

Travel Insurance - UK - February 2021

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“COVID-19 has dealt a heavy blow to the travel insurance market, shrinking it by around half in 2020. The previously-unimaginable disruption to the travel sector is expected to extend well into 2021 and, together with the economic slowdown, has dampened hopes of a quick bounce back”.

- Irene Salazar, Senior Financial Services Analyst

This report looks at the following areas:

- The impact of COVID-19 on the travel insurance market and consumer behaviour.
- Future travel insurance intentions.
- Past and future policy preferences.
- Important factors when buying travel insurance.
- Perceptions of different types of travel insurance providers.

Cover for COVID-related risks has become a priority when buying travel insurance, even surpassing the traditional main purchase driver of this market: price. 58% of target customers say cover for COVID-related risks is the most important factor for them, compared to 44% who highlight price. This is a significant shift for a very competitive market, where providers and consumers tend to focus on price much more than quality or level of cover.

COVID-19 has brought huge disruption to the travel insurance sector, with a profound effect on sales of new policies and, to a lesser extent, renewals of existing ones. However, the affinity/package segment appears to have held up well. The January lockdown and the tightening of entry requirements to the UK will ensure that travel disruption and uncertainty extend further into 2021. Although many consumers will take advantage of any relaxation of rules to travel abroad, the domestic market will recover much quicker.

Even after travel restrictions are lifted, the pandemic and ensuing economic slowdown will leave a mark on consumer attitudes to travel and travel insurance, and it will take years for these sectors to fully recover to pre-pandemic levels. Insurers also face a struggle to strike a balance between keeping premiums competitive, while trying to recoup losses from poor sales and a deluge in cancellations-related claims.

However, the 'next normal' will offer opportunities in terms of product development, for example by rethinking the role of travel insurance for domestic travel. As margins are squeezed, insurers should look at cost-saving innovations, such as the digitisation of customer service, that can also improve the customer journey, improve communication and increase engagement.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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