

# UK Home Emergency Insurance 2012

An analysis of the UK home emergency insurance industry



## Use this report to:

- Understand the home emergency market size and segmentation
- Explore the latest market developments and advertising strategies for home emergency insurance competitors
- Examine the main challenges and opportunities which will affect the home emergency insurance market in the future

# About this report

## Introduction

This report is a guide to the UK home emergency insurance market, providing insight into competitor strategies and performance as well as overall market growth and trends. It examines distribution, the key providers, and includes future growth forecasts

## Your questions answered

- What is the size of the home emergency market and how will it grow over the next five years?
- How can my firm enter or grow within the UK home emergency insurance sector?
- Who are the main players within the market and how are competing for growth?
- How are home emergency insurance policies packaged and distributed, and how will this change in the future?

## Key findings and highlights

Home emergency policies are designed to protect consumers against specific emergencies which have led to their homes being rendered unlivable. This means, for instance, that policy holders cannot claim for central heating breakdown on a warm summer day but could in winter, since in winter heating is essential.

The home emergency market has matured, with growth in home emergency policies slowing from 2008 onwards. During 2004–07 the number of outstanding contracts increased by 4.5 million to 12.7 million, by contrast over the following four years (2007–11) there was only a further increase of 1.3 million to reach 13.9 million

**Want to know more on our methodology or receive an exclusive preview of the report?**

Contact us today and we will be happy to answer all your questions:

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# Table of contents

## EXECUTIVE SUMMARY

Home emergency insurance covers a range of risks

- Standard policies can cover heating, plumbing, or electrical risks
- Strong maintenance networks are required to meet consumers' range of claims

Home emergency premiums increased substantially in 2010

- Centrica's migration of consumers to insurance policies has caused premium growth

Home emergency insurance is a mature sector

- Following a period of strong growth, volumes of emergency contracts have stagnated

Costs are determined by claims frequency

- Adverse weather is the main cause of high claims volumes

The home emergency market is dominated by a small number of companies

- The market leaders focus on their core competencies

GWP will increase but needs to be supported by strong branding and customer service

- Policy volumes will be driven by brand-focused marketing

## MARKET CONTEXT

Introduction

Home emergency insurance covers a range of risks

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Home emergency insurance is a mature sector

- Following a period of strong growth, volumes of emergency contracts have stagnated

Insurers and utility companies are the main home emergency players

- Insurers use home emergency cover to complement other policies
- Insurers often provide home emergency policies as extras that are upsold
- Utility firms have the advantage of established networks and brand image over other providers

The potential size of the market is large but the downturn has limited growth

- The number of owner occupiers has remained stable, limiting policy growth
- Central heating penetration among households is high, showing a large potential market

- Standard boilers remain popular but have fallen as a proportion of boilers used

Costs are determined by claims frequency

- Adverse weather is the main cause of high claims volumes
- Severity of the weather has an impact on the nature of claims

## CUSTOMER FOCUS

Introduction

Home emergency marketing involves a broad range of advertising strategies

- Direct mail is a popular method for cross-selling to existing consumer groups
- Different competitors emphasize their strengths in a range of ways
- Competitors with stronger brand images use television marketing to target the public

Home emergency policies are distributed via a number of channels

- Home emergency distribution has come to the attention of the Financial Ombudsman Service
- Home emergency cover can be sold separately or alongside other products
- Water and power companies are well placed to sell standalone policies

Insurers market home emergency cover alongside home insurance

- Emergency cover can be bundled with home policies or offered as an optional extra

Added value accounts are becoming a popular method for distributing emergency cover

- Selling via added value accounts allows insurers to reach a large group of consumers
- Home emergency cover has strong potential within the premium account channel

## COMPETITIVE DYNAMICS

Introduction

The home emergency market is dominated by a small number of companies

- The market leaders focus on their core competencies
- Centrica is the largest home emergency insurer by premium income
- Home insurance providers use external partners to underwrite and operate emergency schemes

Homeserve struggled during 2011 in the face of customer relations concerns

- A restructuring of UK marketing operations has contributed to a fall in uptake rates
- Despite difficulties Homeserve is expected to maintain its market share

Centrica increased its premium holdings

- British Gas is successfully using its utilities consumer base to distribute home emergency cover



- Centrica has lost ground within the utilities market

Inter Partner Assistance underwrites policies for a number of insurers

- Inter Partner Assistance provides white label schemes for a wide range of providers

New entrants to the market are well placed for growth

- The AA's strong brand image and existing consumer base put it in a strong position for growth
- Cunningham Lindsey has entered the home emergency market

## FUTURE DECODED

### Introduction

GWP will increase but needs to be supported by strong branding and customer service

- Policy volumes will be driven by brand-focused marketing
- Assistance GWP is forecast to reach £1.3bn by 2016

## APPENDIX

### Sources

### Ask the analyst

### Disclaimer

## FIGURES

Table 1: Assistance GWP (£m), 2007–11e

Table 2: Number of Centrica and Homeserve home emergency contracts in place (000s), 2004–11

Table 3: Home occupancy, by tenure type (000s), 2003–10

Table 4: Main heating system, by tenure type (000s), 2010

Table 5: Number and proportion of boilers in the UK (000s), 2001–09

Table 6: Number of claims, by peril (000s), 2004–11

Table 7: Gross incurred claims, by weather peril (£m), 2001–11

Table 8: Home emergency marketing spending, by medium (£), 2007–11

Table 9: Home emergency marketing spending, by medium (£), 2011

Table 10: Number of Centrica and Homeserve home emergency contracts (000s), 2009–11

Table 11: Estimated top five home emergency GWP (£000s), 2010

Table 12: Top five home emergency insurance providers, 2012

Table 13: Total utilities customers (millions), 2002–11

Table 14: Assistance GWP (£m), 2009–16

Table 15: Factors affecting home emergency GWP growth, 2011–15

## TABLES

Figure 1: Assistance GWP increased substantially in 2010

Figure 2: Growth of Centrica and Homeserve contracts has slowed from 2008 onwards

Figure 3: Assistance premiums will increase steadily over the forecast period

Figure 4: Common home emergency cover includes 24-hour call-outs and covers a range of risks

Figure 5: Assistance GWP increased substantially in 2010

Figure 6: Growth of Centrica and Homeserve contracts has slowed from 2008 onwards

Figure 7: Price stratification is common among home emergency policies

Figure 8: Owner occupiers account for the majority of tenures

Figure 9: The majority of English owner occupied homes have central heating

Figure 10: Condensing combination boilers have grown rapidly

Figure 11: Total claims frequency has fallen from 2007 onwards

Figure 12: The 2007 floods had a big impact on weather claims

Figure 13: Direct mail and door drops account for the majority of marketing spend

Figure 14: Centrica and Homeserve lead the field in home emergency marketing spending

Figure 15: Home emergency cover is not listed on aggregators as a standalone policy type

Figure 16: Home emergency cover is being packaged with high-end added value accounts

Figure 17: Homeserve has the most plumbing contracts while Centrica focuses on boiler cover

Figure 18: Centrica has grown rapidly as it migrates existing contracts to insurance policies

Figure 19: Homeserve provides a range of home emergency policies

Figure 20: Centrica includes an annual service with its insurance policies

Figure 21: Centrica remains the largest UK energy supplier

Figure 22: A wider range of players are entering the home emergency market

Figure 23: Assistance premiums will increase steadily over the forecast period

