Saga cheers rebound in travel demand but insurance arm remains under pressure

O
ver-50s group Saga has said it expects annual revenues to jump by up to 50% thanks to a rebound in demand for cruise trips and holidays.

Saga said sales have been boosted by the bounce-back in demand for holidays since the lifting of pandemic restrictions, with the group pencilling in a revenue rise of between 40% and 50% on last year’s £377.2 million.

But the holidays-to-financial services firm confirmed a tougher year for its insurance arm after seeing a 3% drop in policy sales and its underwriting business being hit by surging claims costs.

Its underwriting division is seeing claims inflation running at about 13% as the entire sector is hit by the higher costs of repair bills, but Saga said its underwriting arm was driving through double-digit increases in prices.

We continued to navigate a challenging period for the UK motor insurance market

Read More

- Saga in talks to sell insurance underwriting arm
- Pub group’s cheers for a strong Christmas despite train strikes hit
- Energy support and soaring debt interest sends public borrowing to new record
- SPONSORED

How a tech-loving Londoner is freshening up your daily Grind

The woes in its insurance division saw it warn over profits last autumn, slashing its outlook for full-year pre-tax profits to between £20 million and £30 million, down from the £35 million and £50 million for the year previous guidance.

Saga on Monday confirmed it was in talks to sell the underwriting arm of its insurance division, Acromas Insurance Company, to help pay down its debts.

The group is reportedly looking to raise up to £90 million from offloading Acromas, which underwrites around 25% to 30% of its insurance business, to reduce some of its £721 million debt pile.

Saga said its travel business was set to see revenues increase tenfold from the previous year but that it will report a “small” underlying pre-tax loss due to marketing and administrative expenses, as previously guided.

Bookings for cruises and touring trips for 2023-24 are strong, it added.

Euan Sutherland, Saga Group chief executive, said: “We continued to navigate a challenging period for the UK motor insurance market and, although there has been some pressure on our underwriting business, our retail broking result will be in line with expectations.

“Overall, we are well-placed to continue our growth as we make progress against our three-step plan which is focused on maximising our existing businesses, step-changing our ability to scale while reducing debt and positioning Saga as ‘The Superbrand’ for older people in the UK.”

Shares in the group lifted 5% in morning trading on Tuesday.