance by Gross Written Premiums (£m and %), 2010-2014

	2010	2011	2012	2013	e2014

General insurance gross written premiums (£m)	39,155	39,731	39,304	39,142	39,445
% change year-on-year	-	*1.5*	*-1.1*	*-0.4*	*0.8*
Travel insurance (£m)	764	691	656	610	589
% change year-on-year	-	*-9.6*	*-5.1*	*-7.0*	*-3.4*
Travel insurance as a % of total general insurance gross written premiums	2.0	1.7	1.7	1.6	1.5

e — Key Note estimates

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards.

Source: Association of British Insurers/Key Note

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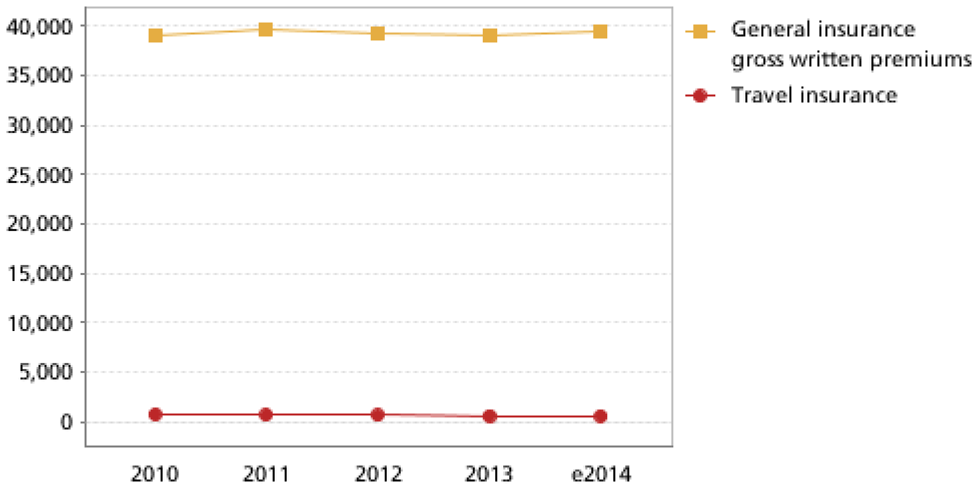

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of

London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards; figures for 2014 are Key Note estimates.

HOW ROBUST IS THE MARKET?

The market for travel insurance in the UK is heavily dependent on the prevailing economic conditions, being as it is so intertwined with the health of the holidays market and the airline industry, which both tend to see a fall in business during times of economic hardship. During an economic downturn, employment falls and household income stagnates, leaving the population with little spare cash to spend on foreign trips, thus dampening demand for travel insurance. ‘Staycations’ tend to become more common during such periods, with consumers taking advantage of cheaper, domestic holidays and thus not needing travel insurance, rather than incurring the cost of going abroad. Meanwhile, if the entire global economy is experiencing a downturn, demand for business travel falls, also, as business activity slows. Foreign travel is a luxury for households; during periods where essentials such as food, fuel, clothing and housing are becoming harder to afford, foreign travel is one of the first aspects of household budgets to be cut. As such, both the travel industry and the travel insurance market both suffer during times of economic turbulence.

The industry also suffers from a degree of uncertainty regarding risk. Although travel insurers can take an individual’s vital statistics and calculate how likely they are to require medical treatment abroad, they have no way of predicting when a natural disaster such as an earthquake might strike and destroy a resort, for example. This could lead to a high and unexpected level of claims, damaging operating profit, due to an event entirely out of insurers’ control and one that is difficult to accurately price for. Weather is equally hard to predict, with insurers unable to anticipate events such as hurricanes or tsunamis.

Yet despite these factors, the overall number of visitors abroad has increased year-on-year over the past 5 years. Though growth during the worst years of the economic crisis was slow, there was no dip in the number of overseas visitors leaving the UK. Travel managed to hold its ground despite prevailing economic conditions, partly on the back of the rise of low-cost airlines and heavy discounting by holiday companies. While the travel industry has proved relatively robust, even through one of the worst recessions in living memory, the same is not particularly true for travel insurance, which has suffered both volume and value declines over the past 5 years in spite of rising overseas visitors.

Market Size, Segmentation & Forecasts

MARKET SIZE & SEGMENTATION

Between 2010 and 2014, the value of the travel insurance market in terms of gross written premiums has fallen by 22.9%, from £764m to £589m. There are a number of reasons for the fall in value of policies written, including the economic downturn seeing fewer trips abroad. Greater competition in the market has also played a part, particularly as consumers have changed the way they purchase holidays. While notable distributors of travel insurance in the past have been travel agents and tour operators, the market has opened to more competition as consumers have moved towards the direct purchase of individual elements of their holiday. Competition has been stoked by the rise of price comparison websites (PCWs), as is the case across the general insurance sector.

Meanwhile, whereas it used to be more difficult for those with specific needs, such as being an older traveller or having a pre-existing medical condition, to get travel insurance at a reasonable price, the rise in competition in the sector has spawned a number of companies specialising in offering these types of cover. They, too, compete on price, even with those insurers who may not cover the type of risks they do. This has driven down costs even for travellers at higher risk of needing medical assistance overseas.

Medical treatment within the European Economic Area (EEA) has also become cheaper with the rise of the European Health Insurance Card (EHIC), which offers citizens of the EEA subsidised, or free, state healthcare while abroad, thus driving down the cost of policies. The EHIC covers the cost of any treatment an EEA citizen may need until they return to their home country. As a result, claims for medical treatment within the EEA have fallen. Despite its widespread use, the card is not an alternative to travel insurance; it does not cover the cost of private healthcare, mountain rescue in ski resorts, repatriation to the UK, holiday cancellation, lost or stolen property or other risks covered by travel insurance.

There has, however, been an increase in the percentage of people who go abroad without travel insurance, according to data from a joint survey by the Foreign and Commonwealth Office (FCO) and ABTA. More than one in five (22%) travellers went abroad without travel insurance in 2014, up from 19% the previous year. For the youngest travellers, those under 35, this percentage went up to around one in three adults. As such, although overseas trips have increased over the past 5 years, so too has the proportion of uninsured travellers, which means that the rise in overseas trips is not necessarily reflected in the volume or value of policies sold.

The considerable rise in annual multi-trip policies seen in recent years has come at the expense of single-trip policies. Often sold through packaged current accounts, these policies have tapped into consumers' new holiday purchasing patterns, part of which includes some travellers taking multiple, shorter trips rather than one long annual trip. The decline in the value of the market despite a rise in the number of trips is partly down to consumers taking advantage of multi-trip policies rather than buying separate policies each time they travel.

In terms of the number of travel insurance policies written, the figure has fallen from 25.2 million in 2010 to an estimated 18.3 million in 2014 — this represents a fall of 27.1% overall. This is largely down to the collapse in the sale of single-trip policies, which by 2014 were only at around a third of the level seen in 2010. Despite people taking more trips abroad over the past 5 years, the volume of policies has fallen. The rise of annual multi-trip policies has played a part in this, with travellers taking advantage of not having to buy a new policy each time they travel.

The volume and value of travel insurance policies sold is obviously highly interlinked, with the fall in the value of policies being written largely down to falling volume, with the exception of the fact that policies are simply getting cheaper on the back of increasing competition. Therefore, most of the aforementioned trends depressing the value of the market have also affected the volume of total policies sold.

Table 3.1: The UK Travel Insurance Market by Gross Written Premiums and Policies Written (£m and 000), 2010-2014

	2010	2011	2012	2013	[e]2014
Gross Written Premiums (£m)					
Annual multi-trip	476	467	472	448	459
Single trip	288	224	184	163	130
Total gross written premiums	**764**	**691**	**656**	**[†]610**	**589**
% change year-on-year	*-*	*-9.6*	*-5.1*	*-7.0*	*-3.4*
Policies Written (000)					
Annual multi-trip	15,597	14,942	15,419	14,741	15,065

Single trip	9,571	6,136	4,903	4,188	3,273
Total policies written	**25,168**	**21,079**	**20,322**	**18,929**	**18,338**
% change year-on-year	-	*-16.2*	*-3.6*	*-6.9*	*-3.1*

e — Key Note estimates

† — does not sum due to rounding at source

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards.

Source: Association of British Insurers/Key Note

Figure 3.1: The UK Travel Insurance Market by Gross Written Premiums (£m), 2010-2014

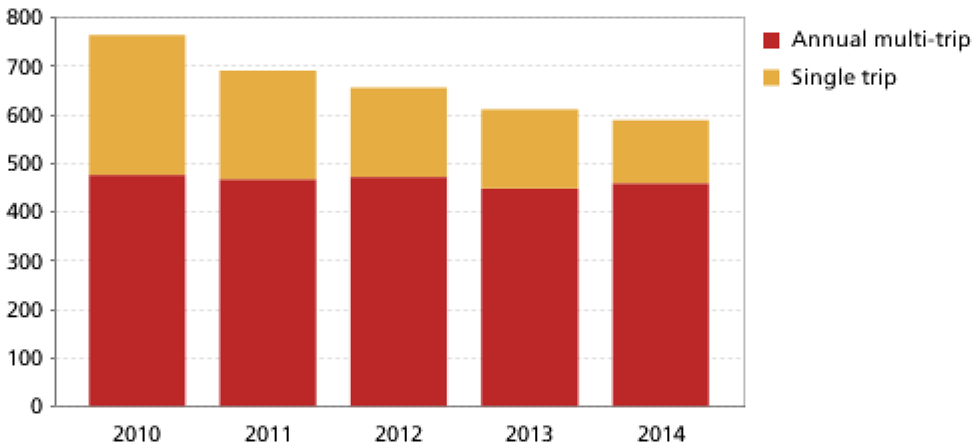

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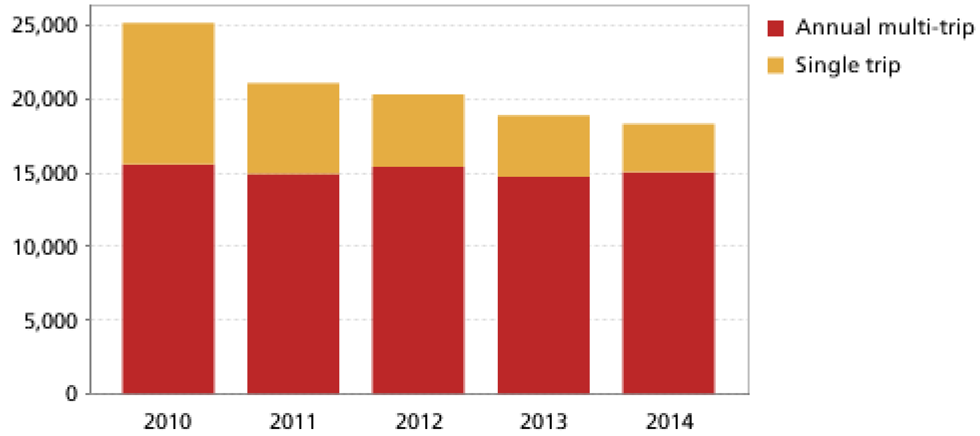
Figure 3.2: The UK Travel Insurance Market by Policies Written (000),

2010-2014



Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards; figures for 2014 are Key Note estimates.

Annual Multi-Trip Policies

Between 2010 and 2014, the value of annual multi-trip policies sold has fallen by 3.6%, from £476m to £459m. However, the estimated 2014 figure of £459m does represent growth of 2.5% on the previous year, when the value of policies written reached a 5-year low of £448m. Annual multi-trip policies have been subject to similar downward pricing pressures as the overall market, although it has been more protected due to the large volume of these policies sold as part of added-value or packaged bank accounts, which tend to offer one fixed, monthly payment and are less subject to the overall whims of market forces.

The value of these policies has also been protected by the fact that the volume of them has fallen relatively little over the past 5 years, declining by 3.4% overall, from 15.6 million to 15.1 million. This is in comparison to the overall number of travel insurance policies written, which has fallen by 27.1%, largely driven by the decline in the volume of single-trip premiums written.

The growth in popularity of added-value bank accounts offering this type of cover has been a major factor in the relative robustness of these policies in the wake of somewhat hostile market forces. Also working for annual multi-trip policies is the rising trend of taking a greater number of shorter breaks each year rather than one long trip, leading many to seek the value of an annual multi-trip policy over several single-trip policies each year.

The strength of this sector of the market is evident when examining its percentage share of the overall market; this rose in volume terms from a little over three in every five travel insurance policies sold in 2010 to over four in every five policies sold by 2014. Meanwhile, in value terms, gross written premiums for annual multi-trip policies have increased their share of the market from 62.3% in 2010 to an estimated 77.9% by 2014.

Table 3.2: Annual Multi-Trip Travel Insurance Policies by Gross Written Premiums and Policies Written (£m and 000), 2010-2014

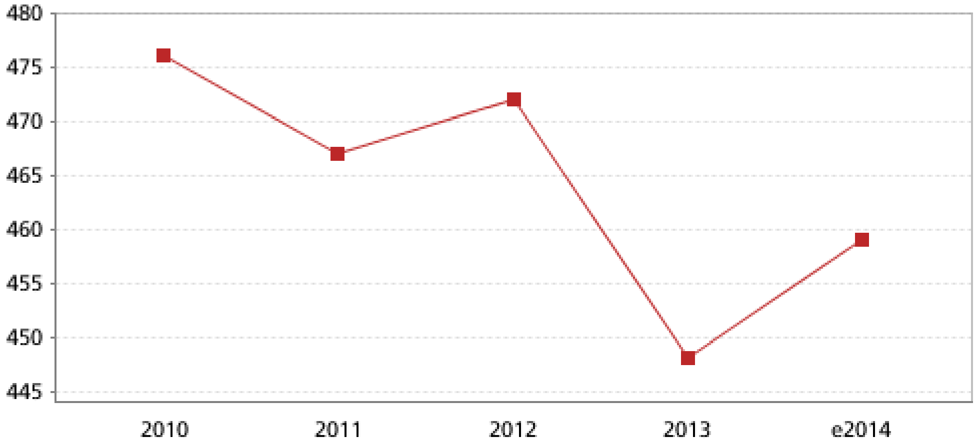
	2010	2011	2012	2013	e2014
Gross written premiums (£m)	476	467	472	448	459
% change year-on-year	-	*-1.9*	*1.1*	*-5.1*	*2.5*
% of travel insurance market	62.3	67.6	72.0	73.4	77.9
Policies written (000)	15,597	14,942	15,419	14,741	15,065
% change year-on-year	-	*-4.2*	*3.2*	*-4.4*	*2.2*
% of travel insurance market	62.0	70.9	75.9	77.9	82.2

e — Key Note estimates

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards.

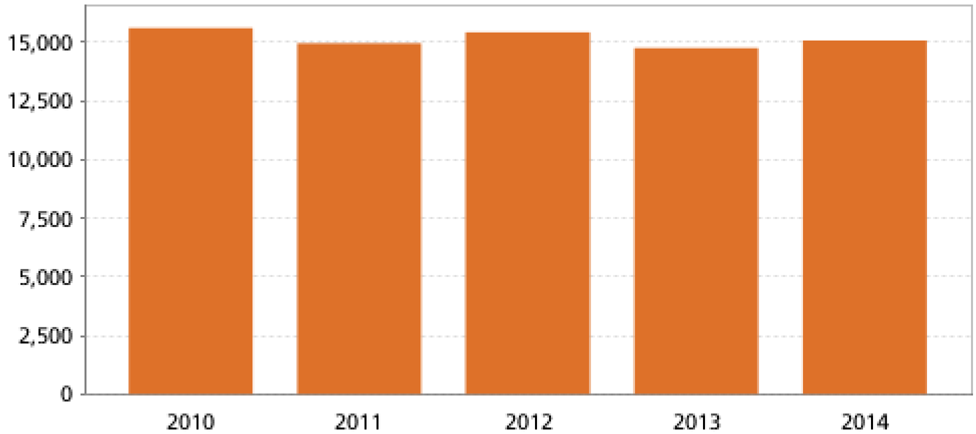
Source: Association of British Insurers/Key Note

Figure 3.3: Annual Multi-Trip Travel Insurance Policies by Gross Written Premiums (£m), 2010-2014



Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards; figures for 2014 are Key Note estimates.

Figure 3.4: Annual Multi-Trip Travel Insurance Policies by Policies Written (000), 2010-2014



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Single-Trip Policies

While annual multi-trip policies have held up fairly well despite difficulties in the overall market, the same is not true for single-trip policies. A higher proportion of adults had been on between two and three foreign holidays/short breaks in 2014 than had been on just one. Driven by low-cost airlines and a good exchange rate against the euro for much of the review period, UK travellers have begun to find multiple trips abroad each year more affordable. As a result, single-trip policies have failed to satisfy consumers' changing demands as holiday purchasing patterns shift and they have declined notably in volume and value between 2010 and 2014.

Not only have single-trip policies struggled in the wake of the poor rate of growth seen in outbound travel figures for UK residents for much of the review period, but they have also fallen victim to the rapid rise in popularity of annual multi-trip policies, which appear to have usurped single-premium policies as travellers' insurance policies of choice. The level of main media advertising expenditure on travel insurance is small; in Chapter 5 — Competitor Analysis — the figure was less than £8m in the year to 31st March 2015. Current accounts are of greater importance to banks and building societies as they act as gateways to a myriad of other, more lucrative products. Many banks now offer added-value accounts that include annual multi-trip insurance policies, a factor that is reducing the usage of single-trip policies.

Between 2010 and 2014, the value of single-trip policies sold has more than halved, falling from £288m to £130m. Whereas single-trip policies previously accounted for more than a third of the value of all travel insurance policies written in 2010, this figure was just 22.1% by 2014.

In terms of the volume of policies written, the number has fallen by almost two thirds, from 9.6 million to 3.3 million; a 35.9% decline was noted in 2011 alone. As a result of the collapse in the number of these policies sold, the share of single-trip policies sold by volume has fallen from close to two in five in 2010 to less than one in five (17.8%) by 2014.

Table 3.3: Single-Trip Travel Insurance Policies by Gross Written Premiums and Policies Written (£m and 000), 2010-2014

	2010	2011	2012	2013	[e]2014
Gross written premiums (£m)	288	224	184	163	130
% change year-on-year	-	*-22.2*	*-17.9*	*-11.4*	*-20.2*
% of travel insurance market	37.7	32.4	28.0	26.7	22.1
Policies written (000)	9,571	6,136	4,903	4,188	3,273

% change year-on-year	*-*	*-35.9*	*-20.1*	*-14.6*	*-21.8*
% of travel insurance market	38.0	29.1	24.1	22.1	17.8

e — Key Note estimates

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards.

Source: Association of British Insurers/Key Note

Figure 3.5: Single-Trip Travel Insurance Policies by Gross Written Premiums (£m), 2010-2014

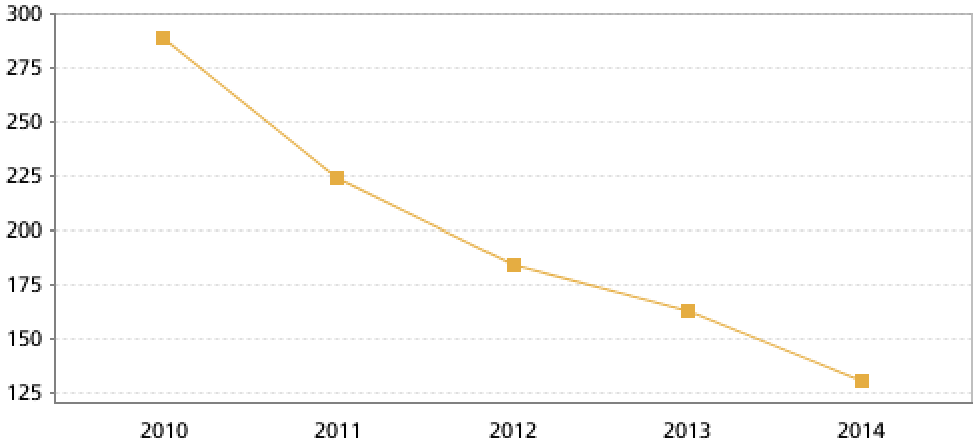

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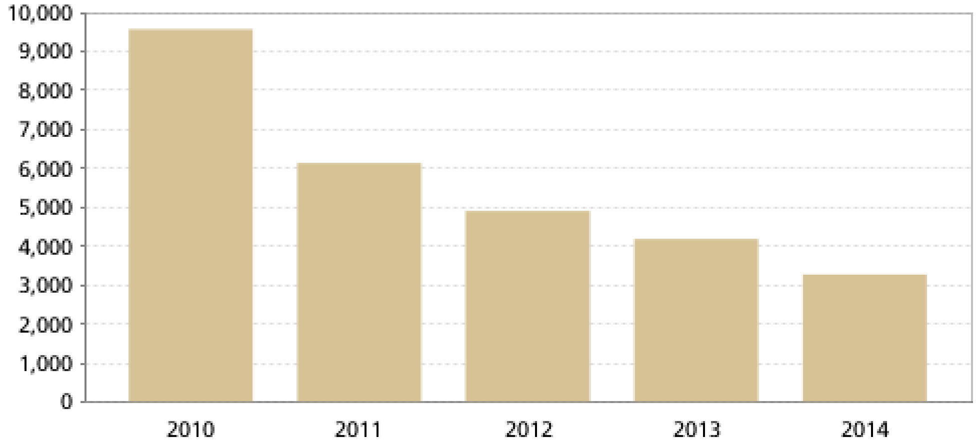
Figure 3.6: Single-Trip Travel Insurance Policies by Policies Written (000), 2010-2014



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DISTRIBUTION

The ABI does not record separate figures for the distribution of travel insurance; instead, it is included in the 'other personal lines' category. Distribution of other personal lines insurance is largely achieved through independent intermediaries, which accounted for over half (51%) of all distribution in 2013. For 2014, Key Note estimates this figure will have increased further, to 53%.

Direct distribution accounts for over a fifth of the total, with Key Note estimating that 22% of business was distributed directly in 2014. However, this percentage has fallen from 29% in 2010. Direct distribution was followed by that sold through utilities, retailers and affinity groups, which accounted for 12% of all other personal lines insurance sold, and 8% from banks and building societies. While the percentage sold through utilities, retailers and affinity groups has increased by 5 percentage points over the review period, distribution through banks and building societies is down by 3 percentage points.

Table 3.4: The UK Market for Private Motor Insurance by Distribution Channel by Share of Gross Written Premiums (% and £m), 2010-2014

	2010	2011	2012	†2013	e2014

Independent Intermediaries/Brokers					
Other intermediaries and brokers	26	33	34	-	-
National brokers	11	10	9	-	-
Chain brokers and telebrokers	6	3	3	-	-
Total independent intermediaries/brokers	**44**	**47**	**47**	**51**	**53**
Company Agents					
Company staff	1	1	1	-	-
Other company agents	7	4	3	-	-
Total company agents	**8**	**5**	**4**	**2**	**2**
Direct	29	29	27	24	22
Utilities, retailers and affinity groups	7	10	14	12	12
Banks and building societies	11	7	7	7	8
Other	1	2	1	4	3
Total	**100**	**100**	**100**	**100**	**100**
Gross written premiums (£m)	6,813	6,309	6,237	6,095	5,906
% change year-on-year	-	*-7.4*	*-1.1*	*-2.3*	*-3.1*

† — from 2013 onwards, all independent intermediaries are collected under the heading ‘brokers’ and all company agents are collected under the heading ‘company staff/other company agents’

e — Key Note estimates

Note: totals may not sum due to rounding at the source.

Source: Association of British Insurers/Key Note

CLAIMS INCURRED

One reason for the decline in the value of travel insurance policies written between 2010 and 2014 has been the fact that the cost of claims for insurers has fallen over the same period. Between 2010 and 2014, the cost of claims incurred on travel insurance policies fell by 29%, from £504m to £358m. Claims fell in value by 18.5% in 2011 alone, largely driven by the fact that the costs incurred by travel insurers as a result of the eruption of the Iceland's Eyjafjallajökull volcano and subsequent closure of European airspace in 2010 were not repeated the following year. Insurers can offer cheaper policies when the risk of claims, and the costs when they do occur, are falling.

Of course, part of the decline in the cost of claims in recent years is down to poor growth in the number of overseas visits by UK residents as a result of the financial crisis, while the proportion of adults travelling abroad without travel insurance has also increased.

Of particular note over the past 5 years has been the decline in the value of baggage and money claims, which have fallen by more than a third between 2010 and 2014; the cost of claims fell from £23m to £15m in total. The rise in hand baggage-only fares has reduced the volume of baggage lost by airlines, while it has become easier and cheaper to use credit and debit cards abroad rather than taking cash, with travellers cheques now rarely used. Theft or misuse of cards abroad is not generally covered by travel insurers, rather by the card issuer, so travel insurers are less vulnerable to claims as a result of the theft of cards than they are from the theft of cash.

The cost of medical expense claims has fallen by 26.9% over the review period, from £275m in 2010 to £201m in 2014. The EHIC has undoubtedly helped to reduce the cost of claims for insurers, as has falling uptake of insurance in general. Claims for cancellations fell by 17.7% in 2011 as claims from the Eyjafjallajökull cancellations fell out of travel insurers' costs. Across the review period, the cost of cancellations to travel insurers fell by 24.4%, although this saw the lowest decline over the whole review period. Cancellation claims cost insurers £164m in 2010; this fell to an estimated £124m in 2014.

The volume of claims has also fallen alongside the value of claims. Between 2010 and 2014, the number of claims fell by 45.7%, from 1.1 million to 574,000. Claims for cancelations have almost halved in number, falling from 325,000 to 167,000. The Eyjafjallajökull cancellations in 2010 meant that in 2011 alone, the number of claims declined by over a third (33.8%). However, the 48.6% decline in the number of claims is only around half the 24.4% decline in the value of claims over the same period, suggesting that although there were far fewer cancellations in 2014 than in 2010, each cancellation appears to be worth a greater sum, as evidenced by the volume decline far outpacing the value decline.

The number of claims for baggage and money over the review period has fallen by 43.5% in total, from 184,000 to 104,000, while for medical expenses the volume of claims has fallen by 34.7%, from 337,000 to 220,000.

Table 3.5: Claims Incurred on UK Travel Insurance Policies by Value and Volume (£m and 000), 2010-2014

	2010	2011	2012	2013	[e]2014
Cost of Claims Incurred (£m)					
Medical expenses	275	233	215	212	201
% change year-on-year	-	*-15.3*	*-7.7*	*-1.4*	*-5.2*
Cancellations	164	135	131	127	124
% change year-on-year	-	*-17.7*	*-3.0*	*-3.1*	*-2.4*
Baggage and money	23	22	19	17	15
% change year-on-year	-	*-4.3*	*-13.6*	*-10.5*	*-11.8*
Other	41	21	18	19	18
% change year-on-year	-	*-48.8*	*-14.3*	*5.6*	*-5.3*
Total cost of claims incurred	**[†]504**	**411**	**383**	**[†]376**	**358**
% change year-on-year	-	*-18.5*	*-6.8*	*-1.8*	*-4.8*
Number of Claims Incurred (000)					
Medical expenses	337	250	238	228	220
% change year-on-year	-	*-25.8*	*-4.8*	*-4.2*	*-3.5*
Cancellations	325	215	193	180	167
% change year-on-year	-	*-33.8*	*-10.2*	*-6.7*	*-7.2*
Baggage and money	184	135	125	115	104

% change year-on-year	-	*-26.6*	*-7.4*	*-8.0*	*-9.6*
Other	211	77	82	85	83
% change year-on-year	-	*-63.5*	*6.5*	*3.7*	*-2.4*
Total number of claims incurred	**1,057**	**677**	**638**	**608**	**574**
% change year-on-year	-	*-36.0*	*-5.8*	*-4.7*	*-5.6*

e — Key Note estimates

† — does not sum due to rounding

Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards.

Source: Association of British Insurers/Key Note

FORECASTS

Future Trends

Population Continues to Age

Not only has the population aged considerably over the past 40 years, but it will continue to do so long into the future. Healthy life expectancy is increasing, meaning adults can generally expect to enjoy a greater amount of time in their old age being fit and well; this will allow them to travel more than previous generations of retirees. Between 2015 and 2035, the population is projected to increase by 11.9%, from 64.9 million to 72.7 million. While the population of adults aged under 65 is projected to increase by a relatively modest 3.9% over this period, from 53.3 million to 55.4 million, the population of those aged 65 and over is forecast to grow by 48.6%, from 11.6 million to 17.3 million. In 2015, adults aged 65 and over are expected to make up 17.9% of the total population; by 2035, 23.8% of adults will be aged 65 and over.

As for the very elderly, those aged 90 or over, the number of adults of this age will increase by 155.6%, from 577,249 in 2015 (0.9% of the population) to

1.5 million (2% of the population). The number of centenarians, meanwhile, is set to increase almost six-fold, from 15,914 in 2015 to 92,624 in 2034. This takes the population of centenarians from just 0.02% of the population in 2015 to 0.1% in 2015.

As adults live longer and do so in increasingly good health, more are likely to want to travel abroad, and for longer periods. However, it can currently be problematic for older adults to get travel insurance due to their advanced age, which brings with it an increasing likelihood that they will claim on their travel insurance policy and that, when they do, that claim will be for a larger amount than their younger peers. More will have to be done going forward to provide for the needs of older adults wishing to travel abroad. Many insurers are already setting up specialist arms to deal with this influx of older customers, and this is likely to continue going forward.

Table 3.6: Mid-Year Population Estimates for the UK by Age Quintile (000 and %), 2015, 2020, 2025, 2030 and 2035

	Population (000)					% of Population	
	2015	2020	2025	2030	2035	2015	2035
Age							
0-4	4,046	4,085	4,065	4,014	4,004	6.2	5.5
5-9	3,910	4,080	4,116	4,095	4,045	6.0	5.6
10-14	3,510	3,938	4,105	4,141	4,120	5.4	5.7
15-19	3,798	3,583	4,009	4,176	4,212	5.8	5.8
20-24	4,305	4,081	3,864	4,290	4,458	6.6	6.1
25-29	4,456	4,559	4,330	4,115	4,540	6.9	6.2
30-34	4,368	4,544	4,642	4,415	4,200	6.7	5.8
35-39	4,057	4,377	4,549	4,648	4,422	6.2	6.1
40-44	4,268	4,030	4,347	4,519	4,618	6.6	6.4
45-49	4,607	4,235	4,000	4,316	4,489	7.1	6.2
50-54	4,548	4,564	4,200	3,971	4,286	7.0	5.9
55-59	3,932	4,468	4,492	4,139	3,918	6.1	5.4
60-64	3,487	3,820	4,353	4,386	4,048	5.4	5.6

65-69	3,604	3,339	3,671	4,197	4,239	5.5	5.8
70-74	2,722	3,365	3,134	3,462	3,973	4.2	5.5
75-79	2,164	2,432	3,038	2,850	3,168	3.3	4.4
80-84	1,594	1,783	2,046	2,588	2,454	2.5	3.4
85-89	984	1,131	1,317	1,554	1,996	1.5	2.7
90-94	453	531	663	815	998	0.7	1.4
95-99	109	158	209	291	384	0.2	0.5
100+	16	23	36	57	93	*neg.*	0.1
Total	**64,938**	**67,126**	**69,186**	**71,039**	**72,665**	**100.0**	**100.0**

neg. — negligible

Source: National Population Projections, 2012-based projections (November 2013), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Outbound Travel

In the quarter ending 31st March 2014, there were 14.7 million overseas visits made by UK residents, a figure that increased by 5.3%, to 15.4 million, by the first quarter of 2015. March 2015 alone saw growth of 13.1% in the number of overseas visits compared to the previous year, with the number having increased from 4.7 million to 5.3 million over this period. Extrapolating these figures to get an estimate of the number of visits for the whole of 2015, it can be seen that 63.3 million overseas visits will be made this year.

As the economic recovery continues to take hold, the travel industry is seeing growth once more as a higher number of people leave the UK to travel overseas. This will not only enormously benefit the travel industry as a whole, which has struggled with depressed overseas visitor figures since the financial crisis, but also the travel insurance market alongside it.

Table 3.7: Overseas Visits by UK Residents (000), Quarter 1 2014 and 2015

	2014	e2015	% Change2014-2015

January	5,030	5,130	2.0
February	4,980	5,050	1.4
March	4,650	5,260	13.1
Total	**14,660**	**15,440**	5.3

e — National Statistics' estimates to the nearest 10,000

Note: data are seasonally adjusted.

Source: Overseas Travel and Tourism: Monthly Release, March 2015 (May 2015), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Further Travel Outside Conventional Destinations

While destinations in Western Europe and North America have long dominated UK residents' list of favourite places to visit overseas, one of the burgeoning trends in the travel sector as a whole has been a shift away from such traditional destinations. Emerging economies, and with this emerging tourism industries, in regions such as Southeast Asia, Latin and Central America and parts of Africa have increasingly attracted visitors from the UK.

Travelling outside Europe tends to require a higher level of travel insurance cover, and thus comes at a higher cost. This is because of the greater cost of medical care overseas, as well as the far higher costs of long-haul repatriation flights in the event of a severe medical emergency. Although this generates greater premium income for insurers, it also exposes them to the risk of more expensive claims on such polices.

Long-haul destinations often require layovers; this also increases the chance that baggage will be lost in the transferring of planes, further exposing insurers to risk. Western Europe and North America are generally politically stable regions, while more unconventional destinations are less so. This increases the chance of loss from civil unrest.

Budget Long Haul?

While low-cost carriers have become market leaders in short-haul routes from the UK (dominated by easyJet, four low-cost carriers uplifted more than half of all passengers on UK airlines in 2014), long-haul travel has remained the preserve of national carriers or other similarly 'upmarket' airlines, such as British Airways and Virgin Atlantic. While low-cost carriers have saved space and weight by allowing more passengers per plane and eliminating galley equipment for meal service and in-flight entertainment, the length of time passengers spend on a plane on a long-haul flight has meant that travel without such conveniences and comforts has proved relatively unattractive. Low-cost carriers, therefore, have focused on expanding their short-haul routes to great success, drastically cutting into the market share of older, more established airlines on such routes. To try and compete with low-cost carriers, there has been a rise in airlines such as British Airways offering hand baggage-only flights to keep costs down, while also concentrating more heavily on long-haul routes, where they have no low-cost competitors.

However, the market for long-haul travel may shift in the future towards a more low-cost model due to increasingly improving aircraft options. Airbus' A380 plane for example, is a double-deck, wide-body, four-engine aircraft that made its first flight in 2005 and remains the world's largest passenger airliner. With a 'typical' seating pattern of four classes (economy, premium economy, business class and first class), the aircraft can carry 544 passengers, but an all-economy seating variant can add a further 309 seats, taking the total number of potential passengers to 853. With around a quarter of the aircraft's airframe consisting of lighter composite materials, the aircraft offers the ability to transport a sizeable number of people with notable fuel efficiencies over long distances.

All aircraft manufacturers are looking to cut fuel usage on their aircraft to reduce the environmental impact of aviation, but with the effect of also cutting fuel bills. Lower fuel costs as a result of this, as well as falling oil prices, may see a rise in low-cost long-haul travel.

Norwegian Air Shuttle is one such airline already attempting long-haul, low-cost business, having placed an order for Boeing's new 787 Dreamliner aircraft and beginning to operate routes out of London to New York, Florida and Los Angeles. Norwegian made its first foray into long haul in 2013 with routes from Scandinavia to the US and Thailand. It claims the lower fuel costs as a result of the delivery of its new, fuel-efficient aircraft will allow it to operate a viable low-cost service while still offering some of the 'extras' passengers enjoy on non-budget airlines, such as food service, in-flight entertainment and premium economy.

Bringing long-haul destinations to the public at budget airline prices could see a further expansion in the number of passengers travelling to these non-traditional locations, thus requiring more expensive travel insurance cover.

Added-Value Current Accounts: The Next Mis-Selling Scandal?

One of the major factors behind the rise of annual multi-trip policies has been the increasing uptake among the population of packaged or added-value current accounts. Around one in five adults held such an account in 2013, with the extras on offer including a range of benefits such as travel insurance, mobile phone insurance and breakdown cover in exchange for a monthly account fee. Consumer groups have been increasingly looking at added-value bank accounts to see if the way in which consumers were sold these has been fair, in a similar manner to the way PPI policies were investigated. As these packages often include types of insurance, including travel insurance, banks have a responsibility to ensure that these insurance products were appropriate for their customer at the PoS. The payment protection insurance (PPI) mis-selling scandal involved banks selling their customers PPI to cover loans or debt repayments in the event of unforeseen problems; however, PPI was sold to customers without fully explaining what was covered and, in the worst scenarios, actively misleading customers. This resulted in a slew of claims against lenders for the mis-selling of PPI and the major banks putting aside billions of pounds into compensation funds.

Just as with the PPI scandal, a number of claims management companies have entered the fray, offering to attempt to recoup some of consumers' money from added-value accounts.

According to the Financial Ombudsman Service's 2014/2015 *Annual Review,* in the year to 31st March 2015, it received 21,348 complaints about packaged current accounts, an increase of 278% on the 5,667 received the previous year. Many such accounts will include some form of travel insurance.

One of the major problems was that banks signed individuals up to such accounts without checking their eligibility for them, with consumers who were too old to get travel insurance under the terms of the account being sold these added-value accounts, or banks failing to check whether or not customers had pre-existing medical conditions which would also render the insurance invalid. Banks also have an obligation to check each year whether or not individuals are still eligible for the insurance products sold.

If banks have not done this, then they have mis-sold insurance and many individuals will be entitled to compensation, plus interest. Given how important these bank accounts are for the distribution of annual multi-trip insurance, falling consumer trust and cancellations of these accounts could result in a decline in the volume and value of annual multi-trip policies written.

Further Unpacking of the Package Holiday

Travel agents, tour operators and other sellers of packaged holidays have long dominated the UK holidays market, but the arrival of the Internet has seen a considerable increase in 'separate' bookings for holidays. Consumers are seeking the cheapest hotels, flights and car hire possible using PCWs or other third-party sellers of flights and hotels, rather than seeking to book a holiday as a whole through a travel or tour operator. The EU's decision to update the EU Package Travel Directive to give clear protection to EU citizens who book other forms of combined travel — e.g. a self-chosen combination on a website of a flight plus hotel or car rental — is indicative of this rise.

Historically, there has not always been the same level of protection for those booking a holiday in this way as it was not a 'package' in the strictest sense of the word. This extension should offer more cover for consumers and further boost confidence in booking a holiday this way.

Separate bookings of travel insurance, also through a PCW, are becoming more common as consumers 'cherry pick' each individual element of a trip to best suit them. This is a trend that will continue to accelerate in the future, growing competition in the market.

EU Referendum

In the Conservative Party's 2015 Election Manifesto, the party pledged to offer a referendum on the UK's membership of the EU by 2017. After winning a parliamentary majority in May 2015, the Conservatives formed the first Conservative-only Government since 1997 and embarked on drawing up legislation to enshrine the EU referendum into law.

UK citizens, as members of the EU, are entitled to a number of benefits when travelling abroad to the other 27 EU countries, as well as some countries outside the EU and in the EEA. This includes visa-free entry and the EHIC, which entitles bearers to state-provided healthcare in the EAA at reduced cost, or sometimes for free. The EHIC covers treatment required while abroad until an individual returns to the UK. It also covers treatment of pre-existing medical conditions and routine maternity care.

Though it is unlikely that the UK would find itself immediately on the outside of such schemes and international agreements on voting to leave the EU (Norway, Iceland and Liechtenstein are outside the EU but within the EEA and thus still participate in the scheme), there would be a transition period during which time there would be uncertainty regarding the EHIC's validity. This could see a reduction in travel to

Western Europe until the entry requirements were more clearly laid out, or until it is determined that the EHIC is definitely valid despite the UK's potential exit from the EU.

Future Economic Trends

Between 2015 and 2019, the UK population is forecast to increase by 2.7%, rising from 64.9 million to 66.7 million. Growth in the population is likely to result in organic growth for the travel insurance market, as it will likely result in a greater number of outbound travellers. This is particularly true as older adults become increasingly healthier in their old age and have the leisure time and funds to travel in retirement. However, with much of the population growth over the coming years being down to increasing longevity, travel insurers will have to adapt to the demands of older customers.

Gross domestic product (GDP) is forecast to exceed 2% across the review period, sitting at 2.5% in 2015, 2016 and 2018. A growing economy offers a number of opportunities for the travel industry, not least because it generally goes hand-in-hand with lower levels of unemployment and a boost in consumer expenditure. Spending tends to rise notably in areas that have seen reduced spending during times of economic difficulty, including 'luxuries' such as foreign travel and leisure pursuits. Since the economic recovery really took hold in 2014, there has been a substantial increase in the number of outbound travellers as consumer confidence has increased.

Travel insurance is part of the financial services industry, which forms one of the cornerstones of the UK economy. A key struggle for insurers in the depressed economic climate has been a lack of investment returns; as the economy recovers, such pressures should ease. After being below the Bank of England's (BoE's) 2% target in 2015 and standing at 1.2%, inflation is forecast to rise from 2016 onwards, reaching a peak of 3.2% in 2018. If wage rises keep pace with or beat inflation as the economy grows and unemployment remains low, then consumers may not feel much detriment from this higher level of inflation. However, if wage growth remains depressed then consumers will see inflation shrink wages in real terms, which could constrain spending on foreign travel.

After several consecutive years of declining unemployment from the peak at the height of the financial crisis, unemployment is forecast to reach a baseline of around 750,000 people from 2016 onwards. Lower unemployment inspires greater consumer confidence, although if the growth in employment continues to occur among low-wage jobs where wages do not keep up with the growing inflation forecast for the coming 5 years, then consumers may not feel much of the corresponding benefit of the increases.

Table 3.8: Economic Forecasts (000, % and million), 2015-2019

	2015	2016	2017	2018	2019
UK resident population (000)	64,938	65,386	65,825	66,266	66,697
GDP growth (%)	2.5	2.5	2.3	2.5	2.4
Inflation† (%)	1.2	2.5	3.1	3.2	3.0
Unemployment‡ (million)	0.82	0.72	0.72	0.75	0.73

GDP — gross domestic product

† — at retail price index (RPI)

‡ — actual number of claimants; claimant count measures the number of people claiming Jobseeker's Allowance

Source: National Population Projections, 2012-based projections, National Statistics website/Forecasts for the UK Economy: a comparison of independent forecasts, May 2015, HM Treasury © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Forecast Total Market

There will continue to be a number of forces acting on the market for travel insurance over the coming years that will see further declines in the value of policies written. The continued rise in popularity of annual multi-trip policies, combined with more competition in the market and the ongoing trend of travelling abroad uninsured, will all take their toll on the market. However, the value of annual multi-trip policies will hold up across the review period despite seeing declines over the 2010 to 2014 period. More frequent trips abroad by UK residents will be part of this — as mentioned, there could potentially be 63.3 million overseas visits for 2015 as a whole, with further gains expected thereafter. This makes annual policies look like increasingly good value and they will become ever more popular.

The fact that many annual multi-trip policies are sold as part of packaged bank accounts could prove problematic in the future if such accounts do indeed turn out to be the next mis-selling scandal. While the constant, flat monthly fee and the fact that these policies are automatically renewed year-on-year has seen declining growth in their value in recent years, a shift to standalone policies that expire annually may change this. This is because insurers will cease to benefit from the savings incurred by high levels of customer retention they enjoy as a result of their products being sold as part of bank accounts.

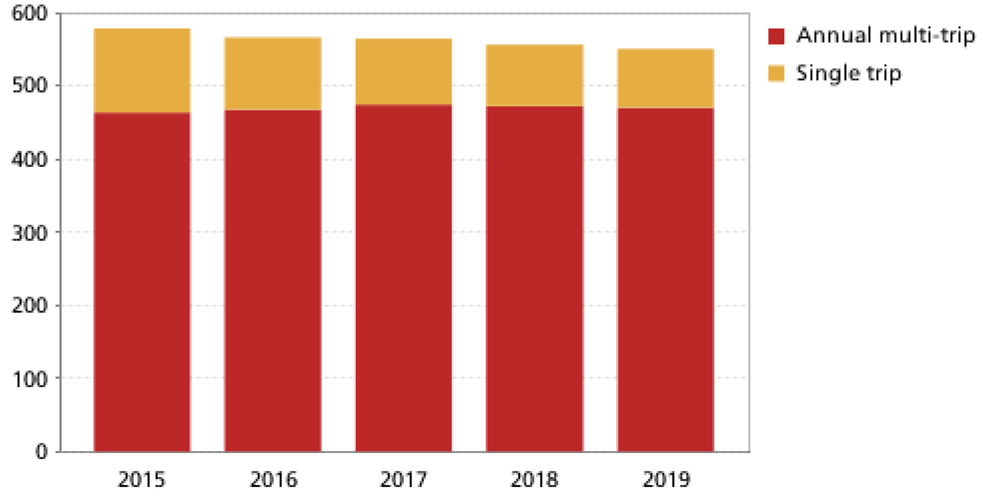
As a result of these trends in the market, annual multi-trip policies are forecast to increase slightly in terms of gross written premiums over the coming 5 years, rising from £463m to £470m. However, the total market is forecast to fall in value by 4.8% over the coming 5 years due to the continued decline in the value of single-trip policies as annual multi-trip policies continue to gain in popularity and competition continues across the market. Between 2015 and 2019, Key Note forecasts that the total UK travel insurance market by gross written premiums will fall from £578m to £550m. This will be driven by the fall in the value of single-trip policies, which are forecast to fall by 30.4% overall, from £115m to £80m. Although a fall in volume of single-trip premiums will slow towards the end of the review period as the market reaches a more normal plateau, it remains that single-trip policies, and thus the overall market, will fall in value as a result of this decline.

Table 3.9: The Forecast UK Travel Insurance Market by Gross Written Premiums (£m), 2015-2019

	2015	2016	2017	2018	2019
Annual multi-trip	463	467	474	472	470
% change year-on-year	*0.9*	*0.9*	*1.5*	*-0.4*	*-0.4*
Single-trip	115	99	90	84	80
% change year-on-year	*-11.5*	*-12.4*	*-9.1*	*-6.7*	*-4.8*
Total	**578**	**566**	**564**	**556**	**550**
% change year-on-year	*-1.9*	*-1.7*	*-0.4*	*-1.4*	*-1.1*

Source: Key Note

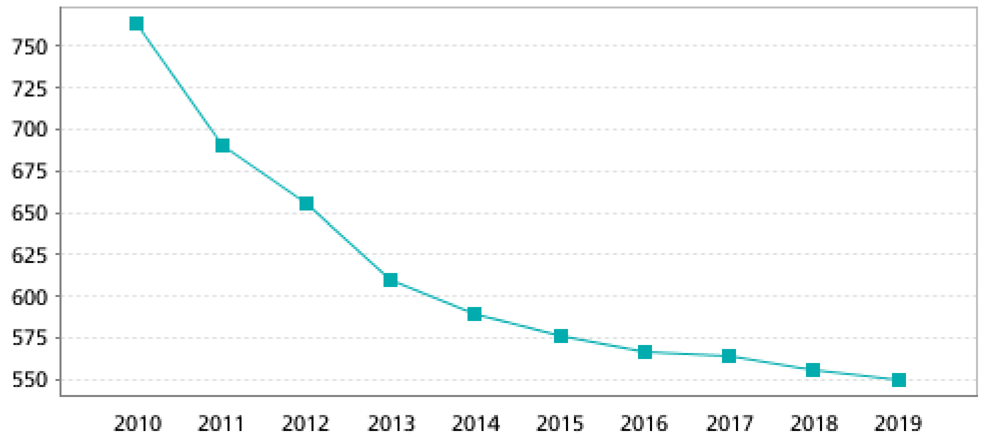
Figure 3.7: The Forecast UK Travel Insurance Market by Gross Written Premiums (£m), 2015-2019



MARKET GROWTH

Between 2010 and 2019, the market for travel insurance is expected to drop by 28% from a value of £764m to £550m in terms of gross written premiums.

Figure 3.8: Growth in the UK Travel Insurance Market by Gross Written Premiums (£m), 2010-2019



Note: data were collected from companies representing around 85% of the insurance company market, then grossed up to give total market data (defined as those companies reporting to the Financial Conduct Authority); figures exclude Lloyds' of London; data for 2011 and later are not strictly comparable with earlier periods due to one company no longer reporting from 2011 onwards; figures for 2014 to 2019 are Key Note estimates.

International Perspective

WORLD TOURISM

International Tourist Arrivals

Tourism has become a truly global business over the past 60 years as an ever-growing number of destinations have opened up to tourists and travellers. Many countries, particularly in the emerging world, have turned to investment in tourism so as to encourage inbound tourists as one of the cornerstones of economic growth. However, as these countries rise in economic prominence in the world and a middle class appears, there is increasing demand for outbound tourism from these countries, also.

Tourism has increasingly expanded and diversified, with what would previously have been seen as far-flung or exotic locations becoming easily reachable for the many rather than just the privileged few. In 1950, the UN World Tourism Organization (UNWTO) revealed that there were just 25 million international tourism arrivals — by 2012, the number of international tourist arrivals had topped the 1 billion mark. By 2014, this figure was 1.13 billion, representing growth of 9.4% on 2012.

While there has always been a strong international tourism market in Europe between European countries, and North America has also served as a traditional favourite destination, since 1990 there has been a sharp increase in trips to other regions such as the Middle East, South Asia, Central America, sub-Saharan Africa and South America. Nevertheless, it remains that Europe accounted for over half (51.4%) of all international tourist arrivals in 2014, with the Americas accounting for a further 16%. Therefore, over two-thirds (67.4%) of international tourists still arrive in Europe or the Americas.

Between 1990 and 2014, the overall number of international tourist arrivals has increased by 160.7%, from 434.5 million in 1990. However, growth in certain regions has far outpaced this, with the number of visitors to sub-Saharan Africa showing the highest increase, at 460.9%. The number of international tourist arrivals in this region has grown from 6.4 million in 1990 to 35.9 million in 2014. More ‘traditional’ destinations, however, have not seen such large increases, with international tourist arrivals to Western Europe and North America having only grown by 60.7% and 67.7%, respectively.

South Asia received 451.6% more international tourist arrivals in 2014 than in 1990, with the number rising from 3.1 million to 17.1 million over this period. This was followed by the growth seen in the Middle East, with the number of tourists arriving there having increased by 431.3% over the same period, from 9.6 million to 51 million. Although political instability is very much still a factor in the Middle East, with the fall in visitors after the peak of 54.7 million in 2010 likely being linked to the Arab Spring, it remains that tourism in the region has flourished over the past 2 decades.

Other regions that have seen significant increases in tourist arrivals include:

- North-East Asia, with growth in arrivals of 416.3%, from 26.4 million to 136.3 million
- Central America, which saw arrivals rise by 405.3%, from 1.9 million to 9.6 million
- South-East Asia, with arrivals growing by 356.1%, from 21.2 million to 96.7 million
- South America, experiencing an increase of 271.4% in arrivals, from 7.7 million to 28.6 million
- Central/Eastern Europe, with arrivals increasing by 257.2%, from 33.9 million to 121.1 million.

Such a considerable increase in international travel is very positive news for the global travel insurance market, as it means that demand for the product will continue to grow.

Table 4.1: Global International Tourist Arrivals (million), 1990, 2000, 2010 and 2012-2014

	1990	2000	2010	2012	2013	p2014
Europe						
Southern/Mediterranean Europe	90.3	132.6	173.3	190.4	201.0	214.9
Western Europe	108.6	139.7	154.4	167.2	170.8	174.5
Central/Eastern Europe	33.9	69.3	98.4	111.7	127.3	121.1
Northern Europe	28.7	44.8	62.8	65.1	67.4	71.3
Total Europe	**261.5**	**386.4**	**488.9**	**534.4**	**566.4**	**581.8**
Asia-Pacific						
North-East Asia	26.4	58.3	111.5	122.8	127.0	136.3
South-East Asia	21.2	36.3	70.5	84.2	94.3	96.7
South Asia	3.1	6.1	12.0	14.6	16.0	17.1
Oceania	5.2	9.6	11.4	11.9	12.5	13.2

Total Asia-Pacific	**55.8**	**110.3**	**205.4**	**233.5**	**249.8**	**263.3**
The Americas						
North America	71.8	91.5	99.5	106.4	110.2	120.4
South America	7.7	15.3	23.1	26.7	27.1	28.6
Caribbean	11.4	17.1	19.5	20.7	21.1	22.4
Central America	1.9	4.3	7.9	8.9	9.1	9.6
Total The Americas	**92.8**	**128.2**	**150.1**	**162.7**	**167.5**	**181.0**
Africa						
Sub-Saharan Africa	6.4	16.0	30.8	34.5	34.7	35.9
North Africa	8.4	10.2	18.8	18.5	19.6	19.8
Total Africa	**14.7**	**26.2**	**49.5**	**52.9**	**54.4**	**55.7**
Middle East	9.6	22.4	54.7	51.7	48.4	51.0
Total world	**434.5**	**673.5**	**948.6**	**1,035.2**	**1,086.5**	**1,132.8**

p — provisional

Note: totals may not sum or entirely correspond with those in Table 4.2 due to rounding at the source.

Source: Tourism Highlights: 2014 and 2015 editions (May 2014 and June 2015), UN World Tourism Organization

Outbound Tourism

Of the 1.13 billion tourists arrivals in 2014, 575 million, or 50.8%, came from Europe. This is, however, down from 52.1% the previous year, showing the degree to which other markets are becoming significant within the overall tourism industry. Emerging markets, with their rapidly growing middle classes, have populations increasingly keen to travel internationally. This said, the majority of international tourists are still outbound from European destinations.

Although North America is a larger general insurance market as a whole than Europe, there is notably less foreign travel by US citizens compared with their European counterparts, and so the travel insurance sector is not as well developed as is the case in Europe. The travel insurance market in the Americas is further held back by less affluent countries in Central and South America, where international tourism is still relatively limited, especially by European standards. In 2014, only 189.2 million arrivals were from the Americas, equivalent to just 16.7% of the total, and less than a third of the international tourists who departed from Europe that year.

Table 4.2 also shows the rapidly growing importance of the Asia-Pacific region (which includes the People's Republic of China [PRC]). Between 1990 and 2014, the number of international tourists arriving in the rest of the world from Asia-Pacific had more than quadrupled, rising from 58.7 million, or 13.5% of the total, to 267.9 million, or 23.7% of the total. Close to one in four international tourists now arrives from Asia-Pacific, driven largely by the rapidly emerging economies in the region boosting middle-class earnings and opening up foreign travel to a greater number of people. Expenditure by newly wealthy Chinese citizens abroad has become a major component of international tourism. Now that the Asia-Pacific region is the world's second-largest departure point for international tourists, there is significant room to expand the travel insurance market into this region to meet growing demand for a whole new tranche of global travellers.

Another region that has seen notable growth in international tourism in recent years has been the Middle East, driven largely by oil-rich states in the Gulf. Between 1990 and 2014, international tourists from the Middle East more than quadrupled in number, rising from 8.2 million to 37 million. Africa saw more tourists travel abroad than did the Middle East in 1990, 2000, 2012 and 2013, while the Middle East saw more tourists travel abroad in 2010 and 2014. International tourists from the Middle East stalled following the Arab Spring but have returned to growth since, again largely driven by the countries rich in oil and gas rather than the ones affected by the uprisings.

International tourist arrivals from Africa are driven by the two major economic powerhouses of the continent: Nigeria and South Africa, its first- and second-largest economies, respectively. Rising wealth among the middle classes has facilitated a corresponding rise in foreign travel. The general insurance market in Africa is one of the smallest in the world; though it has one of the largest and fastest-growing populations, the high levels of poverty in many African nations mean insurance penetration, even for essentials such as health, is relatively low. Travel insurance would be operating in an environment with a poor insurance infrastructure if it were to expand further in Africa and would probably largely only be purchased by the wealthiest adults.

Table 4.2: International Tourist Arrivals by Region of Origin (million), 1990,

2000, 2010 and 2012-2014

	1990	2000	2010	2012	2013	p2014
Europe	250.7	390.1	497.4	537.3	559.8	575.0
Asia-Pacific	58.7	114.1	206.0	237.2	253.5	267.9
Americas	99.3	130.8	156.3	171.6	176.4	189.2
Middle East	8.2	12.8	33.3	31.6	35.2	37.0
Africa	9.8	14.9	28.1	31.9	32.1	33.2
Origin not specified	7.8	10.8	27.3	25.7	29.6	30.4
Total	**434.5**	**673.5**	**948.4**	**1,035.3**	**1,086.6**	**1,132.7**

p — provisional

† — countries that could not be allocated to a specific region of origin; as information is derived from inbound tourism data, this occurs when data on the country of origin is missing or when a category such as ’other countries of the world’ is used to group countries together

Source: Tourism Highlights: 2014 and 2015 editions (May 2014 and June 2015), UN World Tourism Organization

OVERVIEW

According to Swiss Re’s June 2014 sigma No 3/2014 publication, entitled World Insurance in 2013: Steering Towards Recovery, total global premium volumes for insurance totalled $4.64 trillion in 2013, up by 0.9% on the previous year, when premiums were worth $4.6 trillion. In 2013, the total was split into $2.61 trillion of life business and $2.03 trillion of non-life business. While non-life business is up by 3.2% from $1.97 trillion in the previous year, life business has fallen over the same period; life premiums were worth $2.63 trillion in 2012, meaning 2013’s life premium volumes are down by 0.8% year-on-year.

Non-life premiums have enjoyed significant growth in emerging markets over the past year; they were worth $379.83bn in 2013 and up by 10.1% on $345.06bn the previous year. This has driven global growth in non-life premiums. Life premiums are also up in emerging economies, having increased by 6.4% from $383.03bn to $407.48bn. In contrast, developed markets saw a decline in the value of life premiums over the same period — they fell by 2.1% from $2.25 trillion to $2.2 trillion — and only a small increase in non-life premiums, which rose by 1.8% from $1.62 trillion to $1.65 trillion.

For travel insurance, there has been significant growth in emerging markets over the past 5 years. This has come as emerging economies have grown strongly, far ahead of many of their developed world counterparts, and a new middle class has begun to appear. Towards the end of 2014, the oil price collapse acted not only to boost consumers' spending power worldwide by reducing the cost of living, but also made air travel more affordable through lower fuel costs. Many of the new middle classes are taking these opportunities to visit other countries for the first time, which has increased demand for travel insurance. There are a number of well-established travel insurance companies and brands in Europe; many write foreign business. One example of this is Allianz of France, which is a major insurer in the UK, including offering travel insurance through a subsidiary brand.

The UK's Place in the World

According to Swiss Re, the UK was the world's third-largest insurance market (including non-life and life insurance) in terms of premium income in US dollars in 2013. It had a premium income of $329.64bn and was third only to Japan, with a premium income of $531.51bn, and the US, with a premium income of $1.26 trillion. The UK's total insurance market therefore equates to a 7.1% share of the global market. For non-life insurance specifically, of which motor insurance is a part, the UK is ranked fifth in the world in terms of premium volume in US dollars, with a total value of £106.75bn. This is behind the US, Germany, the PRC and Japan, but ahead of fellow European nations such as France, the Netherlands, Italy, Switzerland and Norway.

In terms of the percentage of its gross domestic product (GDP) it derived from the insurance industry, the UK was ranked sixth in the world in 2013; 11.5% of the UK's GDP was accounted for by insurance premiums in that year, effectively meaning they accounted for more than £1 in every £10 of the UK's economic output. Though the UK was already ranked highly in terms of the contribution of its overall insurance industry to GDP, it was ranked higher still in terms of the percentage of its GDP it derives from life insurance. With 8.8% of GDP coming from life premiums, it ranks joint fourth in the world with South Korea. For non-life insurance, its position is lower: 2.8% of GDP is derived from non-life premiums, ranking it joint 14th in the world alongside Cyprus.

The World's Largest Non-Life Markets

The US was by far the world's largest market for non-life insurance by premium volume in 2013, accounting for over a third of the world's total premiums at $726.4bn, or 35.7% of the total. Between 2012 and 2013, premium volume in the US grew by 3.2%, rising from $730.85bn. Germany was the world's second-largest insurance market in 2013; growth in premium volume of 5.6% saw it rise to the position from third place in 2012. In 2013, non-life premium volumes in Germany totalled $132.81bn, or 6.5% of the global total. The PRC ranked third in the list; its level of growth between 2012 and 2013 far outstripped any other country in the top 15. The country's closest rival in growth terms was Russia, which saw non-life premiums grow by 6% over this period. In 2013, non-life premium volume in the PRC was worth $125.84bn, up by 20.7% on 2012. The PRC had a 6.2% share of the global non-life insurance market in 2013.

Japan was in fourth position, having seen the greatest contraction in non-life premium volumess of any country in the top 15; non-life premium volumess fell by 14.8% between 2012 and 2013, from $127.66bn to $108.77bn. The country's share of the non-life market totalled 5.4% in the latter year. As mentioned previously, the UK ranked fifth in the world in 2013, with non-life premium volume having undergone a slight contraction between 2012 and 2013. It fell by 0.6%, from $107.39bn to $106.75bn. Its share of the global market in 2013 was 5.3%. The UK was one of only three countries in the top 15 to see a contraction in the volume of non-life premiums between 2012 and 2013; this said, it is still ranked fifth in the world, with premium volume above $100bn.

The PRC, Brazil and Russia are three key emerging markets featured in the list, evident of the rising might of the middle classes in these countries and their subsequent non-life insurance purchases. These three countries and Germany saw the highest rates of growth in the top 15; Brazil was a larger market in 2013 than Spain, Australia and Switzerland.

Table 4.3: The World's 15 Largest Non-Life Insurance Markets by Premium Volume ($m and %), 2012 and 2013

	2012	2013	% Change 2012-2013	Share ofWorld Marketin 2013 (%)
US†	703,847	p726,397	3.2	35.73
Germany	125,811	p132,813	5.6	6.53
PRC	104,240	p125,844	20.7	6.19

Japan[‡§]	127,657	108,773	-14.8	5.35
UK	107,389	[e]106,750	-0.6	5.25
France	89,705	[p]94,598	5.5	4.65
Netherlands	71,475	[p]75,135	5.1	3.70
Canada	72,247	[p]73,010	1.1	3.59
South Korea[‡§]	52,292	54,234	3.7	2.67
Italy	50,895	[p]50,576	-0.6	2.47
Brazil	37,400	39,513	5.6	1.94
Spain	38,411	[p]38,647	0.6	1.90
Australia[§]	32,348	32,667	1.0	1.61
Switzerland	27,619	[p]28,370	2.7	1.40
Russia	24,295	[p]25,755	6.0	1.27

† — includes state funds

p — provisional

PRC — People’s Republic of China

‡ — financial year 1st April 2013-31st March 2014

§ — estimated value in US dollars assuming constant insurance penetration

e — Swiss Re estimates

Source: *sigma No 3/2014: World Insurance in 2013: Steering Towards Recovery, Swiss Re (June 2014)*

When non-life premium volume was compared with the GDP of a nation, it was the Netherlands that derived the highest percentage of its economic output from non-life premiums, with 9.4% coming from this source. This was followed by the Bahamas, which took 6.5% of its GDP from non-life premiums. The Bahamas offer certain tax advantages to overseas companies that they cannot get in their home markets; as a result, many have relocated to the islands. This, coupled with the country’s relatively small economy, means that insurance premiums account for a sizeable proportion of GDP. In third place was New Zealand, which took 5.1% of its GDP from non-life insurance premiums. New Zealand’s relatively small economy and its geological disposition for earthquakes, such as the tremor that levelled large parts of Christchurch in 2011, necessitates a robust property insurance sector and means that the country has a large non-life sector in comparison with the overall economy.

Although the UK ranked fifth in the world in terms of non-life premium volumes, it is ranked lower when considering premiums as a proportion of GDP. It is in joint 14th place with Cyprus, with 2.6% of GDP coming from non-life premiums. The UK's large insurance business is largely based in life insurance; it ranks higher in the world when premiums for both aspects of the insurance industry are summed together. Still, some emerging economies — such as Venezuela, Taiwan and Brazil — rank higher than the UK in terms of the proportion of GDP derived from non-life premiums. This is partly down to the fact that the UK is one of the world's ten largest economies, making its insurance industry small relative to the size of its overall economy in comparison with a country such as Venezuela, where the overall economy is smaller.

Table 4.4: The Top 15 Countries by Non-Life Insurance Premiums as a Proportion of GDP (%), 2013

	Country	Non-Life Insurance Premiums as a % of 2012 GDP
Rank		
1	Netherlands	[p]9.4
2	Bahamas	[†]6.5
3	New Zealand	[†]5.1
4=	South Korea	[†]4.4
4=	Switzerland	[p]4.4
5	US	[p]4.3
6	Canada	[e]4.0
7	Slovenia	[e]3.9
8	Germany	[p]3.6
9	Venezuela	[e]3.5
10=	Austria	[p]3.2
10=	France	[p]3.2

11	Taiwan	3.1
12	Jamaica	†3.0
13=	Brazil	p2.9
13=	Denmark	e2.9
14=	Cyprus	e2.8
14=	UK	e2.8
15	South Africa	e2.7

GDP — gross domestic product

p — provisional

† — estimated value in US dollars assuming constant insurance penetration

e — Swiss Re estimates

Note: excludes cross-border business.

Source: *sigma No 3/2014: World Insurance in 2013: Steering Towards Recovery, Swiss Re (June 2014)*

THE STATE OF THE NON-LIFE INSURANCE MARKET

North America

According to Swiss Re's sigma No 3/2014: World Insurance in 2013: Steering Towards Recovery publication, non-life premiums in North America grew by 1.9% in 2013, with Canada seeing a higher rate of growth (3.2%) compared with the US (1.7%). Motor premiums in North America saw limited growth on the back of the Ontario provincial government aiming to cut motor insurance premiums by 15% over the 2 years to 2015. Ontario's large motor insurance market means that this will exert downward pressure not only on the motor insurance sector but also the non-life sector as a whole.

Although a return to economic growth in the US will support growth in many areas, particularly commercial insurance premiums, this growth has been relatively erratic; in both 2014 and 2015, first quarter GDP figures disappointed many analysts, although growth did return strongly in the second quarters. However, the halting nature of the recovery in the US — and concerns over Canada's economy, which has largely escaped the financial crisis unscathed — means that investment income in the region is unlikely to rise anytime soon, so profitability will remain moderate.

Western Europe

In 2013, non-life premiums in Western Europe fell for the third year in a row, largely as a result of the region's ongoing difficult economic situation. Economic stagnation remains a feature of the Eurozone, although more positive data have begun to emerge following an upwards tick in oil prices, easing deflationary pressure, and the European Central Bank's (ECB's) quantitative easing (QE) programme.

Motor insurance premiums in Germany increased as a result of general rate increases across the sector, but in the UK motor insurance premiums continued to fall, driven downwards by competitive price pressures. Signs of life in the property markets of many Western European countries after the financial crisis have increased demand for property insurance.

The Nordic nations enjoyed a relatively robust rate of growth in 2013 on the whole, but peripheral and southern Eurozone countries saw another year of weak growth as an after-effect of the sovereign debt crises. The ongoing and apparently deteriorating situation in Greece has hampered any recovery in premiums or sales volume there.

Demand was subdued across the Eurozone in both 2013 and 2014, especially as the bloc slipped into deflation on the tumbling price of oil towards the close of 2014. As in North America, a relatively bleak investment landscape looks set to mean profitability will be relatively low in the industry, perhaps for longer than in the US given the weaker state of the Eurzone compared to the American economy.

Advanced Asian Economies

The advanced Asian economies saw non-life insurance premiums grow by 1.7% in 2013, noting a sizeable slowing from growth of 4.7% in 2012. South Korea saw disappointing sales growth in 2013 of just 0.3% compared with 11% the previous year. Tax reforms on sales of long-term premiums, where part of the premiums are returned to the policyholder if no claims are made, are largely to blame. Japan is advanced Asia's largest non-life market; Prime Minister (PM) Shinzo Abe's sizeable efforts to introduce economic reform to the country are credited with achieving stable growth in the country for non-life premiums.

Oceania

Oceania saw non-life premium increases of 5.1% in 2013, broadly in line with the 5.4%

seen the previous year. Growth was driven largely by Australia, where Swiss Re reveals that premiums from non-life insurers grew by 5.4%. Strong expansion in property-related business and higher rates for fire and household policies are part of this growth. Premium increases in New Zealand also contributed to this trend, with policyholders already facing increased premiums as a result of the 2011 Christchurch earthquake. These premium increases were sparked by property damage caused by 2013’s weather-related losses for insurers, which were the worst out of any of the previous decade.

Emerging Markets

Insurers in emerging markets are enjoying a rapidly developing non-life market. Premium growth in emerging markets stood at 8.3% in 2013 according to Swiss Re, outstripping the 6.4% growth seen in the life sector. Insurance penetration and per capita expenditure on insurance is growing significantly in emerging markets.

Emerging Asia

Non-life premium growth in emerging Asia stood at 13% in 2013, broadly similar to levels seen in 2012. India’s emerging middle classes spending money on motor vehicles boosted motor insurance demand, although economic difficulties in the country in 2013 meant premium growth was lower than that seen in 2012. However, the landslide victory of Narendra Modi’s Bharatiya Janata Party in 2014 spurred significant economic reforms in India, and growth in the country is forecast to eclipse the PRC in 2015. This will significantly increase demand for personal lines insurance products.

In Southeast Asia, Thailand enjoyed robust non-life premium growth despite lingering social unrest in the country, while Indonesia and the Philippines also saw double-digit growth. Civil and political unrest in Vietnam, however, meant that the country was one of few in the region to see a decline in premiums; they fell by 1.6% as the country continued to attempt to recover from economic difficulties caused by deteriorating bank balance sheets on non-performing loans. Typhoon Haiyan hitting the Philippines caused significant losses for insurers in the region, but otherwise there was an absence of major losses from natural disasters which aided profitability for emerging Asia’s non-life insurers.

The PRC

Much of emerging Asia’s 2013 growth was driven by significant non-life premium growth in the PRC as rising motor sales and infrastructure investment boost demand. Agricultural insurance in the PRC also grew strongly; the 27% increase in premiums was the largest in the world and makes the PRC the largest agricultural insurance market apart from the US.

However, the compulsory third-party motor insurance market in the PRC has been opened to international providers for the first time, which has introduced significant competition into the Chinese motor insurance sector; this could result in downward pressure on prices. Ongoing attempts to clean up the country's air quality are also seeing the Chinese Government try to curb motor vehicle purchases and discourage their use in urban areas after many years of encouraging an expansion of the private motor vehicles market.

Latin America and the Caribbean

In Latin America and the Caribbean, non-life premiums grew by 7.2% in 2013 despite faltering economic growth, particularly in Chile, Colombia, Venezuela and Argentina. Chile and Colombia saw weak growth in the motor and property markets, leading to weak growth overall. Mexico and Brazil saw growth rise, however, and were two major economies supporting the growth of non-life premiums in the region. Brazil's introduction of tax incentives for new vehicle purchases continues to boost demand for motor insurance in the country.

Central and Eastern Europe

Central and Eastern Europe saw slowing non-life premium growth in 2013; premiums grew by only 2.5% in 2013 compared with 4.2% in 2012. Russia is a major reason for this slowdown, with growth collapsing from 13% in 2012 to just 1.5% by 2013 as the Ukraine crisis exploded, the world imposed sanctions, inflation rose, and the rouble and oil prices took a tumble. Poland also saw only marginal growth as demand for motor insurance remained weak. However, offsetting a disappointing year in these sectors and countries, health insurance saw notable growth in the region as a whole, while property and casualty insurance also enjoyed robust performance. Overall, underwriting profitability remained stable in Central and Eastern Europe in 2013, although floods in June caused a spike in claims for insurers active in the Czech Republic.

The Middle East, Central Asia and Turkey

In the Middle East, Central Asia and Turkey the non-life insurance sector is estimated to have grown by 4.7% in 2013, according to Swiss Re. Turkey, the region's strongest emerging economy — accounting for over a quarter of the region's non-life premiums — saw growth of 13% on the back of double-digit increases in motor liability but also strong growth in engineering, property, credit and general liability insurance, among other sectors. Although Saudi Arabia saw a decline in growth of non-life premiums in 2013, growth was still 9% — down on 12% the previous year. The United Arab Emirates (UAE) saw notable growth on the back of stronger premiums in the medical insurance sector.

Conflict still rages across parts of the Middle East, however, including in Iraq, Syria and now Yemen. Meanwhile, other countries are facing straitened economic circumstances, such as Iran because of global sanctions, as well as Jordan and Lebanon as a result of a high influx of refugees fleeing the fighting in Iraq and Syria. This has limited growth in these countries or even caused an almost total collapse of the insurance industry in certain areas, but strong growth in the rest of the region has outweighed this. Dubai plans to make medical insurance compulsory in 2014, with the region also benefitting from an expanding middle class.

Africa

South Africa, the continent's second-largest economy and a major driver of growth in the non-life insurance sector, saw disappointing growth in 2013 that hit growth in Africa as a whole. Non-life premiums in South Africa were challenged by weak economic activity, with only minor increases in premiums estimated by Swiss Re. Profitability of the sector was also hit by storms in the country towards the close of the year, which caused widespread hail damage.

Nigeria, however, picked up much of the slack on the continent. Its relatively new position as Africa's largest economy, as well as its significant oil wealth, has resulted in a rising middle class. This is particularly the case in the country's commercial capital, Lagos, which holds the position as the continent's fastest-growing city. Lagos is close to the oil-rich Niger Delta region; Nigeria is Africa's largest producer of oil. However, political instability in the north with Islamist insurgents Boko Haram has knocked the country's economy, as have attacks on its oil-producing infrastructure. Corruption has also played a part in a relatively uneven spread of wealth throughout the population, hampering growth in non-life premiums in what would otherwise be a sizeable and largely untapped market. Political instability also features in Libya and, to a certain extent, lingers on in Egypt.

The Tunisian economy, heavily dependent on revenue from Western tourism, has been hit by a decline in bookings to North Africa due to the political uncertainty in the region, exacerbated by a terrorist attack on Westerner visitors in a popular museum in 2015 which killed 21 tourists and a Tunisian national. This was which was further compounded by the June 2015 mass shooting at a beach resort popular with Western tourists, where total fatalities were overwhelmingly UK citizens. Weak growth in Tunisia's economy filters through into weak demand for non-life insurance products.

Generally, there are limited data available for countries in Africa, but both Kenya and Morocco have enjoyed robust performances in 2013, defying some other areas of the continent; Kenya saw growth in non-life premiums of 14%. Offshore islands such as Cape Verde, Mauritius and the Seychelles benefit from high levels of tourism and removal from much of the conflict on the mainland; these countries have enjoyed more stable economic growth as a result of tourism revenues holding up better than in countries such as Egypt and Tunisia.

OVERSEAS TRADE

According to the ABI's publication entitled *UK Insurance: Key Facts 2014*, the UK's insurance industry is the largest in Europe, generating around 24% of EU premium income. As well as this prominent position in Europe, the UK is also a world leader in the sector.

Financial services, including insurance, form a major part of the UK's exports and are especially important in an era during which the UK has a negative trade balance and one of the widest current account deficits on record. The current account is the sum of the UK's trade balance — exports minus imports; net transfers — money sent or received from abroad with nothing expected in return, such as international development; and net investment income — the difference between the income on UK investments overseas and income of foreign investments in the UK. It stood at 5.5% of GDP in 2014.

Competitor Analysis

MARKET LEADERS

Association of British Insurers (ABI) data reveal that the UK's largest general insurer in terms of net written premiums was Aviva PLC, with premiums of £4.52bn in 2013. It retained its position as the top general insurer from 2012, despite net written premiums having fallen from £4.65bn. The UK's second-largest general insurer is Direct Line PLC, with net written premiums of £3.06bn. Again, Direct Line retained its position in the ranking from 2012, despite premiums having fallen from £3.26bn in 2012.

AXA Insurance UK PLC was third in the list, with premiums of £3.04bn, only narrowly behind Direct Line. It is the first insurer in Table 5.1 to have seen an increase in net written premiums between 2012 and 2013; they rose from £2.94bn the previous year. RSA Insurance Group PLC remained the UK's fourth-largest general insurer, with premiums of £2.73bn in 2013; this is down marginally from £2.83bn in 2012.

It is not until the fifth-ranked insurer — Ageas Insurance Ltd (AIL), with net written premiums in 2013 of £1.95bn — that the table below exhibits any change in ranking between 2012 and 2013. Ageas rose from the UK's seventh- to fifth-largest general insurer between 2012 and 2013 as net written premiums increased from £1.58bn. It pushed Allianz Insurance PLC down into sixth position, despite premiums at Allianz having increased from £1.79bn to £1.88bn.

The only insurer in the top ten in 2013 that was not in the top ten in 2012 was AIG Europe Ltd. It had net written premiums of £1.06bn in 2013, up from £946m in 2012; this saw it rise up from 12th position.

The position of the UK's largest general insurers within the market is incredibly static. Not only is there little movement in terms of company rankings, but the top insurers claim a high proportion of all general insurance business, also. The top five insurance companies in 2013 accounted for 46.1% of all net written premiums, while net written premiums for the ten largest insurers accounted for over £2 in every £3 (67.6%) in the general insurance sector. The 20 largest companies had an overall market share of 86%.

Table 5.1: The Top Ten General Insurers in the UK by Net Written Premiums (£m), 2012 and 2013

	Rank	Premiums (£m)

	2012	2013	2012	2013
Aviva PLC	1	1	4,653	4,522
Direct Line Group PLC	2	2	3,262	3,055
AXA Insurance UK PLC	3	3	2,937	3,043
RSA Insurance Group PLC	4	4	2,825	2,725
Ageas Insurance Ltd	7	5	1,583	1,946
Allianz Insurance PLC	5	6	1,788	1,880
Bupa Insurance Ltd	6	7	1,670	1,678
Liverpool Victoria insurance Company Ltd†	8	8	1,443	1,388
National Farmers Union Mutual Insurance Society Ltd	9	9	1,104	1,116
AIG Europe Ltd	12	10	946	1,062
Total general insurance net written premiums by all UK insurers	**-**	**-**	**33,096**	**33,156**

† — trades as LV=

Source: Association of British Insurers

The ABI does not have a separate category for travel insurance in terms of the rankings of insurers by net written premiums. However, travel insurance is included within the category of accident, health and medical insurance. As such, many of the insurers in Table 5.2 are involved to a greater degree in the medical, health and accident insurance sector than in the travel insurance sector, with Simplyhealth and Prudential being two key examples of this. This said, there are also insurers in the table which do have a strong presence in the travel insurance market, including the Direct Line Insurance Group, Aviva and Ageas.

The market is incredibly static, with no change in ranking in the first- to seventh-largest accident, health and medical insurers by net written premiums. FirstAssist, which since 2013 has been absorbed into Cigna Insurance Services (Europe) Ltd and Capita, was in eighth position in 2013, having not ranked in 2012. Direct Line maintained its ninth position over the same period, while Ageas saw its position increase from eleventh to tenth.

The market is very concentrated, with the 20 largest companies having a 97.9% market share, although this is down a percentage point on 2012. The ten largest companies enjoyed a 91.1% share of the market, down from 93.8% the previous year, while over four-fifths of the total market (80.6%) was written by just five insurers.

While the number of brands active in the market is very large, the actual pool of underwriters/administrators behind these brands is smaller. For example, Ageas underwrites the travel insurance policies of Age UK and John Lewis, while Allianz is behind the travel insurance offerings of easyJet and Expedia. The AA's travel insurance products are backed by Cigna Insurance Services (Europe) Ltd, while the 1Stop brand is underwritten by The AA, and ultimately therefore by Cigna; Cigna is also the underwriter for esure's travel insurance. The Post Office's travel insurance is underwritten by Great Lakes Reinsurance (UK) PLC; the same is true for the RIAS brand of travel insurance. AXA is behind the travel insurance offerings of Lloyds Bank and M&S Bank, as well as travel operator Thomson Holidays, while HSBC's travel insurance is underwritten by Aviva. UK Insurance Ltd, a subsidiary of the Direct Line Group PLC, is the underwriter behind a number of key brands in the travel insurance sector, including that offered by Nationwide and Prudential. RSA's More Th>n brand, which is RSA's main insurance provider in the UK, is underwritten by AmTrust Europe Ltd.

Table 5.2: The Top Ten Accident, Health and Medical Insurers in the UK by Net Written Premiums, 2012 and 2013

	2012	2013
British United Provident Association Ltd (The)	1	1
AXA Insurance UK PLC	2	2
Aviva PLC	3	3
Simplyhealth Group Ltd	4	4
Prudential Health Insurance Ltd[†]	5	5
AIG Europe Ltd	6	6
Western Provident Association Ltd	7	7
FirstAssist Insurance Services Ltd[‡]	-	8
Direct Line Group PLC	9	9

Ageas Insurance Ltd	11	10

† — following the November 2014 sales by The Prudential Health Group of a 25% stake in the PruHealth and PruProtect joint venture to Discovery Group Europe Ltd, PruHealth, the previous trading name of Prudential Health Insurance Ltd, now trades as VitalityHealth (Vitality Health Ltd, Vitality Health Insurance Ltd and Vitality Corporate Services Ltd)

‡ — FirstAssist Insurance Services Ltd changed its legal and regulated name to Cigna Insurance Services (Europe) Ltd on 30th September 2013 following the acquisition of FirstAssist by Cigna late in 2011; in February 2014, FirstAssist's international assistance business, which provides worldwide emergency medical assistance to leisure and business travellers, rebranded to Capita Global Assistance, Capita having acquired FirstAssist in 2010

Source: Association of British Insurers

In Table 5.3, Key Note has tabulated a selection of the UK's major insurers engaged in the underwriting of travel insurance by their turnover and pre-tax profit. Aviva was the largest insurer by some margin, with its turnover of £20.06bn in the year to 31st December 2014 being greater than the sum of the turnover of the following ten companies combined. Aviva's pre-tax profit of £2.66bn also eclipses the total sum of the profits achieved by the other ten companies in Table 5.3.

Aviva's closest challenger in the table below in terms of turnover was The British United Provident Association Ltd, known as Bupa, with a turnover of £7.05bn and a pre-tax profit of £609.2m, also in the year to 31st December 2014. This is followed by Direct Line Insurance Group PLC, with a turnover of £2.99bn and a pre-tax profit of £456.8m in the year to 31st December 2014, while in the year to 31st December 2013 AXA Insurance UK PLC saw a turnover of £1.98bn and a pre-tax profit of £136.3m.

It is worth noting here that the large US multinational insurer American International Group (AIG) Inc is also a notable company active in the UK insurance market. AIG Europe Ltd had a sizeable turnover and pre-tax profit in the year to 30th November 2014, of £3.4bn and £406.5m, respectively. However, AIG Europe largely deals with health and accident insurance under the trading name AIG Direct; AIG's UK travel insurance offering is largely offered by AIG Travel Europe Ltd under Direct Travel Insurance brand. This is a separately owned subsidiary of the AIG Group, its global holding company being AIG Travel Assist Inc of the US, where it trades as the Travel Guard brand. In the UK, AIG Travel Europe Ltd had only a small turnover and pre-tax profit, of £4.9m and £156,000, respectively, in the year to 30th November 2013.

Table 5.3: Selected Major Insurance Companies Engaged in the Provision of Travel insurance in the UK by Turnover and Pre-Tax Profit (£m), Latest Financial Year End

	Turnover(£m)	Pre-TaxProfit (£m)	Year Ending
Aviva PLC	20,057.0	2,663.0	31/12/2014
British United Provident Association Ltd (The)	7,050.3	609.2	31/12/2014
Direct Line Insurance Group PLC	2,986.7	456.8	31/12/2014
AXA Insurance UK PLC	1,982.0	136.3	31/12/2013
National Farmers Union Mutual Insurance Society Ltd (The)	1,162.0	492.0	31/12/2014
Liverpool Victoria insurance Company Ltd†	1,081.4	56.6	31/12/2014
ACE European Group Ltd	1,073.9	251.9	31/12/2014
Ageas Insurance Ltd	1,071.1	78.9	31/12/2013
AmTrust Europe Ltd	124.9	45.5	31/12/2014
Mondial Assistance (UK) Ltd‡	57.8	5.0	31/12/2013
Cigna Insurance Services (Europe) Ltd	31.4	0.3	31/12/2014

† — trades as LV=

‡ — trades as Allianz Global Assistance and is part of the Allianz Group; Mondial's policies are underwritten by AGA International SA

Source: Key Note

ACE European Group Ltd

Company Performance

ACE Group is one of the world's largest multi-line property and casualty insurers and has operations in 54 countries; ACE European Group Ltd is a subsidiary of the ACE

Group. Headquartered in London, it has operations in 27 countries across Europe, the Middle East and Africa and employs more than 2,600 people. It offers a wide range of insurance products to both commercial and individual clients, offering the former lines such as marine, aviation and transport (MAT); liability insurance, as well as environmental liability insurance; and political risk and credit insurance. For the latter, ACE European Group offers personal accident insurance, life protection and travel insurance. In the UK, ACE European Group also underwrites a number of travel insurance brands, including that offered by ASDA Money.

ACE European Group comprises of:

- ACE Europe — a retail operation providing a range of tailored property and casualty, accident and health and personal lines insurance for clients
- ACE Global Markets — its specialty international underwriting business, managed by ACE Underwriting Agencies Ltd and with a produce range that includes principally excess and surplus insurance, aviation, financial lines, property, marine, energy and political risks
- ACE Tempest Re (Europe) — providing a broad range of reinsurance products to a diverse array of primary property and casualty insurers through major business units in Bermuda, North America, Europe and Asia
- Combined Insurance — providing a wide range of personal accident and sickness insurance products including short-term disability, critical condition and hospitalisation/recovery.

In March 2015, ACE launched ACE Travel Smart, a smartphone app aimed at business travellers. The app is designed to work alongside its business travel insurance products as the company continues to invest in its offering for Europe-based businesses with international exposures. The app's services include translations of common medical conditions and medications; a currency converter; up-to-date embassy and consulate contact information; and live access to location-specific safety alerts (including for diseases, crime, civil unrest, acts of terrorism and natural disasters).

Financial Performance

Between the years ending 31st December 2010 and 2014, ACE European Group Ltd saw turnover grow by 12.9%, rising from £950.9m in 2010 to £1.07bn by 2014, topping the £1bn mark for the first time in 2013.

Pre-tax profit has been more erratic, experiencing peaks and troughs, although the figure of £251.9m in 2014 is the highest of the 5-year review period by a significant margin.

Table 5.4: Financial Results for ACE European Group Ltd (£000), Years Ending 31st December 2009-2013

	2010	2011	2012	2013	2014
Turnover	950,885	968,343	996,625	1,084,689	1,073,892
% change year-on-year	-	*1.8*	*2.9*	*8.8*	*-1.0*
Pre-tax profit	195,061	198,976	184,166	57,317	251,858
% change year-on-year	-	*2.0*	*-7.4*	*-68.9*	*339.4*

Source: Key Note

Ageas Insurance Ltd

Company Performance

AIL was formed out of the rebranding of Fortis Insurance Ltd in April 2010 to reflect Fortis' change in identity from its roots as a bancassurer to an international insurance company. This followed Fortis' disposal of its banking assets and operations in 2009. It is now part of the larger Ageas Group and is based in Eastleigh, Hampshire. The wider Ageas Group is an international insurance business with a 2014 gross inflow of €25.8bn; its insurance activities had a solvency ratio of 206% that year. AIL employs around 5,500 people in the UK — a sizeable proportion of its 13,000 employees around the world. In the UK, it insures 8 million policyholders for products including car, van and motorcycle insurance; home insurance; travel insurance; personal accident insurance; commercial insurance; and caravan and camping insurance.

It claims to be the UK's second-largest motorcycle insurer, the third-largest private motor insurer, the fourth-largest personal lines intermediary, the sixth-largest household insurer and the seventh-largest travel insurer.

It operates through the following three arms in the UK:

• AIL — providing branded and white-labelled insurance propositions, dealing with the entire chain (including underwriting, in-house claims management and product development) in-house and engaged in providing both personal lines and small commercial insurance packages through brokers, intermediaries and affinities across the UK and online.

• Ageas Retail — consisting of Ageas' brands, including its over-50s insurance specialists RIAS and Castle Cover, as well as Kwik-Fit Insurance Services, Express Insurance and The Green Insurance Company.

• Tesco Underwriting Ltd — a joint venture with Tesco Bank, this was launched in September 2009 to provide motor and home insurance to Tesco Bank customers; although Ageas has a 50.1% stake, Tesco is responsible for much of the running of the business, including customer strategy, sales and service call centres, retail pricing, marketing and proposition development.

In August 2014, Ageas announced that it would sell Ageas Protect Ltd, its UK life insurance arm, to AIG. The transaction was approved by the regulator and the sale closed on 31st December 2014. The company has now been rebranded as AIG Life. December 2014 saw Tesco and Ageas announce plans to extend their current underwriting partnership; between 2009 and 2014, Tesco Underwriting has developed a significant presence in the UK insurance market and now serves over 1.2 million customers, in addition to delivering more than £440m in gross written premiums each year.

In July 2014, Ageas' partner John Lewis Insurance, for which Ageas is the sole underwriter, won the Best Direct Travel Insurance Provider award at the Your Money 2014 awards for the second year in a row. In October 2014, Ageas won Bodyshop Magazine's Insurance Company of the Year Award 2014 for the third year in a row and the fourth year overall.

Ageas was one of the first insurers to set up an ABS when it announced its tie-up with the Cardiff personal injury law firm NewLaw in April 2014. The ABS, Ageas Law LLP, was set up to provide legal services to Ageas' customers making non-fault claims. The conditions laid out by the Solicitors Regulation Authority (SRA) for the operation of Ageas Law LLP include that no third-party claims work can be transferred, referred or outsourced from Ageas Law to any of Ageas' subsidiary brands, nor from those entities to Ageas Law. Ageas Law LLP must also have entirely separate branding to Ageas and its subsidiary brands.

Financial Performance

Ageas Insurance Ltd has enjoyed year-on-year growth in turnover over the past 5 years, with the total figure rising from £742.7m in 2009 to top the £1bn mark for the first time in 2012. Further growth of 6.1% was noted in 2013, taking total turnover to £1.07bn. This is 44.2% higher than was the case in 2009, with turnover having been boosted by a greater focus on general insurance following the sale of Ageas' life insurance arm.

A pre-tax profit was registered in all but one of the past 5 years (in 2010 the company made a £14.6m pre-tax loss). Pre-tax profit in 2009 stood at £7.2m; by 2013 this had increased more than tenfold, rising to £78.9m.

Table 5.5: Financial Results for Ageas Insurance Ltd (£000), Years Ending 31st December 2009-2013

	2009	2010	2011	2012	2013
Turnover (£000)	742,700	806,200	943,300	1,009,300	1,071,100
% change year-on-year	-	*8.5*	*17.0*	*7.0*	*6.1*
Pre-tax profit (£000)	7,200	-14,600	66,600	64,700	78,900
% change year-on-year	-	*†*	*†*	*-2.9*	*21.9*

† — incalculable

Source: Key Note

AmTrust Europe Ltd

Company Performance

The AmTrust Group is a multinational speciality property and casualty insurance group. Formed in 1998, it has insurance platforms in the US, Europe and Bermuda providing a balanced portfolio of insurance products. There are over 30 AmTrust offices worldwide. From its headquarters in London, AmTrust Europe Ltd operates as part of this network, focusing on working with its clients to deliver their global business needs. Its product lines include property, legal expenses, casualty (particularly employers', public and product liability and professional indemnity insurance), warranty and other specialty risks, surety, accident and health (including travel insurance) and equine insurance. It underwrites from offices in London, Nottingham, Manchester and Milan.

The company does not sell insurance products direct to the public, rather selling them exclusively through a network of brokers and intermediaries. It also acts as an affinity partner, underwriting and administrating insurance policies for several key brands. In the travel insurance market, this includes RSA's More Th>n travel insurance, Diamond Travel Insurance and AllClear Travel.

Financial Performance

Between the years ending 31st December 2010 and 2014, turnover at AmTrust Europe Ltd increased year-on-year, rising by 186.1% from £43.7m to £124.9m; turnover almost doubled between 2010 and 2011 alone.

Pre-tax profit has also increased markedly, rising almost fivefold over the review period, from £9.6m in 2010 to £45.5m in 2014.

Table 5.6: Financial Results for AmTrust Europe Ltd (£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£000)	43,673	82,848	101,379	119,279	124,936
% change year-on-year	-	*89.7*	*22.4*	*17.7*	*4.7*
Pre-tax profit (£000)	9,632	28,978	45,404	39,817	45,521
% change year-on-year	-	*200.9*	*56.7*	*-12.3*	*14.3*

Source: Key Note

Aviva PLC

Company Performance

Aviva PLC is the largest insurance group in the UK, with 16 million UK and Republic of Ireland customers. Globally, it has 31 million customers for its insurance, savings and investments products and is one of Europe's leading providers of life and general insurance products, being particularly active in France, Spain, Italy, Poland and Turkey; it also has operations in Canada and Asia. The Aviva Group brand came into being in July 2002 following the merger in 2000 of Norwich Union and CGU PLC. Initially, this newly merged company was dubbed CGNU until July 2002, when the Aviva brand came into being. Aviva began a strategic phasing out of the Norwich Union brand, which was formed in Norwich in 1797 and was the first company to offer insurance against the risk of fire, in April 2008. This process took 14 months until, on 1st June 2009, Norwich Union was entirely rebranded as Aviva. This measure was taken to provide the firm with a single brand identity in an operating environment where 60% of its business was generated from overseas.

Aviva employs a multi-distribution strategy, selling its products direct to customers through intermediaries (insurance brokers and financial advisers), and via corporate partnerships (such as banks and high-street retailers). In the UK, it has exclusive distribution deals for the sale of protection products with Tesco, Santander, Barclays, the Royal Bank of Scotland (RBS) and the Post Office. For general insurance, products are sold directly to customers and online, including through Aviva's quotemehappy.com and generalaccident.com websites. Its Quotemehappy and General Accident insurance products are also available through PCWs. It distributes general insurance via brokers and through corporate partnerships, also.

It is the UK's leading general insurer, offering personal lines insurance (including motor, home, travel, payment protection and pet insurance), as well as commercial lines insurance (including motor, property and liability insurance) for both small- and medium-sized enterprises (SMEs) and the corporate speciality risks market. It also offers health insurance to individual and corporate clients, including private medical insurance (PMI) and income protection. It insures 2.4 million personal motor vehicles and 10% of households in the UK. Aviva is also a sizeable UK life and pensions provider, with a 15% share of UK life new business and 12 million customers. The products it offers in this area include pensions, retirement solutions, life insurance, and savings and investment products. It is the UK's largest provider of corporate pensions, while one in four defined contribution pension schemes are held with Aviva.

In May 2014, Aviva launched a new mobile phone app for its customers, allowing them to view all the policies they hold with the company across life, general and private medical insurance in one place. Another app was launched by Aviva in November 2014, which assesses customers' driving over a period of 200 miles and gives a discount of up to 20% depending on its quality. Drivers using the app — which uses technology embedded in smartphones, such as accelerometers and GPS, to record motorists' driving styles — are ranked out of 10. By August 2014, the app had been used by around 20,000 drivers and had analysed more than 4 million driving miles. Aviva revealed that those ranked at 7.1 or higher were eligible for discounts of an average of £101.

In April 2015 Aviva formally acquired Friends Life Group, aiming to create a stronger, more diversified and resilient brand. The £5.6bn deal spawned the UK's largest insurance, savings and asset management company and was agreed by an overwhelming majority of each company's shareholders. The deal offered a 15% premium on Friends Life's closing price on the LSE on 20th November 2014, when the deal was first announced, and will see Friends Life shareholders owning about 26% of the enlarged Aviva group. At the time of the merger, Friends Life was a relatively new entity, having been formed in 2011 on the amalgamation of Friends Provident, the majority of AXA UK Life and Bupa Health Assurance. Aviva stated that the deal would result in annual cost savings of £225m by 2017, while the combined company would deliver £600m a year in excess cash. In an interim management statement for the first quarter of 2015, Aviva revealed that approximately £20bn of funds previously directly managed by Friends Life had been transferred to Aviva Investors and that preparations were underway to receive Friends Life funds managed by external parties. Aviva also announced plans to close Friends Life's London head office.

Financial Performance

Although turnover at Aviva PLC fell from £20.62bn in the year ending 31st December 2013 to £20.06bn in the year to 31st December 2014, pre-tax profit noted a strong increase, rising from £1.47bn to £2.66bn over the same period.

Table 5.7: Financial Results for Aviva PLC (£m), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£m)	36,118	28,091	21,157	20,623	20,057
% change year-on-year	-	*-22.2*	*-24.7*	*-2.5*	*-2.7*
Pre-tax profit (£m)	2,834	635	246	1,472	2,663
% change year-on-year	-	*-77.6*	*-61.3*	*498.4*	*80.9*

Source: Key Note

AXA Insurance UK PLC

Company Performance

AXA Insurance UK PLC can trace its origins back almost 300 years, dating back to the 18th century and the formation of Royal Exchange Assurance, the world's first marine insurer, which was granted legal status in 1720. AXA Group is today a leading international services provider that employs 161,000 people in 59 countries worldwide to service its 103 million customers. In the UK, AXA specialises in three core areas: wealth management, insurance and healthcare. It has 10 million customers and employs a workforce of 10,500 people. The products it offers include: car insurance, home insurance, travel insurance, breakdown cover, van insurance (commercial and consumer), public and employers liability insurance, professional indemnity insurance, commercial property insurance, fleet and haulage insurance, commercial and residential landlord insurance, medical and health insurance, and some savings and investment products.

AXA's UK operations are split into the following four operating companies:

• AXA Commercial Lines and Personal Indemnity — specialising in delivering insurance products and services to SMEs directly, via intermediaries and through its partner broking business, Bluefin.

• AXA Direct and Partnerships — specialising in home, car and travel insurance sold directly and through AXA's corporate partnerships. AXA Direct provides home insurance with a variety of levels of cover to suit customers' individual needs and is also the largest travel insurer in the UK. AXA also owns the insurance provider Swiftcover.com, which offers car, home and travel insurance and is based solely online.

• AXA PPP Healthcare — uses in excess of 70 years' experience to offer fast access to diagnosis and a variety of private hospitals and specialists, as well as a range of plans, from cash plans to help with everyday healthcare costs such as dentistry and opticians fees to comprehensive private medical insurance offering heart and cancer cover and care.

• AXA Wealth — a dedicated wealth management company distributing a variety of retirement and investment products to consumers in the UK and the Republic of Ireland, including investment bonds, retirement wealth accounts and the Family Suntrust product, a self-invested personal pension (SIPP) for groups of people.

In May 2015, AXA revealed a new strategy and structure for broker e-trading business to deliver on its 2020 broker e-trading strategy. The new structure provides dedicated resources for AXA's range of e-traded products, enabling the insurer to better define its proposition to brokers and to deliver products and services that are specifically designed and optimised for online trading.

In October 2013, AXA Commercial Lines and Personal Intermediary agreed a new £20m, 5-year deal with and David Oliver Associates to provide wholesale and retail travel insurance to the insurance broker market. David Oliver Associates and its key brand, SunWorld Travel, have grown to become a major provider of travel insurance in the broker market providing a variety of solutions to the AXA broker base.

Financial Performance

In 2014, the company saw general insurance revenues rise by 3% to £3.8bn, with notable growth in commercial lines and UK direct motor of 8%; its healthcare business grew by 5%. Following the business improvement plan launched in 2012, the UK direct personal lines business has returned to both growth (8% increase in revenues to £200m) and underwriting profitability (combined ratio of 99.3%) in 2014.

Turnover at AXA Insurance UK PLC, meanwhile, stood at £1.98bn in the year ending 31st December 2014, virtually unchanged from the previous year. Turnover has changed little across the review period as a whole. Pre-tax profit at the company increased over the same period, however, rising from £127.5m to £136.3m; this contrasts notably with the £153.4m pre-tax loss in 2012, concluding 3 years of losses at the company.

Table 5.8: Financial Results for AXA Insurance UK PLC (£000), Years Ending 31st December 2009-2013

	2010	2011	2012	2013	2014
Turnover (£000)	1,907,500	1,915,200	1,894,200	1,981,000	1,982,000
% change year-on-year	-	*0.4*	*-1.1*	*4.6*	*0.1*
Pre-tax profit (£000)	-109,200	-114,900	-153,400	127,500	136,300
% change year-on-year	-	*†*	*†*	*†*	*6.9*

† — incalculable

Source: Key Note

British United Provident Association Ltd (The)

Company Performance

Bupa was formed in 1947 when 17 provident associations, all with the same goal of preventing and curing illnesses, merged. In the UK, Bupa is highly active in a number of healthcare sectors, including care homes, health insurance, domiciliary care, home healthcare, health centres and hospitals, international health insurance and dental services. The company does not operate as a provident, mutual or charity despite the term ‘provident’ in its name, which is in reference to the amalgamation of the abovementioned 17 provident associations when Bupa was founded. It also provides travel insurance. Bupa is the UK's leading private medical insurer and treatment provider and also has a presence in 190 other countries worldwide, offering its services to approximately 29 million customers. It employs around 80,000 people, principally in the UK, Australia, Spain, Poland, New Zealand and Chile, but also in Saudi Arabia, Hong Kong, India, Thailand and the US.

Whereas Bupa provides and underwrites its various health insurance products, its travel insurance is underwritten by AIG Europe Ltd, though it is sold by Bupa Insurance Services Ltd. AIG Europe and Bupa have a strategic partnership in travel insurance, first launched in May 2013. The agreement brought together Bupa's expertise in the provision of healthcare and AIG's position as a leader in travel insurance and global assistance services. The collaboration has seen a suite of enhanced products and services covering the corporate and individual sectors.

Financial Performance

The British United Provident Association Ltd enjoyed a year-on-year increase in turnover in the 5 years to 31st December 2014, with turnover rising by 19.1% across the review period. By 31st December 2014, the company had a turnover of £7.05bn, ranking it as the third-largest insurer in the travel industry profiled in this report.

Pre-tax profit has also improved notably, showing only one year of pre-tax loss between 2010 and 2014. Overall, pre-tax profit has increased more than fivefold, rising from £118m to £609.2m.

Table 5.9: Financial Results for The British United Provident Association Ltd (£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£000)	5,921,000	6,345,500	6,663,600	6,858,700	7,050,300
% change year-on-year	*-*	*7.2*	*5.0*	*2.9*	*2.8*
Pre-tax profit (£000)	118,000	220,000	583,600	514,400	609,200
% change year-on-year	*-*	*86.4*	*165.3*	*-11.9*	*18.4*

Source: Key Note

Cigna Insurance Services (Europe) Ltd

Company Performance

In November 2011, Cigna Insurance Services (Europe) Ltd (CISEL) acquired FirstAssist Insurance Services Ltd (FISL), a leading provider of tailored, flexible white-label specialist insurance products and a notable player in the UK travel insurance market. FISL had five key areas of insurance expertise: travel, protection, budget health, legal protection and small business. Between these five sectors, FISL provided insurance cover to almost 3 million policyholders in the UK. On 30th September 2013, FISL changed its legal and regulated name to Cigna Insurance Services (Europe) Ltd following the 2011 acquisition.

CISEL is part of Cigna Corporate, a global health service company with more than 88 million customer relations in 30 countries and jurisdictions worldwide. As well as CISEL, Cigna has two other subsidiaries in the UK: Cigna Healthcare, founded in 1983 and one of the UK's leading providers of managed employee healthcare benefits and services; and Cigna Global Health Options, which specialises in providing expatriate health plans that are designed to give comprehensive overseas medical cover for people living and working abroad.

In January 2015, AA Insurance appointed Cigna to enhance its travel insurance offering with a new affinity agreement that means Cigna now underwrites AA Travel insurance. The revamped offering under the AA brand has removed the upper age limit for single-trip policies and offers a host of new benefits for both single- and multi-trip policies, including the automatic inclusion of a wide range of low-risk medical conditions without an additional premium rating. Most other conditions can be covered subject to an additional premium.

Cigna now underwrites the full AA travel insurance portfolio. This includes single- and multi-trip standard and 'Essentials', backpacker, winter sports, wedding and golf cover under the AA brand, as well as policies marketed under the Go Travel and 1Stop brands. Cigna is also the underwriter and/or administrator of the travel insurance policies of a number of other insurance brands, including Spectrum and TopDog.

Financial Performance

Despite turnover declining by over a third between 2011 and 2012, falling from £35.9m to £23.2m, over the 5-year review period turnover has grown by 1.9%, rising from £30.8m to £31.4m. The company made a modest pre-tax profit of £345,000 in the year to 31st December 2014 — the only year out of the past 5 in which the company achieved this.

Table 5.10: Financial Results for Cigna Insurance Services (Europe) Ltd (£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£000)	30,807	35,926	23,196	24,596	31,380
% change year-on-year	-	*16.6*	*-35.4*	*6.0*	*27.6*
Pre-tax profit (£000)	-5,030	-3,603	-3,342	-7,220	345
% change year-on-year	-	†	†	†	†

Source: Key Note

Direct Line Insurance Group PLC

Company Performance

Direct Line Insurance Group PLC is a leading UK insurer that is listed on the LSE, having been gradually divested from RBS Group from October 2012 as a condition imposed on RBS by the European Commission due to it having to receive a state bailout during the financial crisis. In February 2014, after a series of sales, it was announced that RBS intended to sell almost its entire remaining stake in Direct Line, equivalent to 28.2% of the total remaining share. This left just 4.2 million shares in Direct Line, which are to be retained as part of a long-term incentive plan of awards granted to Direct Line executives.

The Direct Line brand from which the company takes its name is a direct insurer only, selling its products directly to insurers online and over the telephone without using intermediaries or PCWs. In Italy and Germany, however, where the Direct Line brand also operates, it does use PCWs to distribute its products. Its commercial insurance brand, Direct Line for Business, serves micro- and small-sized UK businesses that have straightforward commercial insurance requirements. The Direct Line Group's policies are underwritten by a subsidiary company: UK Insurance Ltd. The Group employs 12,512 people in the UK across 14 operating sites and has around 16 million policies in force.

Other well-known brands owned by the Direct Line Insurance Group include Churchill, the nodding dog mascot of which has become somewhat of a pop culture phenomenon with his catchphrase of ‘Oh, yes.’ It was founded in 1989 as one of the country’s first direct car insurance companies and was purchased by the RBS Group in 2002, becoming a standalone brand in RBS’s insurance division; it became part of the new Direct Line Group in 2012. The Privilege brand targets customers who predominantly purchase insurance through PCWs, while its GreenFlag brand is its roadside rescue and recovery product. The latter is sold both as a standalone service and as an additional optional product alongside the Group’s motor insurance products.

The National Insurance and Guarantee Corporation (NIG) — formerly the National Insurance and Guarantee Corporation Ltd, before its 2003 purchase alongside the Churchill brand from Credit Suisse — is the Group’s specialist commercial insurance brand. It is sold to SMEs and micro businesses in the UK through brokers. An in-house intermediary of NIG also underwrites all RBS and National Westminster Bank PLC (NatWest) commercial insurance. Brand Partners is its business-to-business (B2B) arm, specialising in providing personal lines insurance and roadside recovery and rescue products to some of the UK’s largest brands.

In January 2014, Direct Line announced that it had been authorised by the SRA to provide legal services as an ABS. DLG Legal Services Ltd operates as a subsidiary of the Direct Line Group and offers legal services to existing customers. The service is offered in conjunction with Parabis Law LLP and began operating from 3rd March 2014. At the launch, Direct Line pledged its customers ‘will receive 100% of any damages awarded, protecting them from the cost of paying success fees typically levied by alternative legal services provider’. The conditions imposed by the SRA on DLG Legal Service include that the branding and logo for DLG Legal Services Ltd is ‘sufficiently different’ from that of Direct Line and that its subsidiaries can be ‘easily identified as a separate business’; the law firm may still use ‘DLG’ or any similar mark as part of its corporate or trading name. Where work is transferred from the group to DLG Legal Services, it must be made clear to the client when this process has taken place. Claims work can only go in the opposite direction if all the group company does is then refer the matter on to another law firm.

In September 2014, the Group was admitted to the FTSE100, a list of the UK’s 100 largest companies by market capitalisation. Also in September 2014, the Group announced a binding agreement with Mapfre SA relating to the sale of its international division, considering that a disposal would be in the best financial interests of the group. The deal will see the disposal of its international arm for the sum of £430.1m.

For 2014, the Group made continued investment in initiatives to improve customer experience and propositions, including roll out of new quote and buy digital journey for home insurance products and removal of amendment fees for the Direct Line brand.

Financial Performance

Direct Line Insurance Group PLC has seen turnover fall since 2012 and its initial divestment from RBS. Between 2012 and 2014, turnover has fallen by 19.8% from £3.72bn to £2.99bn, with a 15.2% decline in turnover in the year to 31st December 2014 alone. Greater competition in the motor insurance sector — a major proportion of the Group's business — largely with the arrival of PCWs, which Direct Line does not list on, has played a part in this.

Despite a fall in turnover, the company's pre-tax profit has increased by 83.4% between 2012 and 2014, rising from £249.1m to £456.8m.

Table 5.11: Financial Results for Direct Line Insurance Group PLC (£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£000)	900	-	3,722,000	3,523,300	2,986,700
% change year-on-year	-	-	-	*-5.3*	*-15.2*
Pre-tax profit (£000)	213,700	514,600	249,100	429,300	456,800
% change year-on-year	-	*140.8*	*-51.6*	*72.3*	*6.4*

Source: Key Note

Liverpool Victoria Insurance Company Ltd

Company Performance

Liverpool Victoria Insurance Company Ltd, which trades as Liverpool Victoria or LV=, is the UK's largest friendly society; it is also one of the UK's largest insurance companies. The company offers a range of general insurance products, including motor insurance (encompassing insurance for classic cars and motorbikes, as well as cars), home insurance, travel insurance, pet insurance, breakdown cover and caravan insurance. On the non-life front, LV= is active in the areas of life insurance, retirement planning, income and mortgage payment protection and illness cover. It also offers savings and investments, as well as retirement plans, annuities, equity releases and pensions.

LV= has more than 5 million UK customers, 1.1 million of whom are members. It also claims to be the UK's third-largest car insurance provider and the top provider of advised income protection products, as well as a leading provider of enhanced annuities. Its 5,700 employees work out of 17 offices spread across the UK. LV= also has a sizeable broker division which, although it manages itself as one business, LV= Broker, trades under three brands: LV=, Highway and ABC Insurance. The two core businesses of direct and broker now underwrite 3.2 million and 1.4 million policies, respectively.

In 2014, LV='s general insurance business achieved positive results despite depressed motor premiums and low investment returns over the year. The current low-interest rate environment has left investment returns at 2%, down from 3.2% in 2013. Personal motor insurance remains LV='s most significant business line; however, in line with its ongoing objective to diversify its business, it has focused on achieved growth in other general insurance areas, such as home insurance and commercial insurance for SMEs.

In June 2014, as a result of the unprecedented backlog at the Home Office's Passport Office that saw delays in the delivery of passport applications, LV= announced that it would cover holidaymakers unable to leave the UK due to not having a passport, despite this not generally being a feature of travel insurance policies, or indeed LV='s travel insurance policy because passport applications are normally processed in a matter of weeks. To make a claim, LV= travel insurance customers had to provide information confirming that they have been waiting over 8 weeks for their passport to be processed.

In January 2015, LV= was voted one of the UK's leading businesses for excellent customer service. It was voted the top insurer for customer satisfaction and the seventh-best UK business across all sectors, according to the 2014 UK Institute of Customer Service Customer Satisfaction Index (UKCSI).

Financial Performance

Despite the minor fall in turnover in the year to 31st December 2014, when turnover fell by 3.3% to £1.08bn, turnover at Liverpool Victoria Insurance Company Ltd has improved markedly over the past 5 years, rising by 69.5% overall, from £638m in 2010.

Pre-tax profit reached a 5-year high in 2012 of £85.7m before falling back thereafter, ending 2014 at £56.6m. However, this remains over three times greater than the pre-tax profit the company saw in 2010.

Table 5.12: Financial Results for Liverpool Victoria Insurance Company Ltd

(£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover (£000)	638,021	915,201	1,099,896	1,118,316	1,081,397
% change year-on-year	-	*43.4*	*20.2*	*1.7*	*-3.3*
Pre-tax profit (£000)	15,780	49,057	85,750	58,542	56,609
% change year-on-year	-	*210.9*	*74.8*	*-31.7*	*-3.3*

Source: Key Note

Mondial Assistance (UK) Ltd

Company Performance

Allianz Global Assistance (AGA) is the trading name for Mondial Assistance (UK) Ltd, adopted in 2012. Mondial is engaged in the provision of emergency services for travellers and their vehicles, and the arrangement of other assistance services. It also arranges travel and travel-related insurance for customers, which is underwritten by AGA International SA.

Allianz, of which AGA is part, is one of the UK’s largest general insurers. It is part of the international Allianz SE Group, which was founded in September 1889 in Berlin and first traded on the Berlin Stock Exchange in December 1895. In the UK, Allianz Insurance employs more than 4,500 people in 20 offices, as well as the company’s head office in Guildford, Surrey. Allianz also operates a support services centre with over 900 employees in Trivandrum, India. The Allianz Group is one of the world’s leading integrated financial services providers and the largest property and casualty insurer worldwide. It has around 142,000 employees worldwide and services around 85 million policyholders in over 70 countries. Allianz is the market leader in Germany, and also has a strong global presence.

In May 2015, AGA appointed a new Corporate and Travel Underwriting Manager, Scott Roberts, who will be responsible for pricing, product development and management of the company’s Corporate and Travel business. This appointment forms part of Allianz Global Assistance’s focus on competitive pricing and providing quality insurance products that drive the business forward. Prior to joining Allianz Global Assistance, Mr Roberts was Senior Travel Underwriter for ACE European Group Ltd, and previously the Travel Manager at Fortis Insurance. Over the course of his career, Mr Roberts has underwritten and managed insurance portfolios across the UK, the Republic of Ireland and the rest of Europe.

Financial Performance

Turnover at Mondial Assistance (UK) Ltd reported a turnover of £57.8m in the year ending 31st December 2013, which is down by 7.3% on the £62.4m in 2009. The 2013 figure is, however, 11.4% higher than was the case the previous year.

Pre-tax profit at Mondial Assistance (UK) Ltd increased by 44.1% between 2012 and 2013, rising from £3.5m to just shy of £5m. However, this follows 4 years of large declines in pre-tax profit; between 2011 and 2012 alone, pre-tax profit fell by 41.8% to the review period low of £3.5m. Between 2009 and 2013, pre-tax profit more than halved, falling from £10.1m at the beginning of the review period.

Table 5.13: Financial Results for Mondial Assistance (UK) Ltd (£000), Years Ending 31st December 2009-2013

	2009	2010	2011	2012	2013
Turnover (£000)	62,371	54,212	49,820	51,903	57,825
% change year-on-year	-	*-13.1*	*-8.1*	*4.2*	*11.4*
Pre-tax profit (£000)	10,129	9,068	5,925	3,451	4,974
% change year-on-year	-	*-10.5*	*-34.7*	*-41.8*	*44.1*

Source: Key Note

National Farmers Union Mutual Insurance Society Ltd (The)

Company Performance

The National Farmers Union Mutual Insurance Society Ltd (NFUIS) is a mutual national insurer with over 900,000 customers across the country, which it services through a network of over 300 highly localised branches. Founded by a group of seven farmers in 1910 to serve the farming community, it first began insuring individuals and businesses outside of the farming industry in 1998. This allowed it to expand significantly, with growth accelerating in all areas that the mutual operates, including investments, pensions, life assurance and risk management. It provides home insurance (building and contents), motor insurance, equine insurance, dog and cat insurance, travel insurance, business insurance and farm insurance. NFU was named Which?'s Best Insurance Services Provider in 2014.

NFU Mutual has focused on a number of commercial property investments recently as a way of maximising investment potential in an otherwise low-yielding environment. Major investments for the insurer include the purchase of an office block, Chancery Place, which looks over Brown Street, Manchester, for £57m. The building has tenants including Kyocera, Clyde & Co, i2, HSB Engineering, Clearwater Finance, Travelers Insurance and QBE Management Services. NFU Mutual also purchased Old Fire Station on Maple Street in Fitzrovia, London. It intends to refurbish it to maximise its investment potential. In Leeds, NFU announced a £150,000 refurbishment of No 1 Whitehall Riverside, which it already owned.

Financial Performance

NFU Mutual, in its position as a major insurer for rural communities, was hit hard by the severe winter weather over the 2013/2014 winter. This saw widespread flooding and other damage in rural communities, particularly in the South West. As such, storm and flood claims meant that NFU Mutual's post-tax profit fell by over a third in 2014 compared with 2013. This dip in profit from a high volume of claims was exacerbated by poor investment performance (although its aforementioned property portfolio outperformed most of its other investments).

Table 5.14: Financial Results for National Farmers Union Mutual Insurance Society Ltd (£000), Years Ending 31st December 2010-2014

	2010	2011	2012	2013	2014
Turnover	1,013,000	1,111,000	1,256,000	1,252,000	1,162,000
% change year-on-year	-	*9.7*	*13.1*	*-0.3*	*-7.2*
Pre-tax profit	159,000	-84,000	401,000	775,000	492,000
% change year-on-year	-	†	†	*93.3*	*-36.5*

† — incalculable

Source: Key Note

OTHER COMPANIES

CompareTheMarket.com

CompareTheMarket.com is a PCW for UK general insurance customers. It launched in 2006 as a price comparison service for car and van insurance and has since grown and developed to provide comparisons for home insurance, bike insurance and financial services products such as credit cards, mortgages and loans. CompareTheMarket.com is a major trading name of BISL Ltd; BISL Ltd is, in turn, part of BGL Group Ltd. Other trading names of the BGL Group include Budget, Dial Direct, Bennetts, Junction, ACM ULR and Fusion (the latter has no connection with the UK commercial insurer of the same name, established in 2001).

The CompareTheMarket.com brand was catapulted to the status of household name in January 2009, when the website launched a marketing campaign featuring Aleksandr Orlov, an anthropomorphic meerkat who runs his own comparison website, CompareTheMeerkat.com. The success of this marketing campaign was considerable and the brand launched a rewards campaign in 2011 that saw consumers who purchased car, home, van, pet, life and bike insurance, or switch energy supplier or get a credit card or loan through the website, being able to receive one of eight meerkat toys featured in the TV campaign. The company now also offers a two-for-one cinema ticket promotion on Tuesdays and Wednesdays for those who purchase insurance through its site.

In the year ending 20th June 2014, BISL Ltd reported a turnover of £385.3m and a pre-tax profit of £100.6m. Turnover is down from £413.9m in the year to 30th June 2013, but pre-tax profit has increased over the same period, from £83.3m.

Confused.com

Confused.com claims to be the UK’s longest-running PCW for insurance, having originally been founded in 2002 as a comparison service for motor insurance. Confused.com has expanded its remit considerably since 2002 and today offers comparisons for life, home, van, motorbike, pet, income protection, commercial and travel insurance, alongside an option to compare utility providers, financial services and travel plans. It also includes services related to will writing and breakdown cover. Confused.com operates solely as a PCW and is not a supplier, writer or broker of insurance products. Confused.com is a trading name of Inspop.com Ltd, which is itself a subsidiary of the Admiral Group and also operates out of Cardiff. However, it operates as an entirely separate business from the Admiral Group, placing a stringent focus on the impartiality of its services and independence from its parent company.

In June 2013, the website and its services underwent a significant rebranding exercise, which involved the introduction of a new robot mascot. The robot, named BRIAN, is on a mission to help customers save money on their car insurance and is supposed to embody the company’s expertise and knowledge of insurance products. The updated brand now appears across all customer-facing platforms, as well as in TV, radio and social media advertising campaigns. New advertisements are released periodically charting BRIAN’s adventures as he strives to save consumers money, and consumers are offered a free BRIAN toy if they purchase a product through Confused.com.

Inspop.com Ltd reported a turnover of £88.9m in the year to 31st December 2013 and a pre-tax profit of £20.6m. Both figures are up from £83.9m and £16.6m, respectively, in the year to 31st December 2012.

GoCompare.com Ltd

GoCompare.com was launched in November 2006 and was the first comparison website to focus on displaying product features rather than just listing prices. The website offers consumers the chance to compare a wide range of products and services, including financial, travel and business products, as well as utilities, other household services and insurance products. The website was set up by a group of insurance experts and is independent. Founder Hayley Parsons is the Chief Executive (CE) of GoCompare.com, and the majority shareholder of GoCompare.com Ltd. esure Services Ltd has a 50% shareholding in GoCompare Holdings Ltd (the parent company of GoCompare Ltd); esure and GoCompare.com are completely separate businesses, however.

GoCompare.com Ltd reported a turnover of £109.9m and a pre-tax profit of £25.7m in the year to 31st December 2013. Both figures are up from the year ending 31st December 2012, when they stood at £105.1m and £24.4m, respectively.

MoneySupermarket.com Group PLC

PCW MoneySupermarket.com is owned by MoneySupermarket.com Group PLC. It was founded in 1993 as a provider of offline mortgage information to independent financial advisors (IFAs) under the name Mortgage 2000, before launching as MoneySupermarket.com in 1999 to provide online mortgage information. Today, products and services the website enables consumers to compare include an array of household bills and services, such as car insurance, home insurance, utilities, credit cards, savings accounts, loans, holidays, hotels and car hire. The company floated on the LSE in July 2007.

The MoneySupermarket Group operates through leading brands: MoneySupermarket, TravelSupermarket and its most recent acquisition, MoneySavingExpert, which it acquired in September 2012. MoneySupermarket.com's advertising campaign went viral in January 2015, when the 'epic strut' advertising campaign was released. This was hugely popular on social media under the hashtag, #EpicStrut. The advertisement featured a man feeling so 'epic' over the savings he made on his car insurance when using the website that he struts down the street in hotpants and heels to female pop group the Pussy Cat Dolls' Don't Cha.

MoneySupermarket.com PLC reported a turnover of £248.1m in the year to 31st December 2014 and a pre-tax profit of just shy of £66m. Both figures are up from the year ending 31st December 2013, when they stood at £225.6m and £43.1m, respectively.

Talk to TIM

Talk to TIM is a new travel insurance comparison service with a mandate to 'revolutionise' the industry. Travellers will use the service as a 'one stop shop' to tailor their policy and compare availability and terms for any medical conditions, the policy price and the insurer, alongside the unique benefit of being able to choose between an online purchase, over the telephone or in person.

Talk to TIM claims to be the first full comparison service that offers customers the chance to speak to an advisor for free via the dedicated UK contact centre, open 6 days a week. Customers will be offered a range of quotes from specialist insurers based on all criteria entered rather than simply based on finding the cheapest quote first, as with other comparison sites. The company seeks to open the market to people who previously may have been unable to purchase insurance due to their age or health, while also catering for people of all ages with or without a medical condition. The service offers annual cover up to the age of 85, while single-trip cover has no upper age limit and all pre-existing medical conditions will be considered such as heart conditions, cancer, arthritis and diabetes.

Talk to TIM is a registered trading style of Staysure.co.uk Ltd, which reported a turnover of £19.5m in the year to 31st December 2013 and a pre-tax profit of £771,000. Turnover is up from £14.9m the previous year, although pre-tax profit is down notably, from £1.9m in 2012.

uSwitch Ltd

uSwitch Ltd runs the uSwitch.com website and telephone comparison switching service. It enables consumers to compare a wide array of products and services, including utilities; consumer credit products; mobile phones; TV packages; car insurance, home insurance, health insurance and life insurance; and mortgages. The company reported a turnover of £34.3m in the year to 31st December 2013 and a pre-tax profit of £11.5m. Both figures are up from the previous year, when turnover stood at £24.4m and pre-tax profit at £7.9m.

NUMBER OF COMPANIES

By Turnover

There were a total of 640 companies in the UK engaged in the provision of non-life insurance in 2014; more than a third (38.3%) had a turnover in excess of £1m. There were a total of 125 companies in the £1m to £5m bracket; this was the highest number of companies in any turnover sizeband. There were also 120 companies with a turnover of at least £5m and 115 with a turnover of between £100,000 and £249,999. There was a relatively even spread of companies between the turnover sizebands, although there were notably fewer companies in the £50,000 to £99,999 bracket, at 35, than in any other category.

Table 5.15: Number of UK VAT- and/or PAYE-Based Enterprises Engaged in Non-Life Insurance by Turnover Sizeband (£000, number and %), 2014

	Number of Enterprises	% of Total
Turnover Sizeband (£000)		
0-49	80	12.5
50-99	35	5.5
100-249	115	18.0
250-499	80	12.5
500-999	85	13.3
1,000-4,999	125	19.5
5,000+	120	18.8

Total	**640**	**100.0**

Source: UK Business: Activity, Size and Location 2014 (October 2014), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

By Employment

Despite over a third of insurance companies having a turnover of more than £1m, over half (55.5%) had fewer than five employees. More than three quarters (78.1%) had fewer than 20 employees, while only 40 (6.3%) had 250 or more employees. There were only 60 companies with between 50 and 249 employees.

Table 5.16: Number of UK VAT- and/or PAYE-Based Enterprises Engaged in Non-Life Insurance by Employment Sizeband (number and %), 2014

	Number of Enterprises	% of Total
Number of Employees		
0-4	355	55.5
5-9	85	13.3
10-19	60	9.4
20-49	40	6.3
50-99	30	4.7
100-249	30	4.7
250+	40	6.3
Total	**640**	**100.0**

Source: UK Business: Activity, Size and Location 2014 (October 2014), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Regional Variations in the Marketplace

92.2% of all non-life insurers in the UK were based in England; 200, or 31.3%, of the UK's total were based in London alone. London is a significant financial services hub for both the UK and international markets; a number of major insurers have made the capital city their national, if not global, headquarters. The South East also had a high number of non-life insurers, with 105. This amounted to 16.4% of the total. Close proximity to London but lower commercial property rents outside the capital often attracts businesses to the outskirts of the city to take advantage of the amenities offered by having London close but with reduced overheads.

The North West and the East each had 65 enterprises active in the non-life insurance sector, amounting to 10.2% of the total. Outside England, Scotland had 20 enterprises; Edinburgh is often seen as a secondary UK financial services hub, as well as Scotland's premier financial services hub. 3.1% of all non-life insurers are based in Scotland. The North East had the lowest number of enterprises in the UK — the ten non-life enterprises based there accounted for just 1.6% of the total.

Table 5.17: Number of UK VAT- and/or PAYE-Based Enterprises Engaged in Non-Life Insurance by Region (number and %), 2014

	Number of Enterprises	% of Total
England		
London	200	31.3
South East	105	16.4
North West	65	10.2
East of England	65	10.2
West Midlands	45	7.0
South West	40	6.3
Yorkshire and Humberside	35	5.5
East Midlands	25	3.9

North East	10	1.6
Total England	**590**	**92.2**
		.
Scotland	20	3.1
Wales	15	2.3
Northern Ireland	15	2.3
Total UK	**640**	**100.0**

Source: UK Business: Activity, Size and Location 2014 (October 2014), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

MARKETING ACTIVITY

Travel Insurance

Expenditure on advertising travel insurance was relatively modest in the year to 31st March 2015, at just shy of £8m. Almost half (£3.7m) of this was spent by Staysure, consisting of £2.1m on its over-50s travel insurance policy and £1.6m on its general travel insurance.

Saga and Insure & Go were the only two other brands to spend in excess of £1m, spending £1.05m and £1.03m, respectively.

Table 5.18: Main Media Advertising Expenditure on Travel Insurance (£000), Year Ending 31st March 2015

	Expenditure (£000)
Staysure — over-50s travel insurance	2,143
Staysure	1,553
Saga	1,053
Insure & Go	1,026
Post Office	576

AllClear	539
World First	383
Direct Travel Insurance	327
Columbus Direct	198
AIG Direct	107
Bupa	93
Total	**7,998**

Note: unless otherwise stated, the product advertised is general travel insurance available through a variety of distribution channels and to all members of the public.

Source: Nielsen

Price Comparison Websites

No PCWs specifically advertised comparison services for travel insurance. However, four of the major websites, as well as CompareNI.com, spent £82.2m between them on the general advertising of their brands and services.

CompareTheMarket.com spent by far the highest amount, at £32.9m — most of this was spent on general online comparison. This was followed by GoCompare.com, which spent £22.4m, and MoneySupermarket.com, with expenditure of £16.6m. Confused.com spent the least of the four major PCWs, with total advertising expenditure of £10.2m.

Table 5.19: Main Media Advertising Expenditure on General Services by Price Comparison Websites (£000), Year Ending 31st March 2015

	Expenditure (£000)
CompareTheMarket.com	
Online comparison	31,438
Insurance services	1,497
Total CompareTheMarket.com	**32,935**

GoCompare.com	22,374
MoneySupermarket.com	
Online comparison	15,210
Generic services	1,400
Total MoneySupermarket.com	**16,610**
Confused.com	
Online comparison	9,217
Corporate	983
Total Confused.com	**10,200**
CompareNI.com	107
Total	**82,226**

Source: Nielsen

KEY TRADE ASSOCIATIONS

- ABI
- ABTA
- BIBA
- ECTAA
- European Tour Operators Association (EOTA)
- Institute and Faculty of Actuaries (IFoA)
- International Underwriting Association (IUA)
- London & International Insurance Brokers' Association (LIIBA)
- World Tourism Organisation.

Buying Behaviour

HOLIDAY PURCHASING PATTERNS

Number of Overseas Holidays and Short Breaks

The most common frequency with which adults went on holidays or short breaks abroad last year was between two and three times, with 14.9% of adults having done so. Adults in social grade A were consistently the most likely to have gone abroad on a holiday or short break at least twice over this period, being more than nine times as likely as those in social grade E to have gone abroad between six and seven times a year, for example. Similarly, those earning less than £10,000 were almost three times less likely than those earning at least £50,000 to have been on two or three foreign holidays a year.

Alongside more affluent adults taking a greater number of foreign holidays and short trips each year was the fact that full-time workers were generally the most likely to take multiple trips abroad each year, including between two and three. Full-time employment is more likely to provide the necessary income to spend on more frequent foreign travel. Overall, income plays a big part in how frequently adults travel abroad, and thus how frequently they require travel insurance, as well as the type of travel insurance that best suits them.

Age was also a factor, with penetration of multiple trips abroad generally highest among the oldest respondents as they either approach or reach retirement age. Those aged between 55 and 64 were the most likely to go on foreign holidays or short trips between two and five times per year.

Regionally, those living in Greater London were the most likely to go on between two and three trips abroad each year, with close to one in five (18.3%) doing so compared with 11.6% of those living in the West Midlands. Outright homeowners were also the most likely to take between two and three trips abroad per year.

After this, the most common frequency with which adults went abroad on holidays or short breaks was just once per year, with 12.9% of adults having done so. One foreign trip per year was the only category in which adults in social grade A were not the most likely to take that many trips; instead, one foreign trip abroad each year was most commonly taken by those in social grade B. The more affluent tend to be able to afford more frequent trips abroad, and thus perhaps are better customers for travel insurers' annual multi-trip insurance products.

There was no great difference in the percentage of those aged between 20 and 64 who had taken one foreign trip in 2014. However, for those aged 16 to 19, only 8.5% had done so, while the penetration was also lower among those aged 65 and over. The youngest adults, perhaps victims of high levels of youth unemployment, may not be in a position to afford a trip abroad. For travel insurers, this may mean fewer risky clients and thus lower claims, with younger adults tending to be more likely to require medical attention abroad after incidents involving alcohol.

Less than 1 in 100 adults (0.7%) took eight or more foreign trips in 2014. Although only a low percentage of adults had been on eight or more foreign trips in 2014, there were some areas where penetration of this behaviour was higher than others. For adults in social grade A, over 1 in 50 (2.2%) had been on this many holidays. Meanwhile, over 1% of those earning £40,000 or more had also done so. Again, wealthier people can afford to travel abroad more, and are thus perhaps better target customers for travel insurers.

Table 6.1: Number of Holidays and Short Breaks Taken Abroad (% of adults), Year Ending 31st December 2014

	1	2-3	4-5	6-7	8+
All adults	12.9	14.9	3.7	1.9	0.7
Sex					
Male	12.2	15.1	3.8	1.7	0.8
Female	13.5	14.7	3.6	2.0	0.6
Age Group					
15-19	8.5	12.7	3.0	1.6	0.7
20-24	12.6	13.8	2.8	1.9	0.7
25-34	13.8	14.5	4.0	1.5	1.1
35-44	14.9	14.1	2.4	2.1	0.6
45-54	13.0	15.0	3.3	1.8	0.6
55-64	14.2	16.7	4.7	2.0	0.8
65+	11.3	15.7	4.7	2.0	0.5

Social Grade					
A	16.2	21.7	9.5	3.5	2.2
B	17.2	20.9	5.7	2.5	0.7
C1	14.9	16.1	3.9	1.8	0.8
C2	11.1	12.7	2.5	1.8	0.7
D	8.5	10.4	2.0	1.5	0.5
E	6.0	6.0	1.3	0.4	0.3
Standard Region					
Scotland	12.7	14.0	2.7	1.9	0.6
North West	14.0	16.5	4.3	1.4	0.5
North	11.0	12.6	2.5	0.6	0.5
Yorkshire and Humberside	13.2	13.7	3.3	1.3	0.5
East Midlands	11.3	13.4	3.6	1.6	0.4
East Anglia	11.3	14.3	1.9	1.3	0.3
South East	13.7	16.3	4.8	2.1	0.9
Greater London	12.5	18.3	4.4	3.4	1.8
South West	12.9	13.3	3.2	1.6	0.5
Wales	13.2	14.4	2.6	1.3	0.3
West Midlands	13.0	11.6	3.6	1.9	0.4

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

Types of Holidays and Short Breaks

The most common type of overseas holidays/short breaks were centred around beaches and resorts in 2014, with more 22.2% of adults saying this applied to them; meanwhile, 18.4% said that they had taken a city break. Neither of these two most popular types of holiday or short break require much more than the standard level of travel insurance, with travellers on such holidays unlikely to be doing much that would require extra cover.

11.8% of adults had been on a holiday/short break to a holiday centre such as Butlins or Centre Parcs: these are mostly located in the UK and thus do not require travel insurance, but those visiting overseas activity centres may need extra cover for activities such as ziplining, quadbiking, horseback riding, etc., depending on the brand of travel insurance they choose and thus the level of coverage offered. This is sometimes lumped in with 'adventurer' travel insurance, which covers a range of activities, with some including safaris (0.4% of adults went on safari in 2014); mountain climbing (6.3% of adults went on a lakes and mountains holiday or short break in 2014); and boating and watersports (such holidays/short breaks were embarked on by 0.6% and 0.5% of the population, respectively).

1.1% of adults went on a skiing/winter sports holiday in 2014, which would need an additional level of cover from the standard policy. Specialist winter sports packages are available, covering not just injuries sustained while engaging in such activities but mountain rescue costs, air ambulance costs and loss or damage to equipment.

1.1% of adults went on a backpacking holiday, the same percentage who embarked on a multi-country tour. Most commonly the preserve of younger travellers, particularly gap year-aged students (although recently a rise in the over-50s backpacking has been noted as holiday trends and purchase patterns shift), these require special types of insurance. Most insurers offer backpacker insurance and also that which covers visits to multiple countries, usually under the proviso that the insured provides a list of each country they intend to be visiting beforehand so the insurer can best judge risk.

Table 6.2: Type of Holidays and Short Breaks Taken in Great Britain (% of adults), Year Ending 31st December 2014

Beach/resort	22.2
City break	18.4
Holiday centre (e.g. Butlins, Centre Parcs)	11.8
Lakes and mountains	6.3
Coach tour	3.3
Sea cruise	2.7
Other theme park	1.3
Backpacking	1.1
Multi-country tour	1.1

Skiing/winter sports	1.1
Spa	1
Stag/hen	0.9
Disneyworld Florida	0.8
Disneyland Paris	0.7
Golfing	0.6
Boating holiday	0.6
Watersports	0.5
Safari	0.4
Other	21.7

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

Booking Method

More than two in five adults (41.4%) used the Internet to book their holiday. This is compared with less than one in ten who went to high-street travel agents or tour operators for all or part of their holidays. Direct booking of accommodation and flights also ranked highly, with 31% of adults booking accommodation directly and 13.7% booking flights directly. The ease with which the price of flights can be compared with third-party services holds back direct booking with airlines, as consumers often find it more convenient to book through a third party after using the comparison service rather than visiting the airline's website directly.

As mentioned in other areas of this report, the rise in independent bookings and the deconstruction of the typical package holiday (only 9.9% of adults bought a package holiday through a high-street travel agent and 9.6% did so through a tour operator) has seen more independent purchases of travel insurance. This has happened as consumers have become used to cherry picking elements of a holiday to suit them, especially through price comparison websites (PCWs), which are increasingly being used for travel insurance.

Table 6.3: Methods Used to Book Holidays and Short Breaks (% of adults), Year Ending 31st December 2014

Entirely online	41.4
Booked accommodation directly	31
Booked flight directly with airline	13.7
Entirely by telephone	13.3
Package holiday through high-street travel agent	9.9
Package holiday through tour operator	9.6
Flights and accommodation through high-street travel agent	4.4
Accommodation only through high-street travel agent	4.3
Flight only through high-street travel agent	3.5
Flight through tour operator	2.5

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

PURCHASE OF TRAVEL INSURANCE

Type of Policy and Cover

The most common type of insurance travellers purchased was holiday and travel insurance combined — this was bought by 22.6% of adults in 2014. Just as the percentage of adults travelling abroad, and doing so more frequently, was heavily related to social grade, so the penetration of holiday and travel insurance is correlated with social grade. More than a third of respondents earning at least £50,000 a year had purchased holiday and travel insurance; close to one in three adults in social grade A had also done so. Yet Table 6.1 shows that those in lower social grades and those on lower incomes do still travel abroad, just that they are less likely to do so than the more affluent.

Although those living in Greater London were often the most likely to have travelled abroad multiple times, they were the least likely to have purchased holiday and travel insurance. They were, however, the most likely to purchase travel insurance only; this suggests that perhaps Londoners' multiple trips abroad each year are not all for leisure, rather some are business trips where no element of holiday cover is needed alongside the standard travel insurance cover.

15% of respondents opted for single-trip insurance. In some areas, there is correlation between the percentage of adults who bought single-trip travel insurance and those who went on one trip abroad a year, as might be expected. Women, those in social grade B and those with higher incomes were all the most likely to take out single-trip travel insurance and go on one foreign holiday or short break a year.

11.8% of adults had annual multi-trip insurance, with men and women being almost equally as likely to have it. There is a high penetration of annual multi-trip insurance among more affluent adults with higher incomes, without children present in the household and among those who own their own home outright. This suggests a wealthy cohort of retired baby boomers taking multiple trips abroad each year and using multi-trip travel insurance as a result.

Only a small percentage of adults had bought solely travel insurance — this applied to just 5.2% of adults. Travel insurance has a narrower coverage than both travel and holiday insurance combined, which perhaps makes it unattractive to those who want to cover the entire cost of their holiday. Business travellers are more likely to prefer only travel insurance — business travel tends to be more common among those working full time, living in Greater London and enjoying a high income.

Only 0.7% of adults took out winter sports insurance last year, despite 1.1% of adults going on a winter sports holiday. This suggests that a significant proportion of people did not have travel insurance to cover them for their holiday activities, despite the higher associated with such activities. Men and women were almost equally likely to have bought winter sports insurance, although men were slightly more likely. Skiing and other winter sports are more common among wealthier adults, as evidenced by the particularly high proportion of adults with this type of cover in social grade A and with a summary family income of at least £50,000 when compared with lower social grades and income levels.

Table 6.4: Penetration of Travel Insurance by Type of Policy and Cover (% of adults), Year Ending 31st December 2014

	Holidayand Travel	SingleTrip	AnnualMulti-Trip	TravelOnly	WinterSports
All adults	22.6	15.0	11.8	5.2	0.7
Sex					
Male	21.2	13.6	11.7	5.3	0.7
Female	24.0	16.3	11.8	5.1	0.6
Age Group					

15-19	5.9	5.8	1.9	2.4	0.5
20-24	12.5	14.1	3.4	6.0	0.8
25-34	15.9	13.9	6.0	5.4	0.6
35-44	19.3	14.7	9.2	5.9	0.9
45-54	24.5	15.4	13.2	4.9	0.9
55-64	30.2	16.7	19.0	5.9	0.9
65+	33.5	18.1	18.8	4.9	0.2
Social Grade					
A	31.7	15.7	23.8	8.9	2.7
B	30.4	17.9	18.9	7.6	1.2
C1	23.5	15.9	11.8	5.4	0.7
C2	21.8	15.5	9.4	4.0	0.3
D	15.4	11.6	5.9	3.4	0.1
E	10.6	9.3	3.8	3.0	0.1
Standard Region					
Scotland	21.1	15.8	9.6	5.6	0.2
North West	26.0	15.5	13.4	4.8	0.8
North	21.2	15.0	8.6	3.1	0.3
Yorkshire and Humberside	22.7	16.0	10.5	4.1	0.8
East Midlands	22.2	13.8	12.8	4.9	0.5
East Anglia	19.8	13.7	9.7	4.8	0.4
South East	24.6	15.7	13.7	6.0	0.6
Greater London	18.6	13.0	11.3	6.4	0.9
South West	23.0	15.2	11.3	4.6	1.1

Wales	24.9	14.7	12.8	4.5	0.7
West Midlands	22.5	15.5	11.4	5.2	0.5

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

Where Bought

The most common way adults bought travel insurance was directly from the insurer — the Internet has played a major part in opening up travel insurers to consumers for the purpose of direct sales. The direct purchase of travel insurance became more common as age increased, up to the age of 64; it also become uniformly more likely as social grade increased. The typical adult who bought their travel insurance directly from the insurance company was:

• female (13.4%)

• aged 55 to 64 (18.4%)

• in social grade A (21.9%)

• not working due to retirement or illness (16.5%)

• living in either the North West or the East Midlands (13.8%) in a household without children (14.1%)

• in receipt of a summary family income of at least £50,000 (21.6%)

• the owner of their own home outright (19%).

5.6% of adults bought their travel insurance through a bank or building society. Older, wealthier adults were considerably more likely than younger, less affluent adults to have bought travel insurance through a bank or building society. This category includes insurance purchased through added-value current accounts; these accounts come with monthly fees in exchange for a range of benefits, some of them including travel insurance. The typical adult who did so was:

• male (6.1%)

• aged 65 and over (9.9%)

• in social grade A (10.2%)

• not working due to retirement or illness (7.8%)

• living in either the South West or Wales (6.7%) without children in the household (6.3%)

• in receipt of a summary family income of at least £50,000 (11.7%)

• the owner of their own home outright (9.2%).

3.5% of adults had bought their travel insurance through a travel agent. As the selling of package holidays, or components thereof, through travel agents falls on the back of rising direct sales due to competition for the Internet, travel agents have fewer opportunities to offer point-of-sale (PoS) travel insurance along with their other holiday products. Older adults tend to use the services of travel agents more than younger adults, who are more familiar with the Internet and related technology and thus more likely to book trips separately. The typical adult who had bought travel insurance through a travel agent was:

• female (3.6%)

• aged 65 and over (4.6%)

• in social grade C2 (4.9%)

• working full time or not working due to retirement or illness (3.8%)

• living in Scotland (5%) in a household without children (3.6%)

• in receipt of a summary family income of at between £40,000 and £49,999 (4.4%)

• the owner of their own home outright (4.3%).

Table 6.5: Purchasing Patterns for Travel Insurance (% of adults), Year Ending 31st December 2014

	Direct FromInsuranceCompany	Through Bank/Building Society	ThroughTravel Agent	Other
All adults	12.7	5.6	3.5	6.2
Sex				
Male	11.9	6.1	3.3	5.4

Female	13.4	5.2	3.6	6.9
Age Group				
15-19	3.5	1.6	1.4	1.5
20-24	8.1	1.8	3.4	5.5
25-34	9.8	2.9	2.9	5.2
35-44	11.7	4.8	3.0	5.6
45-54	12.2	5.9	3.9	7.5
55-64	18.4	7.6	3.4	7.4
65+	17.4	9.7	4.6	7.4
Social Grade				
A	21.9	10.2	1.8	6.6
B	18.8	8.1	3.6	8.0
C1	13.2	5.4	2.9	7.5
C2	10.2	5.3	4.9	5.5
D	8.3	3.7	3.2	3.6
E	5.4	2.2	2.6	3.6
Standard Region				
Scotland	11.6	5.4	5.0	5.3
North West	13.8	6.4	4.2	5.8
North	10.1	5.4	.03	6.0
Yorkshire and Humberside	12.6	4.4	4.5	5.8
East Midlands	13.8	5.0	2.8	6.1
East Anglia	12.2	3.8	3.5	5.8
South East	13.7	6.4	2.9	7.7

Greater London	12.8	4.2	3.2	4.8
South West	11.8	6.7	3.4	6.2
Wales	12.1	6.7	3.7	6.3
West Midlands	12.3	6.4	2.4	6.9

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

How Purchased

The most common way adults bought travel insurance was over the Internet, again indicating how great a part the Internet has played in the evolution of the travel insurance market. 15.5% of adults bought their travel insurance online last year. Only a low proportion of adults aged 65 and over bought travel insurance over the Internet, with the low penetration of Internet use among adults of this age being the driving factor behind this. The typical adult who had done so was:

• female (16%)

• aged 55 to 64 (20.4%)

• in social grade A (23.8%)

• a full-time worker (19.9%)

• living in the South East (17.8%) in a household without children (16.2%)

• in receipt of a summary family income of at least £50,000 (29.1%)

• in the process of buying their own home (20.5%).

6.5% of adults bought their travel insurance over the telephone. The telephone was more commonly used by older adults and the retired, again linking with low penetration of Internet usage among older adults.

The typical adult who bought their travel insurance over the telephone was:

• female (7.4%)

• aged 65+ (16.8%)

• in social grade A (9.4%)

• not working due to retirement or illness (13.7%)

• living in East Anglia (8.1%) without children in the household (7.8%)

• in receipt of a summary family income of between £23,000 and £29,999 (7.7%)

• the owner of their own home outright (13.5%).

Only 3.8% of adults bought their travel insurance through a personal visit. With the rise of the Internet making it far easier to buy all manner of products and services remotely, including general insurance products, face-to-face sales are falling. A personal visit to travel insurers was one of the few areas where it was more common for adults in lower social grades and with lower incomes to purchase insurance in this manner. The typical adult who had bought travel insurance with a personal visit was:

• male (3.9%)

• aged 65 and over (6.5%)

• in social grade C2 (5.2%)

• not working due to retirement or illness (5.6%)

• living in Wales (5.2%) in a household without children (4.4%)

• in receipt of a summary family income of at between £17,000 and £22,999 (4.4%)

• the owner of their own home outright (6%).

Table 6.6: Purchasing Patterns for Travel Insurance (% of adults), Year Ending 31st December 2014

	ByInternet	ByTelephone	PersonalVisit	Other
All adults	15.5	6.5	3.8	2.4
Sex				
Male	15.0	5.6	3.9	2.6
Female	16.0	7.4	3.7	2.3

Age Group				
15-19	5.1	1.0	1.6	0.7
20-24	14.2	0.6	3.0	0.9
25-34	15.9	1.7	1.9	1.3
35-44	17.3	3.9	2.2	2.2
45-54	17.9	4.8	4.1	2.9
55-64	20.4	7.8	5.1	3.7
65+	12.7	16.8	6.5	3.5
Social Grade				
A	23.8	9.4	4.0	3.1
B	21.6	9.1	4.0	4.0
C1	17.3	6.4	3.0	2.4
C2	13.8	5.4	5.2	2.1
D	9.3	4.6	3.7	1.4
E	5.8	4.8	2.6	0.9
Standard Region				
Scotland	14.5	6.5	4.1	1.8
North West	16.7	7.3	4.1	2.4
North	12.5	4.3	5.0	2.9
Yorkshire and Humberside	15.0	5.9	4.9	1.9
East Midlands	15.2	6.7	3.5	2.2
East Anglia	13.1	8.1	2.8	1.6
South East	17.8	6.9	3.0	3.2
Greater London	15.9	4.7	2.6	2.6
South West	14.2	7.1	4.2	2.5
Wales	14.1	7.0	5.2	2.5

West Midlands	14.6	7.4	4.5	2.0

Source: Target Group Index (TGI) © Kantar Media, Q2 (January-December 2014) 2015

HOUSEHOLD EXPENDITURE

Annual household expenditure on travel insurance stood at £396 in 2010, the highest figure for the entire review period. Though expenditure spiked considerably in 2012, rising by 26.5% to £387, it never regained the high level seen in 2010. Key Note estimates a decline in the amount paid for travel insurance from 2012 onwards as rising competition in the market creates heavy downward pressure on prices.

Table 6.7: Average Annual Household Expenditure on Travel Insurance (£), 2010-2014

	2010	2011	2012	e2013	e2014
Annual expenditure on travel insurance	396	306	387	358	335
% change year-on-year	-	*-22.7*	*26.5*	*-7.5*	*-6.4*

e — Key Note estimates

Source: Association of British Insurers/Key Note

CONSUMER DYNAMICS

For this Market Report, Key Note commissioned exclusive market research. This was conducted in May 2015 among 1,000 adults aged 16 and over and is split into two parts: that surrounding the buying behaviour and attitudes of consumers for general non-life insurance products; and that specifically related to travel insurance.

General Insurance Products

Summary of Responses

Key Note began by asking the aforementioned adults some questions on general insurance products, the wider insurance industry and their buying patterns within it. Headline results from this include:

• almost three-quarters (72.8%) of adults said that price was a major factor for them when comparing insurance policies

• more than three in five (60.6%) said that PCWs gave consumers more power when they were buying insurance; given that only 26.7% of adults renew their existing policies without checking alternatives, these websites offer a significant avenue for comparing policies

• of the three methods of purchase Key Note included in the survey (direct from insurer, via a PCW and via a broker), direct purchase was the most common (45.7%) and purchase via a broker was the least common (12.9%)

• reputation was important to customers — 58.9% said that this was the case, and only just over a third would purchase a policy from a smaller insurer they had not heard of if the policy was the cheapest.

Table 6.8: Summary of Consumer Research Findings (% of respondents), May 2015

		Pen (%)
S1	Price is a major factor for me when comparing insurance policies	72.8
S2	PCWs provide consumers with more power when buying insurance	60.6
S3	I choose my insurer based on its reputation	58.9
S4	I buy most of my insurance directly from the insurer	45.7
S5	Insurance contracts are easy to read and understand	37.8
S6	I would choose a smaller insurer I had not have heard of if its products were the cheapest	34.5
S7	I aim to get the cheapest policy possible, even if this only provides me with the most basic cover	31.0
S8	I buy most of my insurance via PCWs	28.1
S9	I usually renew my existing insurance policies without checking alternatives	26.7
S10	I buy most of my insurance through a broker	12.9

Pen — penetration

PCWs — price comparison websites

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Attitudes Towards Price of General Insurance

72.8% of adults said that price was a major factor for them when comparing insurance policies. The very youngest drivers were considerably less likely than any other age group to say that price was a major factor for them when comparing insurance policies; this is despite motor insurance for those in this age group tending to be very expensive. This may be because there has been a fall in younger drivers, as discussed in Chapter 8 — PESTEL — and also a rise in younger adults living with their parents longer due to the prohibitively high cost of housing, meaning they are less likely to need building or contents insurance and thus be concerned with the price of these products. Those aged 20 to 24 were most concerned about this, while at least four-fifths of those aged between 35 and 44 said that this was the case for them.

More than three-quarters of adults in the B to C2 social grades said that price was a major factor for them when comparing insurance policies. It was actually of least concern among the least affluent, those in social grade E; the high number of pensioner households in this category may not drive or need other types of general insurance products. Also, those in the lower social grades are less able to easily compare and contrast insurance prices due to low penetration of computer ownership and Internet connectivity, and so they have limited options available when trying to compare prices from several insurers.

There were four areas of the country where more than 80% of adults said that price was the most important factor for them when comparing insurance products: the North, the East Midlands, East Anglia and the West Midlands. Those least likely to feel this way were in Wales, where just 60.4% said that price was a major factor for them when comparing insurance deals.

Female, divorced adults living in large households with the youngest children were the most likely to feel that price was a major factor for them when comparing insurance policies. A tighter household budget among single-parent households, particularly large ones, is likely a considerable driving force behind this. Private tenants were the most concerned with price when comparing insurance policies: 87.6% said that it mattered to them, while this was true for only 55.7% of those renting from the council.

31% of adults said they aimed to get the cheapest policy possible, even if that only leaves them with the most basic cover. Clearly, the majority of respondents value the quality, depth and breadth of coverage offered by insurers more than simply getting the cheapest deal. Men were notably more likely to say this was the case than women, with over 10 percentage points between the sexes on the issue. This could be reflective of the historically higher rate men paid for insurance such as health and motor insurance prior to the EU's Gender Directive. More than half of those aged 20 to 34 said that this was the case for them; this may be because of high levels of car insurance paid by those in these age groups, or it could be because finances are tighter among younger people due to high youth unemployment, lower job security and poor wage growth since the financial crisis. Although the typical respondent who did this was working full time, they were in social grade D, suggesting they were at the lower end of the earnings scale; this would be a factor in needing the cheapest possible policy.

More than two in five respondents in the East Midlands, the West Midlands and the North aimed to get the cheapest policy possible even if it left them with only the most basic cover, as did close to two in five respondents living in East Anglia. Price again proved to be of little concern to the people of Wales; not only were they the least likely to say price was a major factor for them, but they were also the least likely to aim to get the cheapest policy possible.

As the children present in households got older, policy premiums became less of a concern for respondents, reflecting the pressure on household income young children can bring. Private tenants were around twice as likely as those of any other tenure to say that they aimed to get the cheapest policy possible, even if that left them with the most basic cover. This is likely linked with the fact that young adults in the 20 to 34 bracket — often known as generation rent because they are unable to afford to purchase property and are thus renting in the private sector — were also the most likely to say this was the case.

Table 6.9: Consumer Attitudes Towards Pricing of General Insurance Products (% of respondents), May 2015

S1: "Price is a major factor for me when comparing insurance policies."

S7: "I aim to get the cheapest policy possible, even if this only provides me with the most basic cover."

	Sample	S1		S7	
	Profile (%)	PP (%)	Pen (%)	PP (%)	Pen (%)
All adults	100.0	100.0	72.8	100.0	31.0

Sex					
Male	48.9	48.1	71.6	57.1	36.2
Female	51.1	51.9	73.9	42.9	26.0
Age					
16-19	4.8	2.8	42.2	3.4	21.7
20-24	7.6	9.1	87.6	13.7	56.0
25-34	12.7	14.5	83.4	23.3	57.0
35-44	22.0	24.2	80.0	20.5	28.9
45-54	16.1	16.8	76.1	11.2	21.7
55-64	14.5	13.4	66.9	13.6	29.0
65+	22.4	19.3	62.6	14.3	19.8
Social Grade					
A	4.9	4.3	64.0	3.7	23.5
B	19.2	21.0	79.6	20.3	32.8
C1	24.7	25.8	75.9	25.4	32.0
C2	27.4	28.8	76.4	26.7	30.2
D	14.1	13.0	67.0	16.8	36.9
E	9.7	7.2	53.7	7.1	22.8
Working Status					
Full time (30+ hours a week)	47.0	50.4	78.0	55.9	36.9
Part time	15.8	16.7	77.1	13.5	26.5
Not working (excluding retired/invalid)†	13.2	11.5	63.2	12.1	28.4
Not working (retired/invalid)	23.6	21.2	65.4	18.5	24.3
Standard Region					
North	4.6	5.6	88.1	6.2	41.8

Yorkshire and Humberside	9.9	10.5	76.7	8.5	26.6
East Midlands	5.5	6.5	86.2	8.0	44.8
West Midlands	7.0	7.7	80.2	9.5	42.2
East Anglia	7.1	7.9	81.4	9.1	39.6
South East	18.7	17.4	67.7	21.5	35.7
Greater London	13.8	12.8	67.5	10.0	22.6
South West	6.7	6.9	75.3	7.3	33.6
North West	10.1	10.2	73.7	8.7	26.8
Wales	7.4	6.2	60.4	4.4	18.3
Scotland	9.2	8.3	65.7	6.9	23.3
Size of Household					
1	22.4	21.2	68.9	23.7	32.8
2	33.0	30.2	66.6	26.4	24.8
3	15.0	15.5	75.2	18.7	38.6
4	18.1	20.3	81.4	20.6	35.3
5+	10.5	12.5	86.3	10.6	31.1
Marital Status					
Married/living as married	52.9	55.4	76.3	46.5	27.3
Single	26.6	24.3	66.5	34.6	40.3
Divorced	10.4	11.2	78.2	12.3	36.6
Widowed	8.1	7.4	66.3	6.4	24.3
Separated	1.2	1.3	76.3	0.2	6.1
Presence of Children					
Aged 0-4	8.3	10.3	90.3	9.8	36.6
Aged 5-9	14.5	16.8	84.4	15.0	32.2
Aged 10-15	19.7	23.0	85.0	19.0	29.9

No children	71.2	66.3	67.8	70.5	30.7
Tenure					
Own home outright	48.0	46.2	69.9	42.1	27.2
Buying home	27.6	31.9	84.2	27.7	31.2
Rent from the council	11.0	8.4	55.7	8.9	25.2
Rent privately	9.9	12.0	87.6	19.2	60.0

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Attitudes Towards Insurers

Almost three in five respondents (58.9%) said that the reputation of their insurer was important to them. It was a relatively universal opinion, often with no significant differences visible when examining the breakdown by a variety of sociodemographic factors. Clearly, respondents want to know they can trust their insurer, which is further evidenced by the low percentage of adults who would choose a smaller insurer they had never heard of if its products were the cheapest. When medical treatment is required abroad, consumers are concerned about the costs and implications of this and having confidence in an insurer’s ability to help them in a difficult period is part of this.

There was little difference between the percentage of men and women who felt this way; the reputation of an insurer was also somewhat uniformly important for all adults aged 35 and over. It was least important among those aged 15 to 19 and most important by a considerable margin among those aged 20 to 24, with 75.5% saying that this was the case.

An insurer’s reputation was least important among those in social grade D and most important among those in social grade B, but showed little difference between the other social grades. Respondents in Wales were notably the least likely to be concerned with an insurers’ reputation, with 37.7% saying that this was the case. This is compared to

81.3% of those living in the East Midlands. This was most important among those in the largest households, while outright homeowners were the least likely to be concerned with an insurer's reputation; perhaps strange given that they are the most likely to have assets that they would wish to insure against loss.

34.5% of respondents said they would choose a smaller insurer they had not heard of it its products were the cheapest, again proving that reputation and quality appear to be more important to many consumers over price.

There was little difference in the percentage of men and women who said that they would choose a smaller insurer they had not heard of if its products were the cheapest; it was low for both sexes, at just a third.

The youngest adults were the most likely to feel this way, with more than half of those aged 16 to 19 willing to choose a smaller insurer they had not heard of if it offered savings — a similar percentage to those aged 25 to 34. Those aged 65 and over were by far the least likely to say that this was the case; the oldest adults appear the most wary of unknown insurers in the marketplace, a factor linked with the low percentage of respondents in social grade E and not working due to retirement or illness who said the same. Part-time workers and those in social grade C1 were the most willing to take their business to a smaller insurer they had not heard of if its products were the cheapest. East Anglia had the lowest penetration of respondents who would do this out of all the regions by some margin.

Table 6.10: Consumer Awareness of Rights and Attitudes Towards Insurance Contracts for General Insurance Products (% of respondents), May 2015

S3: "I choose my insurer based on its reputation."

S6: "I would choose a smaller insurer I had not have heard of if its products were the cheapest."

	Sample	S3		S6	
	Profile (%)	PP (%)	Pen (%)	PP (%)	Pen (%)
All adults	100.0	100.0	58.9	100.0	34.5
Sex					
Male	48.9	48.2	58.0	49.7	35.0
Female	51.1	51.8	59.7	50.3	33.9

Age					
16-19	4.8	3.4	42.2	7.1	50.9
20-24	7.6	9.7	75.5	7.2	32.5
25-34	12.7	14.2	66.1	18.6	50.4
35-44	22.0	21.2	56.7	24.9	38.9
45-54	16.1	15.6	56.9	15.3	32.8
55-64	14.5	14.0	56.5	14.9	35.4
65+	22.4	22.1	58.0	12.0	18.5
Social Grade					
A	4.9	5.0	59.6	3.8	26.3
B	19.2	22.4	68.6	18.9	33.9
C1	24.7	24.2	57.8	33.2	46.3
C2	27.4	26.9	57.8	24.2	30.4
D	14.1	11.6	48.4	16.0	39.2
E	9.7	9.9	60.3	3.9	13.9
Working Status					
Full time (30+ hours a week)	47.0	48.0	60.2	53.7	39.4
Part time	15.8	16.0	59.7	19.7	42.9
Not working (excluding retired/invalid)†	13.2	12.4	55.4	13.5	35.1
Not working (retired/invalid)	23.6	23.3	58.0	13.1	19.2
Standard Region					
North	4.6	5.1	65.3	4.6	34.9
Yorkshire and Humberside	9.9	8.1	48.3	12.6	43.6
East Midlands	5.5	7.6	81.3	4.3	26.9
West Midlands	7.0	6.6	55.5	8.1	40.1

East Anglia	7.1	8.6	71.5	4.3	21.0
South East	18.7	17.9	56.4	19.1	35.1
Greater London	13.8	17.0	72.7	14.1	35.2
South West	6.7	6.2	54.8	6.7	34.6
North West	10.1	10.5	61.3	9.7	33.0
Wales	7.4	4.7	37.7	8.2	38.1
Scotland	9.2	7.5	48.0	8.3	30.9
Size of Household					
1	22.4	22.7	59.7	18.4	28.3
2	33.0	32.4	57.8	27.3	28.5
3	15.0	13.6	53.3	19.2	44.0
4	18.1	17.6	57.1	15.7	29.9
5+	10.5	12.6	70.3	18.0	58.9
Marital Status					
Married/living as married	52.9	52.0	57.9	55.4	36.1
Single	26.6	28.3	62.6	26.6	34.5
Divorced	10.4	8.1	45.9	11.8	38.9
Widowed	8.1	9.5	69.3	4.9	20.9
Separated	1.2	1.1	54.2	0.4	12.5
Presence of Children					
Aged 0-4	8.3	8.4	59.3	10.7	44.4
Aged 5-9	14.5	13.4	54.4	19.6	46.6
Aged 10-15	19.7	21.4	64.0	26.5	46.5
No children	71.2	70.1	57.9	65.1	31.5
Tenure					
Own home outright	48.0	45.0	55.2	43.9	31.5

Buying home	27.6	28.9	61.7	33.0	41.2
Rent from the council	11.0	11.6	62.4	8.1	25.4
Rent privately	9.9	11.2	66.7	8.3	28.8

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Buying Patterns

Of the buying methods Key Note surveyed its respondents about, direct purchasing was the most common way of buying insurance; 45.7% of adults said they bought insurance products direct from the insurer. The direct method was the most common way of purchasing insurance products for those aged 65 and over; this could be because the second-most common method of purchasing insurance was via PCWs, and those aged 65 and over are less likely to have access to the Internet. Linked with this behaviour among older adults is the high proportion of adults not working due to retirement or illness and widowed in social grade E. Meanwhile, the youngest adults in the highest social grades and working full time were the least likely to buy their insurance products directly.

Only two parts of the country, the East Midlands and Yorkshire and Humberside, saw more than half of the population buying most of their insurance products directly, although regions such as the North West and the South West came close to this figure. Respondents living in Wales were the least likely to buy their insurance products directly; Wales was the only region of Great Britain where less than a third of adults bought most of their insurance products directly.

After direct purchasing, the second-most common way of purchasing insurance products was through PCWs, with 28.1% of adults doing this. Men were more likely to use PCWs than women; women were more likely to buy insurance directly than men. This may be because men have historically paid higher premiums for products such as health, life and motor insurance and so men find value in the services of PCWs to cut their insurance costs. Close to two in five adults aged 25 to 44 said that they bought most of their insurance through PCWs, something that was true for just 11.9% of those aged 65 and over, with the aforementioned lack of familiarity with the Internet and computing technology likely to be a factor here. This is linked with the low penetration among those in social grade E, not working due to retirement or illness, those who are widowed and those living alone.

The proportion of respondents working full time who used PCWs to buy the majority of their insurance was 9.2 percentage points higher than the average person who did this, and over 10 percentage points higher than any other type of working status. Full-time workers, pushed for time, are likely to value the ease and speed of PCWs for buying insurance products. Adults who were in the process of buying their own homes were the most likely to say they used PCWs for the majority of their insurance products; those renting from the council were the least likely to say this was the case.

There was notable disparity between regions when it came to purchasing insurance products through PCWs. Only 13.8% of those in Yorkshire and Humberside said that this was the case for them, as did 18.4% of respondents in the South West; by contrast, almost half (47.9%) of those living in the West Midlands said that they bought most of their insurance via PCWs, as did over a third of those living in Greater London. Good Internet speeds in the capital and the urban centres of the West Midlands, such as Birmingham, Coventry, Wolverhampton and Dudley, may be behind this.

Table 6.11: Purchasing Patterns for General Insurance Products (% of respondents), May 2015

S4: “I buy most of my insurance directly from the insurer.”

S8: “I buy most of my insurance via price comparison websites.”

	Sample	S4		S8	
	Profile (%)	PP (%)	Pen (%)	PP (%)	Pen (%)
All adults	100.0	100.0	45.7	100.0	28.1
Sex					
Male	48.9	45.9	43.0	51.6	29.7
Female	51.1	54.1	48.4	48.4	26.6
Age					

16-19	4.8	3.1	29.8	2.2	12.9
20-24	7.6	8.7	52.3	8.8	32.5
25-34	12.7	12.8	46.2	17.7	39.1
35-44	22.0	17.6	36.6	30.7	39.2
45-54	16.1	14.6	41.6	16.3	28.5
55-64	14.5	13.9	43.8	15.4	29.7
65+	22.4	29.2	59.7	9.5	11.9
Social Grade					
A	4.9	3.2	29.3	4.3	24.8
B	19.2	19.0	45.4	25.0	36.6
C1	24.7	24.1	44.7	26.2	29.8
C2	27.4	25.4	42.4	29.6	30.3
D	14.1	14.9	48.3	13.0	25.9
E	9.7	13.4	63.3	1.8	5.3
Working Status					
Full time (30+ hours a week)	47.0	43.2	42.0	62.4	37.3
Part time	15.8	16.0	46.2	15.2	27.0
Not working (excluding retired/invalid)†	13.2	11.3	39.0	10.0	21.3
Not working (retired/invalid)	23.6	28.7	55.6	12.4	14.7
Standard Region					
North	4.6	4.4	43.9	4.7	28.9
Yorkshire and Humberside	9.9	11.6	53.2	4.9	13.8
East Midlands	5.5	7.5	61.9	5.6	28.3
West Midlands	7.0	5.6	36.4	11.9	47.9
East Anglia	7.1	7.0	44.9	8.5	33.6

South East	18.7	19.0	46.3	14.7	22.1
Greater London	13.8	13.1	43.4	18.5	37.8
South West	6.7	7.0	47.8	4.4	18.4
North West	10.1	11.0	49.9	11.0	30.7
Wales	7.4	5.4	33.1	7.1	26.8
Scotland	9.2	8.7	43.2	8.7	26.5
Size of Household					
1	22.4	25.6	52.3	12.5	15.6
2	33.0	33.8	46.8	30.1	25.6
3	15.0	9.9	30.2	23.9	44.7
4	18.1	19.5	49.2	20.6	31.9
5+	10.5	10.5	45.7	12.9	34.4
Marital Status					
Married/living as married	52.9	51.1	44.2	64.8	34.4
Single	26.6	26.7	45.9	24.7	26.1
Divorced	10.4	10.9	47.7	7.1	19.0
Widowed	8.1	10.4	58.7	2.8	9.7
Separated	1.2	0.3	12.3	0.6	14.4
Presence of Children					
Aged 0-4	8.3	8.8	48.6	10.3	35.0
Aged 5-9	14.5	13.6	42.9	23.4	45.4
Aged 10-15	19.7	17.6	41.0	24.8	35.5
No children	71.2	73.4	47.1	61.1	24.1
Tenure					
Own home outright	48.0	49.1	46.8	43.0	25.2
Buying home	27.6	24.3	40.3	38.0	38.7

Rent from the council	11.0	11.8	49.2	7.6	19.5
Rent privately	9.9	10.7	49.5	10.8	30.6

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Just 26.7% of respondents said that they usually renewed their existing insurance policies without checking alternatives. This is where the use of services such as PCWs becomes important for consumers, with the vast majority of respondents looking to shop around before they renew their policies. Men were more likely to renew their policies without checking for alternatives than women; this is despite men being more likely to use PCWs. 43.4% of respondents aged 20 to 24 said that they usually renewed their policies without checking alternatives, as did close to a third of respondents aged 25 to 34 and 65 and over. More than a third of those not working due to retirement or illness said that they usually renewed their existing policies without checking alternatives; this was another group which saw low use of PCWs. The most affluent adults were the most likely to say that they usually renewed their policies without checking for alternatives; greater wealth may mean they are not so focused on the price of insurance products.

The East Midlands had by far the highest proportion of people who usually renewed their existing insurance policies without checking alternatives; almost half (48.1%) said that they did so. The East Midlands had one of the lowest penetrations of PCW usage, while those living in places such as Greater London and the West Midlands — which had high PCW usage — were the least likely by a notable margin to say that they usually renewed their policies without checking for alternatives.

Buying insurance through a broker was the least common way of purchasing insurance for respondents of this survey, with only 12.9% saying that they bought insurance in this way. Men were more likely to visit an insurance broker for the majority of their insurance purchases than women, while by age penetration peaked among those aged 45 to 54. It was also significantly higher among those in social grade A than among those in any other social grade. More affluent adults are more likely to have access to the special services of a broker, or perhaps have more specialist needs from insurance products that can only be met via a broker.

Around a fifth of respondents in the North and in Yorkshire and Humberside said that they used an insurance broker for the majority of their insurance purchased; penetration was far lower in the East Midlands, where this was true for just 4.6% of adults. This was the region where the highest proportion of respondents said that they did not shop around for insurance, instead renewing existing policies without checking alternatives. A similar proportion of respondents who owned their own home outright and those buying their own home used a broker for the majority of their insurance, around five times the percentage renting privately who said the same.

Table 6.12: Purchasing Patterns for General Insurance Products (% of respondents), May 2015

S9: "I usually renew my existing insurance policies without checking alternatives."

S10: "I buy most of my insurance through a broker."

	Sample	S9		S10	
	Profile (%)	PP (%)	Pen (%)	PP (%)	Pen (%)
All adults	100.0	100.0	26.7	100.0	12.9
Sex					
Male	48.9	53.3	29.1	54.2	14.3
Female	51.1	46.7	24.4	45.8	11.6
Age					
16-19	4.8	3.6	20.2	1.7	4.7
20-24	7.6	12.3	43.4	4.4	7.5
25-34	12.7	15.4	32.4	4.4	4.4
35-44	22.0	12.2	14.8	22.8	13.4
45-54	16.1	13.6	22.5	27.5	22.1
55-64	14.5	15.7	28.8	17.0	15.1
65+	22.4	27.2	32.4	22.2	12.8

Social Grade					
A	4.9	7.1	38.5	15.9	41.8
B	19.2	22.6	31.5	10.6	7.2
C1	24.7	17.0	18.3	22.7	11.9
C2	27.4	28.3	27.5	31.5	14.9
D	14.1	17.0	32.2	14.4	13.2
E	9.7	8.0	22.1	4.8	6.4
Working Status					
Full time (30+ hours a week)	47.0	38.5	21.9	52.8	14.5
Part time	15.8	19.1	32.4	10.6	8.7
Not working (excluding retired/invalid)†	13.2	10.9	22.0	12.1	11.8
Not working (retired/invalid)	23.6	31.5	35.6	24.5	13.4
Standard Region					
North	4.6	5.0	29.2	7.8	21.9
Yorkshire and Humberside	9.9	10.2	27.5	15.3	19.9
East Midlands	5.5	9.9	48.1	2.0	4.6
West Midlands	7.0	3.5	13.4	3.4	6.2
East Anglia	7.1	6.9	26.0	6.3	11.5
South East	18.7	21.7	30.9	23.5	16.2
Greater London	13.8	7.1	13.8	6.5	6.1
South West	6.7	7.9	31.4	7.7	14.8
North West	10.1	12.1	32.0	8.9	11.5
Wales	7.4	5.1	18.5	5.9	10.2
Scotland	9.2	10.5	30.5	12.8	17.9
Size of Household					

1	22.4	28.9	34.4	29.3	16.9
2	33.0	31.0	25.0	34.6	13.5
3	15.0	12.4	22.0	16.5	14.2
4	18.1	17.6	25.9	11.3	8.1
5+	10.5	9.4	23.8	7.1	8.7
Marital Status					
Married/living as married	52.9	42.7	21.5	51.9	12.7
Single	26.6	31.1	31.1	14.9	7.2
Divorced	10.4	14.8	37.9	18.8	23.4
Widowed	8.1	10.5	34.5	8.7	13.9
Separated	1.2	1.0	21.6	3.5	37.7
Presence of Children					
Aged 0-4	8.3	5.3	17.1	1.2	1.9
Aged 5-9	14.5	10.4	19.2	4.8	4.3
Aged 10-15	19.7	13.9	18.9	17.7	11.7
No children	71.2	79.3	29.7	80.2	14.6
Tenure					
Own home outright	48.0	53.1	29.5	56.0	15.1
Buying home	27.6	17.1	16.5	34.5	16.1
Rent from the council	11.0	13.0	31.6	6.0	7.0
Rent privately	9.9	13.4	36.0	2.4	3.1

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

"Price Comparison Websites Provide Consumers with More Power When Buying Insurance"

More than three in five consumers said that they felt PCWs gave them more power when purchasing insurance. Though men were more likely than women to use PCWs, women were more likely than men to think that they gave consumers more power. By far the highest penetration for those who felt this way was seen among those aged 20 to 24 — more than 90% of consumers of this age felt that PCWs gave them more power compared with just 36.3% of those aged 65 and over, who were very low users of PCWs. This is linked with low penetration among those in social grade E, those living alone and those who were widowed.

Full-time workers were the most likely to feel that PCWs offered the consumer more power; they were also the most likely to use the services of a PCW. Regionally, close to three-quarters of those in the North and Greater London felt this way, while Scotland was the only region where this was felt by less than half of the population.

Table 6.13: "Price Comparison Websites Provide Consumers with More Power When Buying Insurance" (% of respondents), May 2015

	Sample Profile (%)	PP (%)	Pen (%)
All adults	100.0	100.0	60.6
Sex			
Male	48.9	48.3	59.8
Female	51.1	51.7	61.2
Age			
16-19	4.8	4.7	59.3
20-24	7.6	11.4	90.8
25-34	12.7	15.4	73.6
35-44	22.0	25.6	70.4

45-54	16.1	18.2	68.3
55-64	14.5	11.6	48.2
65+	22.4	13.4	36.3
Social Grade			
A	4.9	4.3	52.4
B	19.2	21.3	67.1
C1	24.7	29.7	72.9
C2	27.4	26.4	58.4
D	14.1	13.3	57.1
E	9.7	5.0	31.5
Working Status			
Full time (30+ hours a week)	47.0	55.6	71.6
Part time	15.8	18.0	68.9
Not working (excluding retired/invalid)†	13.2	10.3	47.2
Not working (retired/invalid)	23.6	16.1	41.4
Standard Region			
North	4.6	5.7	74.9
Yorkshire and Humberside	9.9	9.4	57.5
East Midlands	5.5	6.4	69.9
West Midlands	7.0	7.5	64.5
East Anglia	7.1	6.7	57.3
South East	18.7	15.5	50.2
Greater London	13.8	16.4	72.1
South West	6.7	6.3	56.9
North West	10.1	11.4	68.8
Wales	7.4	7.7	62.9

Scotland	9.2	7.0	46.2
Size of Household			
1	22.4	15.4	41.5
2	33.0	29.8	54.6
3	15.0	20.6	83.3
4	18.1	21.0	70.2
5+	10.5	12.9	74.0
Marital Status			
Married/living as married	52.9	56.0	64.1
Single	26.6	28.6	65.1
Divorced	10.4	9.5	55.1
Widowed	8.1	4.5	33.9
Separated	1.2	1.4	68.2
Presence of Children			
Aged 0-4	8.3	9.5	69.1
Aged 5-9	14.5	17.1	71.2
Aged 10-15	19.7	22.6	69.6
No children	71.2	64.8	55.1
Tenure			
Own home outright	48.0	44.7	56.4
Buying home	27.6	33.4	73.2
Rent from the council	11.0	8.4	46.3
Rent privately	9.9	10.6	64.7

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

"Insurance Contracts Are Easy to Read and Understand"

Less than two in five (37.8%) respondents said that they found insurance contracts easy to read and understand. The results reveal that women are less confident about reading and understanding insurance contracts than men, while those aged 20 to 24 are notably less likely than those of any other age to feel this way. Only around a fifth of those in the East Midlands said that they felt insurance contracts were easy to read and understand; a figure that was less than half the percentage of respondents in places such as Greater London, the North and East Anglia who felt the same.

Exclusions are common in all travel insurance policies, but being unaware of them may prove particularly costly in the case of travel insurance, where injury while participating in an activity outside the scope of the ones covered by an insurance policy, or engaging in other behaviour that voids policies, could void the insurance and land an injured or sick person abroad with large medical bills.

Table 6.14: "Insurance Contracts Are Easy to Read and Understand" (% of respondents), May 2015

	Sample Profile (%)	PP (%)	Pen (%)
All adults	100.0	100.0	37.8
Sex			
Male	48.9	53.0	41.0
Female	51.1	47.0	34.7
Age			
16-19	4.8	4.7	37.0
20-24	7.6	5.2	25.9
25-34	12.7	13.9	41.5

35-44	22.0	23.0	39.4
45-54	16.1	15.5	36.4
55-64	14.5	14.8	38.6
65+	22.4	22.8	38.5
Social Grade			
A	4.9	4.7	36.2
B	19.2	18.8	37.0
C1	24.7	24.7	37.8
C2	27.4	25.5	35.2
D	14.1	14.2	38.0
E	9.7	12.1	47.0
Working Status			
Full time (30+ hours a week)	47.0	46.8	37.6
Part time	15.8	17.6	42.2
Not working (excluding retired/invalid)†	13.2	10.4	29.8
Not working (retired/invalid)	23.6	25.2	40.3
Standard Region			
North	4.6	5.2	43.0
Yorkshire and Humberside	9.9	9.4	35.6
East Midlands	5.5	3.1	21.0
West Midlands	7.0	7.8	42.1
East Anglia	7.1	8.2	43.7
South East	18.7	18.3	37.0
Greater London	13.8	18.3	50.2
South West	6.7	5.3	29.7
North West	10.1	8.9	33.5

Wales	7.4	8.2	41.6
Scotland	9.2	7.4	30.3
Size of Household			
1	22.4	25.4	42.8
2	33.0	29.8	34.1
3	15.0	19.7	49.5
4	18.1	11.6	24.2
5+	10.5	11.2	40.2
Marital Status			
Married/living as married	52.9	52.1	37.2
Single	26.6	23.8	33.7
Divorced	10.4	13.9	50.4
Widowed	8.1	8.7	40.3
Separated	1.2	0.2	6.1
Presence of Children			
Aged 0-4	8.3	8.3	37.7
Aged 5-9	14.5	15.9	41.3
Aged 10-15	19.7	18.7	35.9
No children	71.2	71.9	38.1
Tenure			
Own home outright	48.0	47.8	37.6
Buying home	27.6	27.9	38.2
Rent from the council	11.0	11.6	40.1
Rent privately	9.9	7.6	29.0

PP — purchasing profile

Pen — penetration

† — e.g. full-time student, not looking for work, unemployed

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Travel Insurance

"I Would Not Go on an Overseas Holiday Without Travel Insurance"

More than four in five respondents (80.6%) would not go on an overseas holiday without travel insurance. The last time Key Note conducted this survey, in April 2014, 68.9% of respondents said that they would not go abroad without a valid travel insurance policy in place; the 2015 results represent a significant decline in the proportion of respondents who would go abroad without a valid travel insurance policy. In some demographics, virtually all respondents said that they would not go abroad without travel insurance; this was true among the youngest respondents and those living in the North, while over 90% of respondents with the youngest children, or living in Wales or Yorkshire and Humberside, also felt this way.

Despite being perhaps the most likely to claim due to their advanced age, the oldest adults were the least likely to say they would not go abroad without travel insurance. This applied to 73.3% of respondents aged 65 and over, which may perhaps be linked to the difficulties older adults have in getting travel insurance. Older adults were the most likely to buy travel insurance directly from the insurer or through a travel agent; however, as the opportunity for the sale of holidays through travel agents and thus the direct sale of insurance products wanes on the back of growth in Internet purchases, older adults have fewer opportunities to purchase insurance through their preferred outlets.

Despite being among the most likely to make frequent trips abroad, those living in Greater London were among the least likely to say that they would not go abroad without buying travel insurance. Only around two in three respondents living in Greater London said they felt this way, leaving around a third of the population willing to go abroad without travel insurance. However, the highly cosmopolitan nature of London and great degree of ethnic and national diversities within the capital means that those living in Greater London are more likely to have dual nationality, or be from another EU country. These adults would not necessarily need travel insurance to return to their birth country for a visit, which may perhaps explain the low penetration.

Table 6.15: “I Would Not Go on an Overseas Holiday Without Travel Insurance” (% of respondents), May 2015

	Sample Profile (%)	PP (%)	Pen (%)
All adults	100.0	100.0	80.6
Sex			
Male	48.9	46.5	76.7
Female	51.1	53.5	84.4
Age			
16-19	4.8	5.7	96.6
20-24	7.6	7.7	82.4
25-34	12.7	12.5	79.6
35-44	22.0	22.5	82.2
45-54	16.1	17.1	85.8
55-64	14.5	14.2	78.8
65+	22.4	20.4	73.3
Social Grade			
A	4.9	4.7	77.3
B	19.2	18.8	78.8
C1	24.7	25.7	83.9
C2	27.4	28.3	83.4
D	14.1	13.0	74.6
E	9.7	9.5	78.6
Working Status			
Full time (30+ hours a week)	47.0	48.6	83.5
Part time	15.8	16.6	84.7

Not working (excluding retired/invalid)[†]	13.2	12.5	76.3
Not working (retired/invalid)	23.6	22.0	75.0
Standard Region			
North	4.6	5.6	98.7
Yorkshire and Humberside	9.9	11.1	90.3
East Midlands	5.5	6.0	87.7
West Midlands	7.0	6.6	76.5
East Anglia	7.1	7.4	83.9
South East	18.7	18.1	77.9
Greater London	13.8	11.5	67.7
South West	6.7	6.0	71.8
North West	10.1	10.6	84.7
Wales	7.4	8.7	94.4
Scotland	9.2	8.4	73.5
Size of Household			
1	22.4	20.5	73.9
2	33.0	34.4	84.0
3	15.0	15.3	82.4
4	18.1	19.0	84.7
5+	10.5	10.4	79.2
Marital Status			
Married/living as married	52.9	52.8	80.5
Single	26.6	27.9	84.3
Divorced	10.4	9.6	73.9
Widowed	8.1	8.1	80.1
Separated	1.2	0.9	57.3

Presence of Children			
Aged 0-4	8.3	9.5	92.5
Aged 5-9	14.5	13.8	76.8
Aged 10-15	19.7	19.8	81.4
No children	71.2	70.2	79.5
Tenure			
Own home outright	48.0	47.0	79.0
Buying home	27.6	28.1	82.1
Rent from the council	11.0	11.5	84.4
Rent privately	9.9	10.0	81.5

Pen — penetration

Base: all adults aged 16+

Weighted sample: 1,000

Source: Key Note

Strengths, Weaknesses, Opportunities & Threats

STRENGTHS

- Though the number of people travelling abroad dropped off during the recession, the 2014 figure for overseas trips by UK residents is one of the highest on record. The rise of budget airlines and other factors reducing the cost of overseas travel have helped boost numbers and even keep them relatively stable, despite the economic difficulties.
- The travel insurance market has grown to be highly versatile; though difficulties still remain in getting affordable cover for older or ill people, the market is far more open to the needs of a variety of customers now than it was even 5 years ago.
- The use of annual multi-trip travel insurance has increased alongside the sale of added-value current accounts.

WEAKNESSES

- The UK travel insurance market is highly linked to the overall overseas travel and tourism sector, which in turn depends heavily on the country's economic cycle. Far less is spent and far fewer trips are taken when the economy is performing poorly, and so the travel insurance market suffers.
- Misconceptions about the role the Government (through the Foreign and Commonwealth Office [FCO] and embassies/high commissions, etc.), the National Health Service (NHS) and the European Health Insurance Card (EHIC) will play if UK citizens need medical treatment abroad may wrongly lead them to assume they do not need travel insurance.
- The recent fragmentation of the holiday and travel sector, with consumers purchasing each aspect of their holiday separately rather than as a package, could mean travel insurance gets overlooked or forgotten about.

OPPORTUNITIES

- Changing holiday purchasing patterns are seeing more individual purchases of travel insurance, with consumers picking and choosing separate components of holidays. Although this runs the risk of travel insurance being overlooked (as stated previously), greater emphasis on standalone travel insurance rather than that offered with a package holiday/flight has opened the market up to more competition and leads to greater exposure for a higher number of providers, particularly those operating online.
- New holiday purchasing patterns are also seeing more people take more frequent but shorter breaks abroad rather than the traditional one summer holiday. The rise in popularity of city breaks, for example, largely on the back of budget airlines offering cheap fares, is boosting demand for multi-trip policies to cover several trips a year.
- The scrapping of Air Passenger Duty (APD) for those aged under 12 from May 2015,

and possibly for those aged under 16 from March 2016, could see an increase in family holidays and the need for family travel insurance policies.

- Claims for lost baggage have reduced as luggage stored in the hold has fallen with the rise of hand-baggage-only fares.
- The change in the reciprocal agreement between the UK and the Channel Islands, which receive over half a million visitors from the UK mainland each year, means that mainland UK residents are no longer entitled to NHS medical cover while in the Channel Islands. They therefore need travel insurance in place or face the cost of having to pay for medical care.

THREATS

- Joint research from the FCO and ABTA in October 2014 showed that 22% of adults are now travelling abroad uninsured. If this figure rises the value of the travel insurance market may fall.
- The rise in travel to non-traditional destinations — those not in Western Europe or North America that have dominated as destinations for UK travellers' trips abroad for many years — could see claims rise due to the higher cost of repatriation from countries further afield.
- The popularity of the 'staycation' as a cheaper alternative to foreign holidays during the depths of the recession appears to have been a lasting trend. UK destinations have become more popular as a result; this is a trend that has lasted despite economic recovery, especially in an era of multiple, smaller breaks every year. Mainland UK destinations do not require travel insurance.

PESTEL

POLITICAL

Air Passenger Duty

Air Passenger Duty (APD) is a charge on outgoing flights from the UK and is included in ticket prices. It was introduced in 1994 with a £5 rate for flights in the UK and to the EU and a £10 rate for flights to the rest of the world. Since then, APD has increased on several occasions, including doubling for passengers travelling in classes other than economy. APD was extended to business jets in April 2013 and was levied at all aircraft with an authorised take-off weight of 5.7 tonnes or more. The higher rate applies to flights on aircraft of over 20 tonnes but with fewer than 19 seats; from 1st April 2015, it is six times greater than the standard rate.

Four geographical bands were introduced in 2009 based on the distance from London to the capital city of the country of destination (with the exception of Russia, which is divided into east and west of the Ural Mountains). However, these four bands came under criticism due to inconsistencies in the distances from these capital cities. For instance, under these bands, the levy on a 4,400-mile flight to Trinidad could be up to £332. In comparison, a 7,000-mile flight to Hawaii attracted a £268 levy because Washington DC, the capital of the US, is only 3,662 miles from London and thus closer than Port of Spain, the capital of Trinidad and Tobago.

In March 2014, changes saw the charge being simplified for long-haul destinations, with a particular focus on developing trade with emerging market economies such as the People's Republic of China (PRC), Brazil and Indonesia. From 1st April 2015, the bands were simplified to just two rates: band A and band B. The former is a rate of £13 per passenger on flights of less than 2,000 miles, while the latter is a rate of £71 per passenger on flights of more than 2,000 miles. The change means passengers on long-haul flights will pay the same APD as they would have done previously on a flight to the US.

In May 2015, it was announced that APD would be scrapped for the under-12s, potentially making long-haul flights significantly cheaper for families. The savings for parents with two children under 12 could be as much as £142 on trips to long-haul destinations such as the US, Thailand and Australia, while short-haul savings will be around £13 per child under 12. The change meant that many airlines and travel companies announced that they would refund APD on flights for under-12s that were booked and paid for before the 2014 Autumn Statement in which the changes were revealed. From March 2016, it will be extended to all children under the age of 16.

Families will therefore see cheaper flights departing from UK airports, which could see them being encouraged to travel abroad more often. It also frees up money to spend on travel insurance, which they may have avoided purchasing previously because of the expense of a holiday and insurance combined.

In the Republic of Ireland, the levy on departing flights was scrapped entirely in 2014. Residents in Northern Ireland can therefore enjoy cheaper flights when departing from a Republic of Ireland airport than if they depart from one in Northern Ireland, leading to a higher rate of UK residents crossing the border and departing from the Republic of Ireland. Though APD was devolved to Northern Ireland for direct long-haul flights in 2013, Stormont has not chosen to abolish it, as this would result in a cut in the block grant it receives from Westminster equivalent to the amount APD would have brought in.

Meanwhile, APD was one of the new tax powers devolved to Scotland in January 2015 as part of a wave of devolutions to Holyrood from Westminster. This devolution is part of a raft included in the Scotland Bill. The ruling Scottish National Party (SNP) in Scotland has mentioned abolishing APD if it is devolved; though this would cut its tax income, evidence from the Republic of Ireland has shown an increase in flights as a result of its abolishment of APD, and the Scottish Parliament may hope to emulate this, perhaps taking business from northern English airports such as Newcastle.

Cuts in air passenger duty will save travellers money, which may leave them more inclined to purchase travel insurance. It may also see them taking more trips abroad, which would be another factor that would boost annual multi-trip travel insurance in particular.

Foreign and Commonwealth Office’s ‘Know Before You Go’ Campaign

The Foreign and Commonwealth Office (FCO) teamed up with the Association of British Insurers (ABI) in November 2014 to launch advice aimed at keeping UK travellers safe and healthy while they are abroad. The campaign builds on the existing ’Know Before You Go’ campaign, focusing in particular on alerting consumers who have medical conditions about their travel insurance needs before they buy travel insurance. The FCO advises all British nationals travelling overseas to prepare fully before departing, particularly by taking out travel insurance that is appropriate for the destination and their individual needs.

The ABI and FCO’s tips for travellers with existing medical conditions include disclosing in full and upfront all medical history with the travel insurer — this includes contacting insurers to discuss any changes in those pre-existing conditions, or the development of new ones, prior to travelling. The advice for those seeking cover for pre-existing medical conditions is to use brokers or specialist insurers geared to providing this type of cover, while often single-trip policies can work out cheaper for those with pre-existing conditions. The ABI and FCO also advise carefully considering the price of medical treatment at the traveller's destinations, and the quality of the facilities providing said treatment.

The campaign has raised consumer awareness of travel insurance, particularly by incorporating it into the FCO's website, which is often used by Britons to research potential destinations for a variety of reasons, including the risk of disease, natural disasters and crime, as well as the need for vaccinations, local laws and customs that must be obeyed, and the cost of medical treatment in the country.

Of particular note is the flagging of specialist insurers and brokers to those with pre-existing conditions: this may boost sales among those with such conditions who were not aware that cover existed for them, even if they had been turned down by 'conventional' travel insurers in the past.

ECONOMIC

Oil Price Collapse

Global oil prices underwent a significant downward correction at the end of 2014 and continued falling at the beginning of 2014 before noting recovery. Over-supply on the global market as a result of a boom in unconventional extractors coming online — such as the US's hydraulic fracturing (fracking) for shale oil and Canada's extraction from tar sands — and a slump in demand as the global economy, particularly that of the People's Republic of China (PRC), slowed, were key factors in the slump. An unexpected rise in Libyan production following a brief period of relative stability in the country was also a factor.

Rather than responding to the slump in prices by cutting prices, nations in the oil cartel OPEC (Organization of Petroleum Exporting Countries) opted to keep extracting the same amount, likely with the hope that lower oil prices would push the new, unconventional extractors out of business due to their higher production cost. The move has indeed slowed production from these unconventional methods, as well as resulted in the mothballing of many planned but expensive projects around the world, such as deep sea and Arctic extraction. As a result, oil prices are rising again, and so is the price of aviation fuel.

The drop in aviation fuel will have an effect on airlines' bottom lines; for example, easyJet posted a trading update in January 2015 which indicated that the collapse in the price of oil means it expects its fuel bill to be between £90m and £130m lower year-on-year. The drop may also result in cheaper fares, although most airlines hedge with fuel, buying it in advance to avoid price shocks, so many are locked in to higher prices despite the recent decline. Hedging may be for a period of between 1 and 2 years, so some airlines are still paying far higher market prices for aviation fuel despite the recent collapse in the oil price. Still, cheaper fuel prices may lead to cheaper fares for passengers, encouraging more flights and therefore the need for travel insurance, especially annual multi-trip policies.

Strong Pound Sees British Holidaymakers' Cash Go Further

The strength of sterling against a number of world currencies, especially the US dollar and the euro, has proved a boon for British holidaymakers, for whom the favourable exchange rate means money goes further while they are abroad. With growing uncertainty over the position of Greece within the single currency and a relatively moribund Eurozone economy that required intervention and stimulus from the European Central Bank (ECB), the euro has slid to lows not seen against sterling for several years.

With Eurozone destinations such as Spain, France and Italy topping the list of destinations receiving the most British visitors, the impact of the weak euro has had a significant effect on the UK holiday market. This has been seen in the strong growth in overseas visitors from the UK in 2014, with a 5.4% increase in visitors to Spain alone according to National Statistics' May 2015 *Travel Trends 2014* publication.

With the Greek crisis ongoing and no hint that the ECB will stop its quantitative easing (QE) programme early despite more positive news out of the Eurozone — including a return to positive inflation and economic growth in many countries, as well as in the bloc as a whole — the euro is likely to remain weak and offer UK residents cheaper trips to Europe for some time.

Economic Recovery Boosts Holiday Market

The travel insurance industry suffers alongside the general holiday market when it comes to periods of economic difficulty; when households seek to cut costs, luxuries such as overseas trips are among the first things to go. As such, the number of overseas trips taken falls and sales for holidays and related services, such as flights and travel insurance, are similarly depressed.

The UK was one of the fastest-growing rich-world economies in 2014, returning to strong economic growth after several years of poor output. With the economy growing, unemployment continuing to fall and wages rising at a 4-year high of 2.7% in April 2015, more UK residents could find overseas trips affordable once more, especially in the wake of the aforementioned oil price slump, which has cut fuel bills for consumers as well as airlines, and the strong sterling against the currencies of the two most popular destinations for UK residents: the US and Europe.

SOCIAL

Global Political and Social Unrest

A number of the UK's favoured holiday destinations have undergone significant social and political upheaval of late. Egypt had previously been one of the top destinations in North Africa, particularly its resorts located on the Red Sea in the south of the country. However, owing to the Arab Spring that swept across many Arabic countries and deposed leaders from a number of countries, the political and social situation in Egypt has been in a significant state of flux, and tourism has fallen sharply. The first government installed after the initial uprising was then itself toppled and replaced by another government. With neighbouring Libya in a state of all-out civil war between two parliaments, each claiming the right to rule, travellers are concerned with the safety of travelling to the region.

While Tunisia has been hailed as one of the key 'successes' of the Arab Spring, transitioning as it did to a democracy after the uprising, a 2015 terrorist attack on a popular tourist museum, which killed a number of foreign nationals, has also had the effect of deterring visitors. This has since been further compounded by the June 2015 mass shooting at a beach resort popular with Western tourists, where total fatalities were overwhelmingly UK citizens. Equally, Jordan — home to Petra and its archaeological sites — has seen an influx of refugees fleeing the fighting in Syria and Iraq, while those hoping to travel to Israel to visit holy sites in Jerusalem may have been deterred by the recent reopening of the hostilities between Israel and the Palestinians in the summer of 2014.

Even in Europe, the continued decline of the Greek economy as it edges ever-closer to what could be an exit from the Eurozone is causing uncertainty for Britons perhaps considering a holiday to Greece. Fears of mass protests and banks running out of cash could well deter tourists from visiting Greece and its islands. Turkey shares a border to the south with both Syria and Iraq, and media attention has been placed on Western citizens using Turkey to cross the border to join, or fight against, the Islamic State terrorist group. Negative associations with the war in the Middle East may deter potential visitors to Turkey.

Further afield, Thailand, another popular destination, has recently experienced its twelfth coup in less than a century; it is currently being ruled by the military until such a time the military believes fresh elections can be held. This said, although there has been a notable effect on the local population, visitors have been able to enjoy a trip to Thailand relatively unencumbered. Meanwhile Kenya, which has proved a draw for Western tourists because of its safari parks, has recently come under attack by terrorist groups from neighbouring Somalia; the gun attack on the Westgate Shopping Mall and a more recent attack on a Kenyan university killed a significant number of people.

Potential tourists following the news and seeing the civil and political upheaval in these countries may well think twice about visiting these regions and instead choose to visit other countries or regions they consider safer. This could well see the cost to insurers of travel insurance claims coming down as the less typical destinations are shunned for more stable European ones, reversing the trend of tourists travelling further afield.

'Balconing'

From the early 2000s onwards, certain European Mediterranean resorts have seen a considerable influx of young European tourists, including from the UK. This has been on the back of the rise in low-cost airlines making it relatively low cost to fly to such places. Typical tourist hotspots for young Northern Europeans include Malaga, Spain; Aiya Napa, Cyprus; Faliraki, Rhodes; and the Spanish Balearic Islands resorts of Ibiza and Mallorca, particularly Magaluf in the latter case. Often, the consumption of alcohol on trips to such resorts is commonplace, with each of the mentioned locations having extensive nightlife catering to this demographic. In recent years, there have been a number of cases where British holidaymakers have been injured or even killed in incidents relating to balconies, often in circumstances where drive or drugs are involved.

Travel insurers often do not cover injuries sustained in balcony falls where the individual has been reckless, such as climbing from one balcony to another ('balconing'), or diving off balconies into swimming pools, and especially not if drink or drugs have been consumed as part of this. Many policies contain specific clauses that state that payment for medical treatment will not be forthcoming in situations where the injury has been brought about by excessive consumption of alcohol or the use of illegal or prescription drugs that had not been prescribed to the insured. Resultantly, the FCO has gone so far as to issue advice to Britons travelling abroad to these resorts to moderate their alcohol consumption and not to engage in risky behaviour such as balconing. One such warning in a July 2013 announcement on the FC's website by Andrew Gwatkin, the British Consul General who oversees the Balearic Islands, was issued after two young Britons were seriously injured in balcony falls in Spain in the 6 months to 1st July 2013, on top of four fatalities and a total of 18 falls across Spain in

2012.

In order to try and curb the rise in cases, the FCO began a leafleting campaign in some of the hotspots popular with young Britons, which include the story of Jake Evans, 18, who narrowly survived a fall from a seventh-floor balcony after the over-consumption of alcohol. The campaign also includes a video of Jake Evans, in which he tells his story, made available to view on the FCO's website and the popular video-sharing website YouTube.

The campaign could see a rise in travel insurance among younger Britons who, given travel insurance is voluntary and an added expense, may not have felt that they needed to purchase a policy before. However, with the exclusions that travel insurers place on excessive alcohol consumption, it may also be seen as not worth taking out travel insurance if going abroad to these resorts, as insurers are unlikely to pay out if alcohol has been involved in any accidents or other incidents.

The Rise of the Young and Uninsured

Joint research between the FCO and ABTA released in October 2014 showed an increase in the percentage of people travelling abroad without travel insurance. In 2013, 19% of people went abroad without travel insurance — this had increased to 22% by 2014 according to the research, meaning over one in five travellers went abroad without travel insurance last year. For the youngest travellers, those under 35, this percentage went up to around one in three adults. 35% of those aged between 16 and 24 and 36% of those aged between 25 and 34 said they did not take out travel insurance.

The research hinted at a number of reasons behind the fact that younger people are more likely to be uninsured than the general population, with 19% of those aged between 16 and 24 and 23% of those aged between 25 and 34 believing travel insurance to be unnecessary under the erroneous assumption that the UK Government will pay for their treatment if they fall ill overseas. In reality, the FCO offers consular assistance to sick and injured UK citizens but will never pay medical bills.

Reliance on the European Health Insurance Card (EHIC) was another factor, with one in four of those aged 16 to 24 and 23% of those aged 25 to 34 believing the EHIC means they do not need health insurance. In reality, the EHIC has limits — it does not pay for private treatment and standards in state hospitals overseas may be lower than those in the UK, and not all treatment is free. In addition, if an air ambulance back to the UK is required, the costs are not covered and can run into thousands of pounds.

The biggest reason for going abroad uninsured among young people is the cost of insurance: 29% of those aged 16 to 24 and 31% of those aged 25 to 34 said cost is the principal reason they don’t take out travel insurance.

An Ageing Population and Older Travellers

Between 1974 and 2014, the UK population grew by 14.7% from 56.2 million to 64.5 million. A number of factors have boosted population growth, including a drop in infant mortality and a rise in immigration. Yet perhaps the overriding issue to consider when examining the growth over the past 40 years is the population’s increasing longevity on the back of better medical care and healthier lifestyles. Fewer men are now employed in high-risk activities such as coal mining, while rates of smoking have declined considerably since the 1970s. Meanwhile, a continued fall in infant mortality has helped to increase the average age of the population and adults can now expect to lead increasingly healthier lives and for longer periods into their old age than has ever been the case before.

While the overall population has increased by 14.7%, over this period, the population of those aged 65 and over is up by 46.4%, from 7.8 million to 11.4 million. In 1974, the 65 and over age group accounted for 13.8% of the population; by 2014, this figure was 17.7%. In 1974, there were only around 521,000 adults aged 85 and over, a figure which accounted for just 0.9% of the overall population of the UK. This figure came close to trebling over the 40 years between 1974 and 2004, rising by 189.8% in total to 1.5 million. Over 1 in every 50 adults in the UK is now aged at least 85; close to 1 in 100 UK adults are now aged 90 or over.

Although an ageing population hints at growing demand for products focused on older adults, it can still be harder for older adults to get travel insurance due to the higher likelihood that they will have a pre-existing medical condition or suffer from an age-related complication while abroad. This said, increasing longevity has come with an improved level of health in old age and, as such, a growing number of older adults are travelling abroad. Back in 2012, specialist over-50s provider Saga was already serving the centenarian market, offering travel insurance to their oldest-ever customer, a 101-year-old lady travelling to Italy to celebrate her birthday with her family. Specialist providers are growing in the market to cater for this rising trend of older travellers as demand grows.

A number of insurers have reached an agreement with the ABI and the British Insurance Brokers’ Association (BIBA) to ‘signpost’ adults they cannot cover because of their age to insurers that may be able to offer cover. Many insurers now have these signposting provisions in place to redirect other clients to meet their new obligations under this agreement. Other insurers have introduced, developed or enhanced their broker arms so as to provide specialist cover to older people, allowing them to cover the risk and therefore receive premiums from those that the main insurance arm of the company feels they are unable to insure.

The baby boomer generation, which is currently at or approaching retirement age, has benefitted from the UK's property boom; they are also more likely to be the beneficiaries of generous, final salary pension schemes than younger adults. This equity in their home and comfortable pension income, coupled with any investments they may have made, makes this generation one of the wealthiest in approach to retirement in history. Travel among these adults has increased, in part funded by this build up of capital and retirement savings.

Table 8.1: Mid-Year Population Estimates of the UK by Age Quintile (000 and %), 1974, 1984, 1994, 2004 and 2014

	Population (000)					% of Population	
	1974	1984	1994	2004	2014	1974	2014
Age							
0-4	4,116	3,591	3,852	3,390	4,028	7.3	6.2
5-9	4,639	3,351	3,806	3,607	3,834	8.2	5.9
10-14	4,566	4,035	3,634	3,866	3,498	8.1	5.4
15-19	4,017	4,632	3,387	3,923	3,842	7.1	6.0
20-24	3,911	4,613	4,074	3,822	4,343	7.0	6.7
25-29	4,186	3,974	4,600	3,676	4,411	7.4	6.8
30-34	3,420	3,796	4,522	4,272	4,355	6.1	6.8
35-39	3,248	4,090	3,971	4,690	3,984	5.8	6.2
40-44	3,200	3,329	3,782	4,495	4,373	5.7	6.8
45-49	3,332	3,149	4,034	3,945	4,661	5.9	7.2
50-54	3,677	3,071	3,232	3,689	4,448	6.5	6.9
55-59	2,938	3,106	2,999	3,872	3,832	5.2	5.9
60-64	3,201	3,276	2,814	3,027	3,503	5.7	5.4
65-69	2,831	2,447	2,671	2,692	3,555	5.0	5.5
70-74	2,192	2,407	2,556	2,336	2,630	3.9	4.1

75-79	1,414	1,802	1,653	1,934	2,138	2.5	3.3
80-84	827	1,082	1,299	1,498	1,569	1.5	2.4
85+	521	660	974	-	-	0.9	-
85-89	-	-	-	702	954	-	1.5
90+	-	-	-	409	555	-	0.9
Total	**56,236**	**56,409**	**57,862**	**59,842**	**64,511**	**100.0**	**100.0**

Note: totals may not sum due to rounding at the source.

Source: Population Estimates for UK, England and Wales, Scotland and Northern Ireland, Population Estimates Timeseries 1971 to Current Year (December 2011)/National Population Projections, 2012-based projections (November 2013), National Statistics © Crown copyright material is reproduced with the permission of the Controller of HMSO (and the Queen's Printer for Scotland)

Despite a key part of the reason for the growing older population being that adults are healthier due to better lifestyles and medical advances, it remains that older adults struggle to get travel insurance. When they do get travel insurance, they often have to pay more than younger adults because of the assumed higher risk of them making a claim on the policy. According to a May 2015 article by consumer publication *Which?*, healthy travellers aged 65 pay an average of £126.26 for an annual worldwide policy, while those aged 75 pay £306.34. The article goes on to cite industry data from the ABI, which Key Note has recreated in Table 8.2 below. Despite the high cost of insurance for older adults, those aged between 61 and 75 only cost insurers an average of £51 per policy.

Although insurers are now obliged to 'signpost' people they do not feel they can cover to an insurer who may be able to help, older adults often find it more difficult to get travel insurance, despite the current generation of older people being far healthier than even their parents' generation, and likely having far exceeded the life expectancy of their grandparents. *Which?* surveyed 20 insurers; only four of them would provide annual worldwide policies for customers above the age of 80, and 11 providers would cover holidaymakers aged over 80 looking for worldwide single-trip cover.

Also, although the average policy for someone aged between 61 and 75 only has to pay out £51, this is still four times the £13 on average insurers had to pay out for someone in the 26 to 30 age bracket, and close to five times the amount they had to pay out for someone aged 31 to 35. Meanwhile, claims frequency for those aged between 21 and 45 is less than 4%, meaning that for every 25 policies sold, less than one will have a claim on them. For adults aged 91 and over, not only is the average claim the highest, at £138, but almost 10% of policies sold require a payout. For those in their mid-80s and above, claims frequency is significantly increased, as is the average cost of claims.

Table 8.2: Travel Insurance Claims Data by Age (£ and %), 2012

	AveragePremium (£)	Average Claimper Policy (£)	ClaimsFrequency (%)
Age of Policyholder			
18-20	37	21	5.0
21-25	24	14	3.3
26-30	25	13	3.5
31-35	28	11	2.9
36-40	31	17	3.7
41-45	33	16	3.5
46-50	37	24	4.4
51-55	41	28	4.9
56-60	47	36	5.7
61-65	58	51	6.7
66-70	75	51	5.9
71-75	78	51	5.4
76-80	77	52	5.3
81-85	82	58	5.5
86-90	132	109	7.7
91+	125	138	9.6

Source: Association of British Insurers

Fraud

Between 2009 and 2013, the value of detected claims fraud against travel insurers has increased notably, rising from £5.1m to £7.7m. However, the 2013 figure is below the peak seen in 2012, of £7.8m; this figure coincides with a repudiation rate of 2.35%, one of the highest levels of detected claims in recent years. As with many other general insurers, travel insurers have invested notably in better fraud-detection methods to reduce the cost of fraud. The figures provided in Table 8.3 represent the fraud detected by insurance companies, which means that the claims have not been successful and have been flagged as fraudulent. This perhaps explains why travel insurance premiums have been falling: with lower rates of successful fraud, insurers have managed to reduce payouts.

This is certainly reflected in the fact that the number of detected fraudulent claims has increased from 4,529 to 7,052 between 2009 and 2013. This provides an average fraudulent claim of £1,090.61.

Table 8.3: Value and Volume of Detected Travel Insurance Claims Fraud (£000, number and %), 2009-2013

	2009	2010	2011	2012	2013
Value (£000)	5,107	6,145	7,122	7,812	7,691
Repudiation Rate (%)	1.10	1.08	1.25	2.35	1.22
Number	4,529	4,772	5,095	5,488	7,052
Repudiation Rate (%)	1.46	1.03	0.94	0.97	1.04

Note: the repudiation rates show levels of detected fraud, measured as a percentage of all claims, both by value and volume of claims; all figures are grossed up from data collected covering 48% of market in 2013.

Source: Association of British Insurers

TECHNOLOGICAL AND ENVIRONMENTAL

The Environmental Impact of Flying and Planes of the Future

While consumers are undoubtedly taking more trips abroad, largely due to air travel being almost as cheap as it has ever been, it cannot be denied that air travel is a significant contributor to carbon emissions. By burning fossil fuels high in the atmosphere, air travel is a particularly carbon-intensive method of travel. Environmental groups are seeking to curtail air travel for this reason, perhaps with higher taxes on air travel and jet fuel, but also by encouraging Britons to holiday at home or in destinations that can be reached using other forms of transportation, such as long-distance rail travel via the Channel Tunnel.

Consumers concerned with the environmental impact of their flying are sometimes offered the chance by airlines to offset the carbon emissions of their flight by paying an added fee on top of their ticket price, which is then used to fund projects that will absorb emitted carbon, or prevent the same amount of carbon emitted from the flight being emitted elsewhere. This can take the form of planting trees or investments in carbon capture and storage (CCS).

Although consumers in the main are generally reluctant to curtail their flying habits for environmental reasons, with leisure travellers seeing it as a ‘treat’ and business travellers seeing it as essential, the negative impact on the environment and the reputation of air travel as being particularly carbon intensive has not been lost on airlines or manufacturers. Not only this, but with oil prices being high until around the close of the third quarter of 2014, fuel efficiency was prized for its cost savings as well as its positive environmental impact. Although the recent collapse in oil prices may have been expected to negate the drive towards saving fuel, with airlines having ‘hedged’ their purchase of fuel, many will be paying higher prices for some time yet. Furthermore, the development of these technologies takes time to filter through; the implementation of technologies devised when fuel prices were far higher is only really coming to the forefront of aircraft manufacture now.

While a minority of consumers may have decided against air travel, thus barring them from many foreign destinations and reducing the volume and value of travel insurance sold as a result, recent innovations in the manufacture of aircraft may help to reassure those with environmental objections to flying by offering air travel with a far lower carbon footprint. These innovations are numerous. Carbon fibre and other composite materials such as aluminium have made air frames far lighter, thus reducing fuel cosnumption. Meanwhile, the introduction of ‘superjumbos’ means aircraft can carry several hundred people at once if configured all in economy class, which offers significant fuel savings in comparison with operating a higher number of smaller aircraft offering the same capacity.

Seats are also being subjected to a significant overhaul: new materials and composites mean that seats can be made far lighter but still meet strict safety standards required by aviation authorities. Carbon fibre and titanium are just two of the materials used in such seats. Some airlines have ordered seats that do not recline; by not offering reclining seats, manufacturers can do away with the mechanisms needed to recline the seat, offering further weight savings. Indeed, some seats offer such significant weight savings that they will allow aircraft to carry more passengers, further improving the industry's fuel efficiency. Even the cushions in seats have become lighter thanks to improvements in material science, with fire-retardant foam being used to significantly reduce the weight of padding without an associated loss of comfort.

Air travel has already become significantly cheaper in recent years thanks to the rise of budget airlines. Through periods of high fuel prices, aircraft manufacturers were keen to offer the highest level of savings they could to their potential customers, with manufacturers competing on how little fuel could be used. As technology continues to develop and some makes its way into new fleets, air travel is expected to become cheaper still as fuel costs fall, as well as become more environmentally friendly. Both factors could see an upsurge in air travel as a result, and therefore greater demand for travel insurance.

Severe Weather Events and Travel Disruption

The 2013/2014 winter was the wettest winter in England and Wales since records began in 1766. It was also the wettest winter in the UK since records began for the country as a whole in 1910. Winter in this context refers to the period from 1st December 2013 to 25th February 2014. The result of this heavy and persistent rainfall, as well as a series of severe winter storms, including the St Jude Storm (also known as Cyclone Christian) was widespread flooding and wind damage across the south of England and the west of Wales; the low-lying Somerset Levels were submerged under water and one of the main rail links to the West Country was washed away by the ferocity of the storms.

There was a particularly high level of damage in the South East, home to two of the UK's major airports. Airports suffered delayed departures and cancellations due to high winds, while flooding caused a power failure at Gatwick Airport, stranding more than 11,000 passengers on Christmas Eve, one of the busiest flying days of the year.

It is a widely held belief in the scientific community that severe weather events in the UK, and indeed across the world, are to become more common as a result of climate change. As the climate warms, it can create disturbances in factors which control weather, such as ocean currents or fast-moving streams of air in the atmosphere. This can result in a wide number of severe weather events, from the wet winter seen in the UK in 2013/2014 to more frequent and stronger hurricanes, cyclones and typhoons in tropical regions throughout the world. All such occurrences can lead to travel insurance claims resulting from delayed flights or damaged accommodation.

The Comparison Websites and New Holiday Purchasing Patterns

Just as with many other areas of the market, the rise of price comparison websites (PCWs) has had a major effect on the holidays and travel sector, which in turn has had an effect on the travel insurance market. As the Internet becomes a greater part of consumers' lives, it is becoming a common source of information and purchases. This is for a variety of goods and services, from groceries to holidays. PCWs have also acted to significantly alter the landscape in which travel insurers operate, which has brought further changes to the market.

PCWs have proved a blow for traditional travel agents and tour operators, who specialise in selling holidays as a package and all in one place. Not only is there now more competition for these types of sales as a result of PCWs, but consumers are increasingly using the freedom brought to them by PCWs to pick and choose elements of holidays that suit them, at the cheapest prices. Flights, accommodation and car hire, etc., are now often all booked separately, with consumers seeking the cheapest and most convenient deals rather than taking a package that a travel agent has to offer.

As a result of this fragmentation in the market for holidays, the purchase of travel insurance has also become similarly diverse. Once a common ancillary product sold alongside package holidays, travel insurance sales from this source have fallen. Furthermore, consumers are increasingly picking and choosing travel insurance policies that suit them rather than opting for ones sold alongside other products. PCWs have also become a major factor in this market, with consumers using them to find the best travel insurance product for them. This has created enormous competition in the travel insurance sector, as well as detaching travel insurance products from the purchase of an overall holiday. The risk with this is that purchasing travel insurance gets overlooked; it has also kept downward pressure on prices for insurers.

Improved Volcanic Ash Procedures

After the chaos caused by closed European airspace during the 2010 eruption of the Eyjafjallajökull volcano in Iceland — the subsequent ash cloud grounded 107,000 flights over an 8-day period and affected 10 million passengers — the UK Civil Aviation Authority (CAA) has put into place new technology that will drastically reduce the chaos should a similar situation occur. The aviation industry and the relevant authorities were relatively unprepared for the 2010 eruption, because little to no research had been done on what constituted a safe amount of ash for jet engines to ingest and similar conditions had not occurred over an airspace as crowded as Europe's. The official safe level of ash intake for jet engines was zero, but since the eruption, airlines have worked with engine manufacturers to determine what constitutes a safe amount of ash to fly through, and the CAA has approved safety plans prepared by most airlines which would allow them to fly in low- and medium-density ash clouds.

Aircraft encountering volcanic ash can face a number of issues, including infiltration of the fuselage, which may then get into sensitive electronic equipment in the cockpit. If the ash is drawn into the cargo hold, it can set off the aircraft's fire warning system, causing a false alarm of a fire. The ash itself is hazardous when ingested into engines: the high heat inside an engine can melt the contents of the ash into a material similar to liquid glass, which can then solidify on the turbine blades and cause a loss of engine efficiency. This solidified material also has the possibility of shattering and throwing hard debris through the engine, thus damaging it. Jet engines can also 'flameout' when encountering ash, which refers to the run-down of a jet engine caused by the extinction of the flame in the combustion chamber, meaning the aircraft can lose engine power.

However, huge recent advances in forecasting for ash clouds have been made, while ways to test their density and determining safe ash levels for flying have been developed, meaning far fewer flights would have to be cancelled if another such event occurred. In Iceland, a new radar and satellite monitoring system is more accurately able to measure the density of ash being ejected from a volcano; it also has a propeller-driven aircraft that can be sent to fly through ash clouds and measure the density of ash at a moment's notice. The Met Office has access to these data and can use its own weather data, such as windspeed and direction, to map where ash will go; it too has technology to map ash density.

Aircraft will be permitted to fly through low-density ash, defined as being up to 2 milligrams per cubic metre (mg/m^3) of air, as collaboration with engine manufacturers since 2010 has seen this level deemed safe. For medium-density ash — between $2mg/m^3$ and $42mg/m^3$ — airlines can operate if they have agreed a safety case with the CAA, as many already have. Even in areas of predicted higher densities, airlines could continue to operate if they can demonstrate to the regulator they have robust risk mitigation measures and additional safety procedures.

Airlines have also made inroads into better monitoring of ash clouds — in 2014, easyJet revealed that it had successfully tested a volcanic ash detection system for its aircraft in recent years and plans to kit out its entire fleet with the technology, allowing pilots to navigate around particularly troublesome areas.

The risk of travel insurers having to pick up the bill for cancellations and passengers stranded abroard as a result of the closure of European airspace appears to have been reduced dramatically by these new measures.

LEGISLATIVE

Regulation (EC) No 261/2004 — Denied Boarding Regulations

The Denied Boarding Regulations, implemented by Regulation No 261/2004 of the European Commission, establishes common rules on compensations and assistance to passengers in the event of them being denied boarding and/or the long delay or cancellation of flights. The Regulation applies to passengers departing from an airport located in the territory of a Member State of the EU to which the European Community Treaty applies. It also applies to passengers departing from an airport outside the EU for an airport within the EU, if the operating air carrier is a Community carrier. This means a carrier with a valid operating licence granted by an EU state. The Regulations apply on the condition that the passengers have a confirmed reservation for the flight concerned and present themselves for check-in at the stipulated time (if no time is indicated, this is defined as no later than 45 minutes before the published departure time of the flight).

This Regulation establishes passengers' rights if they are denied boarding against their will (e.g. the flight is oversold); their flight is cancelled; or their flight is delayed. The Regulations do not apply to flights departing from Gibraltar Airport or to helicopters or other non-fixed wing aircraft. They also do not apply to passengers travelling free of charge or at a reduced fare not available directly or indirectly to the general public.

When an air carrier reasonably expects to deny boarding on a flight, standard practice is generally to first call for volunteers to surrender their reservations in exchange for certain benefits (perhaps an upgraded seat on a later flight, for instance). In such situations, air carriers give priority to persons with reduced mobility and any persons accompanying them. If an insufficient number of volunteers come forward to allow the remaining passengers to board the flight, the air carrier may then deny boarding to passengers against their will, in which case it must compensate them.

In the event of a flight cancellation or denied boarding, the passengers concerned have the right to:

- reimbursement of the cost of the ticket within 7 days, a return flight to the first point of departure, or re-routing to their final destination
- care — refreshments, meals, hotel accommodation and transport between the airport and place of accommodation if the flight is delayed until the next day, and communication in the form of two free telephone calls, fax messages or e-mails
- compensation totalling €250 for all flights of up to 1,500 kilometres (km); €400 for all intra-Community flights in excess of 1,500km and for all other flights between 1,500km and 3,500km; and €600 for all flights over 3,500km or those which do not fall into the

first or second brackets.

Compensation is reduced to 50% if ultimate arrival time is within 2 hours for short-haul flights, within 3 hours for medium-haul flights and within 4 hours for long-haul flights. Compensation can be paid by cash, bank transfer or cheque. Only if the passenger agrees can it be paid in travel vouchers or other services. In the event of long delays (in excess of 2 hours, depending on the distance of the flight), passengers must in every case be offered care by the airline as above. Where the delay is 5 hours or longer, passengers may opt for reimbursement of the full cost of the ticket together with, when relevant, a return flight to the first point of departure.

If, when booking a passenger on another flight, an air carrier places the passenger in a class lower than that for which the ticket was purchased, the passenger must be reimbursed within 7 days, as follows:

- 30% of the price of the ticket for all flights of 1,500km or less
- 50% of the price of the ticket for all intra-Community flights of more than 1,500km, except flights between member states and the French Overseas Departments, and for all other flights between 1,500km and 3,500km
- 75% of the price of the ticket for all other flights, including flights between member states and the French Overseas Departments.

There is an exception to the right to compensation if the carrier can prove that the cancellation is caused by ‘extraordinary circumstances’ which could not have been avoided even if all reasonable measures had been taken. Technical faults, unless they stem from events which, by their nature or origin, are not inherent in the normal exercise of the air carrier, do not count as examples of extraordinary circumstances. However, atmospheric or meteorological conditions (i.e. strong wind, snow/ice, fog, lightning, etc.) that would negatively impact on the safe operation of the flight and could impinge the safety of passengers and crew can count as extraordinary circumstances.

Although airlines are not liable to compensate their passengers as above in the event of ‘extraordinary circumstances’, such as the ash cloud created by the eruption of Iceland’s Eyjafjallajökull volcano in the spring of 2010, a landmark ruling by the European Court of Justice (ECJ) in *McDonagh v Ryanair*, handed down in January 2013, confirmed that airlines are exposed to unlimited liability to provide care, regardless of fault. As such, even in extraordinary circumstances, airlines will have to pay for passengers’ expenses concerning accommodation, food and transport until their flight can be rescheduled. The claimant in the case, Ms McDonagh, was stranded for a week in Portugal after her return flight to Dublin was cancelled because of the ash cloud, and spent €1,130 on accommodation as a result. The ECJ made explicit that passengers could recover expenses which were only ‘of the amounts which proved necessary, appropriate and reasonable’.

This legal action was further backed up in October 2014, after judges rejected appeals from two carriers in a pair of landmark cases, meaning airlines will potentially be liable to pay delayed passengers compensation. The UK's Supreme Court turned down applications from Jet2 and Thomson to appeal against two rulings from July 2014, which allowed passengers to claim for historical delays and also make airlines liable in the event of technical problems. The rulings confirmed that passengers have 6 years to bring a claim for flight delay compensation, meaning such historical claims have the potential to run into billions of pounds.

Most travel insurance policies cover the insured for expenses incurred if they are stuck for a number of reasons, but the increasing power that consumers have in this area following these rulings could be one of the factors that has seen claims for cancellations falling. Airlines are now far more responsible for delays and cancellations, shifting the burden away from insurers. The presence of these regulations and the ability of passengers to get compensation directly from the airlines has eased the pressure on travel insurers somewhat, who have historically been the 'go to' source of compensation in circumstances where flights are delayed. However, airlines do not have to pay for other losses as a result of delays, such as if the insured has to cancel a prepaid trip or excursion due to a flight delay; there will still be need for travel insurance for these aspects of a holiday and, as such, claims for cancellations for such events.

Packaged Bank Accounts Come Under Scrutiny

As mentioned in earlier chapters, packaged bank accounts have been a major distribution method for travel insurance, alongside a number of other products and services, such as mobile phone insurance and breakdown cover. Holders of these accounts pay a fixed fee each month and then are usually given either European or global annual multi-trip cover in return. However, over the past few years, there has been a rising tide of consumer disillusion regarding packaged bank accounts, particularly in relation to whether they had been sold in the correct manner. With banks still paying out for the mis-selling of payment protection insurance (PPI), as well as a number of other scandals in banking such as the fixing of interest and exchange rates, the misdeeds of banks are at the forefront of the public's minds.

Given that around a fifth of the adult population has such a current account, it is perhaps not surprising that the Financial Ombudsman Service (FOS) has received a large number of complaints about them. However, what is more surprising is the sharp volume increase in such claims in the first quarter of 2015 compared with 2014 — complaints rose by 278% on greater public awareness of the issue. With around 80% of complaints coming from claims management companies, an industry has sprung up around the issue, just as is the case with PPI.

There are a number of factors behind the potential mis-selling of these accounts, including customers feeling pressured into taking them (sales were previously linked to staff bonuses/commission, a practice that has since ceased); customers being told they needed one to access a certain product with their bank, such as an overdraft, when this was not the case; not informing customers that they needed to register to receive the benefits, such as in the case of mobile phone insurance; upgrading customers without their express permission; and not checking whether customers were eligible for the insurance products (due to age or health). The latter is particularly important in the case of travel insurance.

The Financial Conduct Authority (FCA) released a consultation paper in September 2014 with key new rules for the sale of packaged bank accounts, including that reasonable steps must be taken to establish whether a customer is eligible to claim under each policy and to inform them of their eligibility to claim, and that the customer must receive an annual statement that sets out any qualifying requirements to claim under each policy and remind them to review whether they meet these requirements.

FCA Bans Opt-Out Selling

In March 2015, the FCA published proposals that would see the selling of insurance add-ons on an 'opt-out' basis, such as breakdown cover or motor legal protection, banned. Opt-out selling is the practice of making it the default for customers to buy products which they then have to actively opt out of; this includes 'pre-ticking' boxes next to add-on products when selling customers insurance. The ban would apply to any add-on sales of regulated or unregulated products offered alongside financial primary products; this includes legal expenses sold with home insurance, breakdown or key cover sold alongside motor insurance, or travel insurance taken out when booking a flight or holiday.

The FCA began a consultation in March 2015, which ended in June 2015, to assess the industry's thoughts on these proposals. Part of the proposals is expected to involve introducing guidance for firms so they can give consumers information about add-ons at the right time in the sales process.

Christopher Woolard, the FCA's Director of Strategy and Competition, said in a press release regarding the proposals:

"Our work shows that the opt-out model means too often consumers are buying a product when they have not been able to give any thought to whether or not they need it. We are all familiar with having to double check whether or not we have accidently agreed to buy an add-on insurance product when buying car insurance or tickets online for example. These proposals will mean that consumers will be in a better position...

Fewer consumers will end up with products they didn't want or don't even know they own."

Part of the reason for the launch of the investigation and the eventual proposals to remedy the issues that the FCA found was that the practice of opt-out selling of add-ons was found to foster very low levels of competition and therefore lead to poor value for the consumer. Opt-out selling means buyers are less likely to shop around and are not as price sensitive as they may otherwise have been. Consumers were also found to have poor awareness of buying products or of the price they paid, with the FCA putting this down to the fact that their attention is on the purchase of the primary product rather than the add-on. The FCA discovered that consumers had unknowingly purchased £100m of unwanted insurance each year through the use of such selling methods.

Overall, the FCA's analysis found that add-on providers have a clear point of sale (PoS) advantage, which is reinforced by the way consumers respond to the add-on mechanism. Competition between bundles (package of primary product and add-on) was found to be ineffective, leading to poor value and prices significantly above cost for many add-on products. Insurers that offer add-ons on an opt-out basis are likely to see a fall in business if the FCA's proposals come into force to ban or severely limit the sale of these products using this method.

In a March 2015 article in *The Guardian,* it was reported that Italian authorities had fined budget airline Ryanair €850,000 in 2014 for 'unfair commercial practices', citing the airline's 'unfair, cumbersome and misleading' practice of opting in customers to buying its travel insurance. In Italy, those wishing not to buy insurance from the Irish airline have to select a 'No Grazie' option nestling between Malta and Norway in a drop-down list of countries of residence. At the time of the article's publication in March 2015, the English version of Ryanair's website took those buying flights to a box saying 'Insurance — country of residence'. Only if they located the 'Don't Insure Me' button, displayed between Denmark and Finland on a pull-down menu, could they proceed with the purchase without insurance.

New Package Holiday Protections

In May 2015, the EU's Competitiveness Council came to an agreement that increased protection for those purchasing holidays, bringing the regulations more in line with new holiday purchasing patterns. This extends the existing protections that consumers receive when purchasing a packaged holiday to a wider consumer base, with the potential for its protections to cover more than 120 million holidaymakers and reduce costs for consumers by about €430m a year. The legal protections in place for the purchase of packaged holidays have been long-established in the EU and are laid out in the 1990 EU Package Travel Directive. This created important rights for those purchasing package holidays, ensuring that they receive essential information; making organisers and/or retailers responsible for the package, even if the services are provided by sub-contractors; and regulating what happens if there are changes to the package content. It also ensures that travellers receive a refund of pre-payments, and are repatriated in the event of the insolvency of an organiser and/or retailer.

Significant shifts in the market since the introduction of these regulations — not least the rise of the Internet dramatically increasing incidences of consumers picking and choosing separate elements to make up their own holiday — have meant that the rules seem outdated within the current context. There have also been notable differences in the application of the Directive by various member states, due to the broad discretion given to them and ambiguities in the text. This itself has resulted in a number of problems, not least an uneven regulatory environment and inhibitions on cross-border trading. The new legislation covers three sorts of travel combinations:

- pre-arranged packages — readymade holidays from a tour operator made up of at least two elements, e.g. transport, accommodation or other services, such as car rental
- customised packages — selection of components by the traveller and bought from a single business online or offline
- linked travel arrangements — where the consumer books a travel service on one website and is subsequently invited to book another service through a targeted link or similar, provided that the second booking is made within 24 hours.

The new rules extend the protections of the existing legislation to cover those who book other forms of combined travel, such as a self-chosen combination on a website of a flight plus hotel or car rental. There will now always be protection where travel services are advertised as a package or where they are offered at a total or inclusive price. As well as the wider application of the historic rights, travellers will also benefit from reinforced rights in a number of areas, including:

- stronger cancellation rights — free cancellation before departure in case of natural disasters, war, or other serious situations at the destination, cutting the burden on insurers to cover the cost of holidays cancelled for these reasons
- additional accommodation for up to 3 nights if the return journey cannot be carried out on time in the case of a natural disaster, again relieving burden on travel insurers
- guarantees of money back and repatriation — facilitators within packages, such as airlines, will be obliged to take out insolvency protection, so if the overall package organiser goes bankrupt, consumers will be guaranteed refunds and repatriation.

Thematic Review TR14/8

In May 2014, the FCA announced the results of a thematic review into the claims handling process for home and travel insurance, a review which assessed the extent to which consumers as claimants are at the heart of insurers' businesses. The results were broadly positive — of all policyholders the FCA surveyed, 64% were either 'satisfied' or 'very satisfied' with their experience. However, the FCA cited a number of areas where it felt insurers could further increased consumer satisfaction, with the key issues to emerge being:

- recording and use of inbound claims calls (mainly household)
- communication and ownership throughout the claim
- management of supply chains (household)
- the emergency assistance activities of travel insurers and the need for the right insurance
- insurance in relation to medical conditions (travel)
- consumer outcomes in long chains of delegation
- the clarity of product documentation.

One of the reasons that travel insurance was included in this FCA review was the high level of correspondence it had received, as well as evidence such as FOS complaints, regarding the difficulties consumers had in getting coverage for various medical conditions. The FCA was concerned that, even if consumers engaged fully with the various aspects of the market, there were still potential barriers to their understanding of exactly which claims that arise from medical conditions will be covered. Based on its findings, the FCA divided medical conditions broadly into two categories: pre-existing medical conditions and changes in health after the contract has been concluded.

For pre-existing medical conditions, the FCA's research included surveying policyholders about the extent to which they understood the need to disclose information about medical conditions. For example, claims can arise regarding medical conditions experienced not only by the policyholder, but also by travelling companions, and even business associates. The medical conditions of all these categories of people are also relevant to the risks a travel insurer is accepting, as deteriorations in their health may cause the trip to be cancelled and the consumer to make a claim.

At the broadest level, insurers have two approaches to dealing with pre-existing medical conditions. Either they place a blanket exclusion on all claims arising from pre-existing medical conditions, or they require the insured to disclose existing or previous medical conditions at the proposal stage. The risk is then underwritten based on medical screening. Where a policyholder fails to disclose, the insurer may seek to reject a claim.

The FCA's observations on the issue did not leave it entirely satisfied that insurers' requirements are expressed in language that was easily understandable by most consumers, which in part may be down to the complex nature of medical terminology. However, the FCA also raised the question of whether the quality and quantity of information insurers required was sufficiently clear. Meanwhile, in incidences where there is an exclusion of claims arising ‘directly or indirectly’ as a result of a medical condition, the use of ‘indirectly’ may make it difficult for the consumer to know in advance exactly what medical eventualities are covered. Whether consumers have enough knowledge of their medical history to be able to provide complete and accurate answers to disclosure questions was another issue raised. Some policies require disclosure of medical conditions that arose many years previously, and in some cases, of conditions which consumers have ‘ever’ suffered from.

The FCA closed its review by leaving open the possibility of it taking up with individual insurers on a case-by-case basis the wording of their particular terms and conditions where it had observed that there may be scope for improvement. Beyond this, a general recommendation was that the FCA encourages insurers to review their terms regularly so as to remain in line with their obligations under contract law, the Unfair Terms in Consumer Contracts Regulations (1999) and regulatory requirements, including the requirement to treat their customers fairly and be clear and not misleading.

The Equality Act 2010

The Equality Act 2010 banned unjustifiable age discrimination in the provision of goods, facilities and services, including in the area of travel insurance. However, an exception was made for the provision of financial services, which means that insurers are not forced to take on older adults. Instead, as mentioned previously, in situations where they justifiably believe they cannot cover the risk of insuring an older person, insurers are now obligated to ‘signpost’ a customer to an alternative travel insurance provider which would be able to provide that customer with cover, or pass them on to a general signposting service run by BIBA.

The Government, the ABI and BIBA came together in a voluntary agreement following consultation on the matter of using age to price risk, and the difficulties some older adults can have in getting travel and motor insurance. In addition to BIBA running the signposting scheme from April 2012, the ABI has agreed to provide greater transparency in the way that it uses age to price insurance risk. This will take the form of annual aggregate data showing claims costs under motor and travel insurance broken down by age ranges.

As a result of the Act and the agreement with BIBA and the ABI, many insurers have introduced a range of fast, effective solutions for redirecting those they cannot insure so as to meet their new obligations. Other insurers have introduced, developed or enhanced their broker arms so as to provide specialist cover to older people, allowing them to earn commission on sales they may otherwise have had to turn away as too great a risk. The signposting solutions that insurers now have to deploy can range from simply directing older travellers or those with pre-existing medical conditions to a website or call centre where they can get a quote and buy instant travel insurance, to providing them with a fully branded, white-label site and self-issue system.

Many of these specialist providers have no age limits on single-trip or annual travel insurance policies, so will never turn a customer away because of their age. Typically, such providers are also set up to provide cover for many medical conditions that mainstream insurers would be unwilling to cover, up to a high level of severity, which is important when providing travel insurance cover for older travellers to protect against age-related diseases. Also, although providers cannot refuse to provide older people with travel insurance outright under the Act, the exception within the Equality Act permits insurers to price according to risk, which includes taking into account the age of the insured person. Although the exemption for risk pricing based on sex was struck down when the Gender Directive was implemented at the European level, at the time of writing insurers could continue to use age in the provision of financial services providing those risk assessments are based on relevant and reliable information.

Solvency II

The main aim of the Solvency II legislation is to ensure the capital adequacy of insurance companies to prevent them from going insolvent. This provides consumer protection, while reflecting the more up-to-date pattern of risk management that has been necessitated by the current economic climate. It is designed to place insurance companies in a position from which they have a chance no greater than 1 in 200 of going insolvent, translating to a confidence level of 99.5%. As well as making sure an insurer can meet its claims and reduce the losses suffered by policyholders should a firm not be able to fully meet its claims, the legislation also aims to create an early warning system to supervisors of the financial system, which will allow them to intervene if capital adequacy begins to falter.

One consequence of Solvency II, as well as the stricter capital regulations predicted globally in the wake of upcoming Solvency III legislation — forecast to be in place by 2020 — has been insurers examining their global holdings. Considering this, many insurers have looked to sell their overseas arms and operations, especially those in less profitable markets.

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Understanding Consumer Survey Data

TGI tables, produced by Kantar Media, are generally based on one of the following groups: **households** — consisting of either one person living alone or a group of people, usually members of one family, who live together and whose food and other household expenses are managed as one unit; **adults** — aged 15 or over; **housewives** — a member of a private household who is solely or mainly responsible for the household duties.

NEMS Market Research is often commissioned by Key Note to conduct exclusive consumer surveys among a representative sample of adults aged 16 and over in Great Britain.

Number, Profile, Penetration

Tables used in Key Note reports may give figures for the Number, Profile, and/or Penetration.

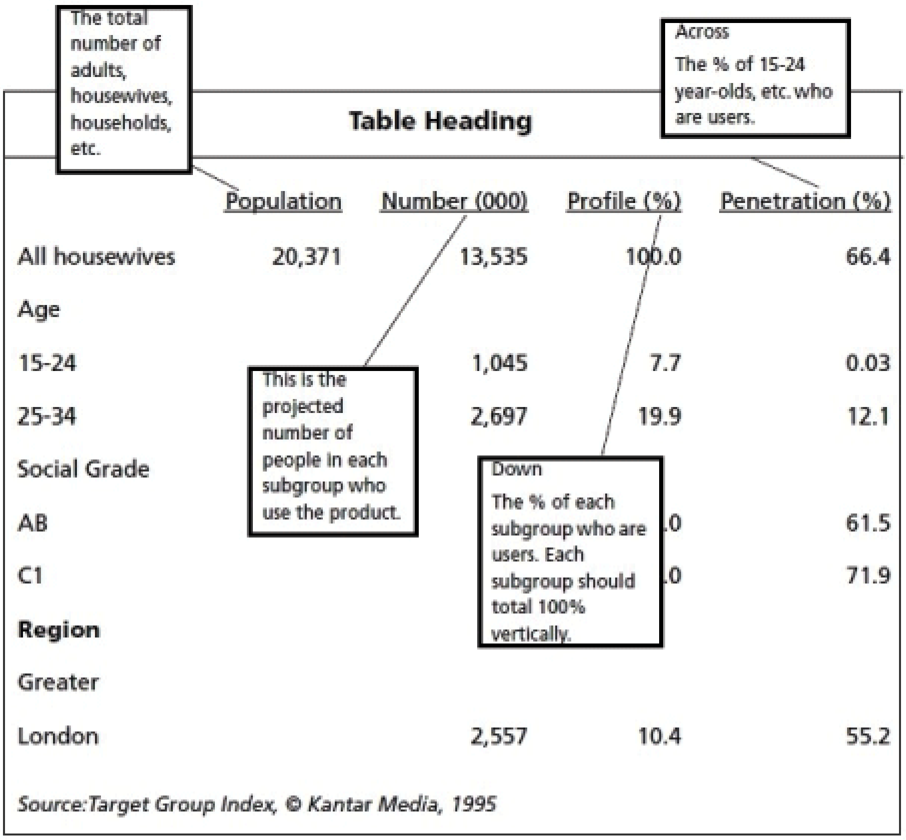

Table Heading

	Population	Number (000)	Profile (%)	Penetration (%)
All housewives	20,371	13,535	100.0	66.4
Age				
15-24		1,045	7.7	0.03
25-34		2,697	19.9	12.1
Social Grade				
AB			.0	61.5
C1			.0	71.9
Region				
Greater				
London		2,557	10.4	55.2

Source:Target Group Index, © Kantar Media, 1995

Social Grade

This is normally based on the occupation of the Head of the Household, or if the Head of the Household is retired, their former occupation. If this information is not available, social grade is based on environmental factors such as type of dwelling, amenities in the home, presence of domestic help, etc.

The following table broadly defines the six social grades used. The relationship between social grade and net income of the Head of the Household is a complex one and readers should note that **income is not determinant of social grade**.

Social Grade	Social Status	Head of Household's Occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled workers
E	Those at lowest levels of subsistence (no other earner)	State pensioners or widows

Standard Region

This is as defined by the Registrar-General.

Key Note Research

Key Note is a leading supplier of market information, publishing an extensive range of consumer, industrial, business-to-business and services titles. With over 30 years' experience, Key Note represents clear, concise, quality market information.

For all reports, Key Note undertakes various types of research:

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Secondary data are provided by Kantar Media (TGI) and Nielsen for consumer/demographic information and advertising expenditure, respectively. In addition, various official publications published by National Statistics, etc., are used for essential background data and market trends.

Interviews are undertaken by Key Note for various reports, either face-to-face or by telephone. This provides qualitative data ('industry comment') to enhance the statistics in reports; **questionnaires** may also be used.

Field research is commissioned for various consumer reports and market reviews, and is carried out by NEMS Market Research.

Key Note estimates are derived from statistical analysis and trade research carried out by experienced research analysts. Up-to-date figures are inserted where possible, although there will be some instances where a realistic estimate cannot be made or external sources request that we do not update their figures.

Key Note Editorial, 2015