Home and car insurance owners gripped by consumer inertia

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Today, in the motor insurance market half (49%) of policy holders or almost 15 million adults renewed their policy without getting alternative quotes. But it is in the home and contents insurance sector where inertia prevails, with as many as 63% of insurance holders or some 21 million adults failing to look at any of the other options available. What is more, even amongst the 30% of consumers who did look for alternative quotes before renewing their home and contents insurance, a third (11%) only went to one other provider.

"In both the motor and home insurance markets the majority of people feel that they are happy with their policy but as they have not looked around for any alternatives a better option could be just a phone call away. The reality is that unless they have made a claim they cannot really asses just how good their provider or policy really is. On top of this many people do not realise that although they may get a good deal for the first year of their cover they will almost certainly pay more for the second year as their premium rate increases. Consumers really need to be switching their policies every year in order to get the best deals around," comments Paul Davies, senior finance analyst at MINTEL.

Net gains
MINTEL's research shows that some four in five (81%) British adults have at least one general insurance product, which equates to just under 38 million policy holders. In 2004 the general insurance market was worth an impressive Â£38.4 billion, having risen by a substantial 68% since 1999. This year the market is set to break the Â£40 billion barrier and will continue to grow at a similar pace to reach Â£65 billion by 2010.

When it comes to arranging cover, the most popular method is over the phone (43%) but the fact that as many as 21% of consumers see the Internet as their preferred method is fairly remarkable. This is particularly impressive as it equals the proportion of adults who go into a branch to purchase insurance, whether it be a bank branch or a high street broker. Some 6% of consumers choose to organise cover via post and a further 6% prefer a visit by a salesperson to their home.

"Decent volumes of Internet sales have only been witnessed over the last 2 to 3 years. The cumulative effect has built up as many believe that once someone has completed an on-line purchase they are unlikely to choose another method the next time," explains Paul Davies.

Insurance spending powered by pets
One of the most interesting developments in the market has seen the supposedly lesser general insurance products increasing their take up levels. One such product is pet insurance which has taken hold in the UK as the market changes from being a niche area to a more mainstream sector of the industry. Indeed, there are now approaching 200 pet insurance products available from a diverse range of suppliers, such as Legal & General, Kwik-Fit, Marks & Spencer and the News of the World.

Today as many as 23% of pet owners have this specialised insurance and it is not unreasonable for this to rise to 30%. The pet insurance sector is now worth some Â£265 million, an astonishing 157% increase on 1997 figures.

"Providers have been looking for more lucrative revenue sources, such as the pet insurance market, as profits have been restricted in the more mainstream insurance sectors and as it is a relatively immature market, pet insurance still has considerable scope to grow," comments Paul Davies.

"One potential problem in this market is veterinary inflation, which has placed pressure on premiums. As well as vets putting up their prices, the types of treatment available to pets have also increased dramatically. Pet owners can now insure their animals for a range of complementary treatments and alternative therapies. Claims costs are also high with one in three customers making a claim in any year and the fear is that premiums will rise too quickly and prevent penetration figures from improving," adds Paul Davies.

The world's your oyster

Remarkably nearly one in five adults now has an annual travel insurance policy and MINTEL estimates the overall sector to be worth Â£658 million (annual policies and single-trip policies) having increased by some 23% since 1999. Considering that the annual product has only been available for about a decade and that only around half of the population travel abroad each year, the growth in annual policy sales has been spectacular.Â Â Â

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