



AA British Insurance Premium Index Quarter 1 2010

April 2010

The AA British Insurance Premium Index (Index) has been tracking both home and car insurance premiums since July 1994 and has become an industry benchmark for measuring premium trends. The Index now tracks a basket of 2,800 motor risks (2,500 comprehensive and 300 TPFT) against premiums from over 80 insurers, brokers and insurance schemes; and a basket of 750 risks for each of home buildings, contents and combined from 75 insurers, brokers and insurance schemes. Where a provider typically offers the cheapest premium from a panel of insurers, the cheapest is tracked (rather than all of them). The **Shoparound** index is an average of the cheapest three premiums for each 'customer' in the basket of risks.

The Index started separately racking for **comparison sites** (aggregators) from the last quarter of 2009. The same basket of risks for both home and car insurance is used to obtain prices from selected comparison sites and works in the same way as the main index.

Raw data provided by Premium Research Ltd and Experian.

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AA British Insurance Premium Index



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Motor insurance premiums – Quarter 1 2010

Temporary respite in premium rises, AA Index suggests

The sharp car insurance premium increases of 2009 came to an unexpected halt over the first quarter of 2010, according to the latest benchmark AA British Insurance Premium Index.

The Index, which tracks the movement of both car and home insurance premiums every quarter, saw the average quoted premium for a comprehensive car insurance policy fall by 3.2%, although the Shoparound premium – an index of the cheapest quotes – showed a small increase, underlining the pressure that premiums are still facing.

The AA's analysts, however, believe the respite is temporary and expect the upward trend to resume over the rest of 2010.

Average premiums quoted on price comparison sites, meanwhile, continued to show an upward trend.

Car insurance premiums take a breather

Main Index findings for quarter 1 2010:

- Average quoted premium for an annual comprehensive car insurance policy fell by 3.2% to £968.26
- Average quoted premium for third party, fire and theft (TPFT) cover fell by 4.5% to £1,196.24

Shoparound index:

- Comprehensive cover rose by 0.6% to £616.62
- TPFT rose by 4.5% to £823.29

Over the past 12 months:

- Average quoted premiums for comprehensive cover rose by 13.4%
- TPFT cover, typically bought by young and newly qualified drivers, rose by 19%
- The Shoparound premium rose by 22.5% over the year for comprehensive cover and by 35.6% for TPFT

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Comparison sites average quoted premium for quarter 1 2010:

- Average quoted premium for comprehensive cover rose by 4.6% to £695.95
- TPFT rose by 9.2% to £751.58

Comparison sites Shoparound index:

- Comprehensive Shoparound premium fell 1.0% to £472.05
- TPFT Shoparound premium rose 2.0% to £583.34

Note: the same basket of risks is used for both main and aggregator indices.

Commentary

Simon Douglas, director of [AA Insurance](#), points out that while the sudden stall in the upward premium trend is a surprise, a respite of this sort isn't uncommon during the first quarter.

"Most years we have seen insurers hold their premiums during the first quarter of the year, when there is greatest competition for business. It's when most cars are sold, and historically it's when most car policies are renewed.

"Last year, for the first time, premiums rose during the first quarter and I expected the same to happen this year. However, while many insurers have shown modest increases, the quarterly fall can be mainly attributed to a drop in some expensive broker rates bringing them more in line with the market average."

The Shoparound index, which is closer to the premiums customers can expect to pay if they shop around, showed modest rises over the first quarter, suggesting that the cheapest premiums on the market are continuing to increase faster.

Douglas adds: "There's also evidence showing that while market average premiums are increasing more quickly on the comparison websites, a fall in the Shoparound premiums suggests that there are still some cheap deals being offered in what is the most competitive quarter of the year."

The average quoted premium for comprehensive cover on comparison websites rose by 4.6%, and for TPFT cover by 9.2%.

The Shoparound analysis of comparison websites showed that comprehensive premiums also fell but by 1%. TPFT premiums rose by 2%, compared with a fall on the main Index.

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Douglas believes that after the first quarter premiums will resume their upward trend, and expects premiums over the next two quarters to show significant rises taking increases into double digits by the end of the year.

“Insurers no longer have reserves on which to call in order to keep premium rises in check. The same pressures as last year continue to force insurers to increase premiums – fraud and personal injury claims especially remain a significant concern.”

Key findings – Shoparound premiums by age and by region

Women take the brunt of price rises:

- Premiums for young female drivers (aged 17–22) have risen fastest over the quarter, with a 7% increase in the Shoparound premium for comprehensive cover. Nevertheless, women typically pay almost half the premium price of men in this age group. Premiums for women aged 23–29 also rose, by 3.1%, while at the opposite age extreme premiums for women aged 70 plus rose by 1.4%.
- Premiums for men aged 17–22 also rose, but by only 2.8%
- Biggest fallers were those aged 50–59 (men down 6.1%, women down 4%)

London, South and Granada rise fastest:

- The Granada region (North West) saw the biggest rises, with a 5.1% increase, followed by London (3.0%) and the South (2.9%)
- Biggest regional falls were Central (5.4%) and Scotland (3.4%)

Continued

Motor insurance premiums – Quarter 1 2010

Summary tables

Car insurance direct providers

| | Apr-10 | Jan-10 | % change | Apr-09 | % change | Jul-94 | % change |
|-----------------------|-----------|-----------|----------|-----------|----------|---------|----------|
| Market average | | | | | | | |
| Comprehensive | £968.26 | £1,000.14 | -3.2 | £853.67 | 13.4 | £372.83 | 159.7 |
| TPFT | £1,196.24 | £1,252.25 | -4.5 | £1,005.58 | 19.0 | £406.61 | 194.2 |
| Shoparound | | | | | | | |
| Comprehensive | £616.62 | £612.83 | 0.6 | £503.54 | 22.5 | | |
| TPFT | £823.29 | £787.98 | 4.5 | £606.98 | 35.6 | | |

Car insurance comparison sites

| | Apr-10 | Jan-10 | % change | Apr-09 | % change |
|-----------------------|---------|---------|----------|--------|----------|
| Market average | | | | | |
| Comprehensive | £695.95 | £665.08 | 4.6 | * | * |
| TPFT | £820.68 | £751.58 | 9.2 | * | * |
| Shoparound | | | | | |
| Comprehensive | £472.05 | £476.69 | -1.0 | * | * |
| TPFT | £583.34 | £572.06 | 2.0 | * | * |

Only the market average premium was collected in 1994 when the Index began.

* One year of comparison sites premium data is not yet available.

Download the Index (csv file) for motor insurance

[2,800 risks for car insurance](#)

Home insurance premiums – Quarter 1 2010

Buildings insurance continues to rise, contents premiums fall, AA Index finds

Home buildings premiums continue the upward trend they have shown over the past year with a modest increase of 1.8%, while the cost of contents cover fell by 2.6% over the first quarter of 2010, according to the latest benchmark AA British Insurance Premium Index.

But the cost of a combined home and contents policy rose by 3.4% – suggesting that some of the ‘buy one get the other at a discount’ offers are drying up.

The Index is based on the market average premiums from more nearly 80 insurers for a basket of 750 ‘customers’.

But the Shoparound and the new comparison sites indices present a mixed picture with both premiums falls and rises indicated, suggesting that while some insurers are hardening their rates, there are nevertheless competitive deals to be done.

Ups and downs of home insurance

Main Index findings for quarter 1 2010:

- Average quoted premium for an annual home buildings policy rose by 1.8% to £203.11
- Average quoted premium for contents cover fell by 2.6% to £110.31
- Average quoted premium for a combined buildings and contents policy rise by 3.4% to £284.85

Shoparound index:

- Buildings cover fell by 0.4% to £124.08
- Contents cover rose by 2.1% to £65.95
- Average cost of a combined policy rose by 1.4% to £186.57

Over the past 12 months:

- Average quoted premiums for buildings cover rose by 12.2%
- Contents cover rose by a modest 2.1% over the year
- The cost of a combined policy rose by 13.9%
- The annual Shoparound premium movements for the year saw buildings rise by 6.7%, contents by 1.6% and combined by 7.6%

Continued

Comparison sites average quoted premiums for quarter 1 2010:

- Buildings cover fell 3.6% to £155.07
- Contents cover fell by 5.4% to £98.98
- The cost of a combined policy fell by 2.7% to £225.39

Comparison sites Shoparound index:

- Buildings premiums rose by 1.5% to £111.81
- Contents premiums fell 8.2% to £60.93
- The cost of a combined policy rose by 2.7% to £163.43

Note: the same basket of risks is used for both main and comparison site indices.

Commentary

Over the past year and a half buildings premiums have steadily risen, reflecting concern by insurers of the increase of severe local storms and future flooding potential in some areas, as well as increasing building repair costs. The Index suggests that while the underlying trend is upwards, the steady premium increases of the past few quarters is easing.

Simon Douglas, director of [AA Insurance](#), says: "There have been several damaging weather events over the past year, from golf-ball size hailstones to tornadoes, and over the winter damage from ice and snow.

"Severe damage from storms or floods means extensive and expensive repairs to buildings, while the work must also meet current building regulations on, for example, re-wiring or insulation.

"However, the contents insurance market remains very fluid. Confounding predictions that steadily increasing frequency and cost of claims would lead to premium increases, costs have remained relatively static. A small rise over the previous quarter has been almost cancelled out and the average quoted premium is only 5% higher than when the Index started, back in 1994.

"Home insurance continues to represent remarkably good value for money."

Results from the Shoparound and comparison site indices, however, suggest that many insurers continue to offer competitive deals.

The Shoparound index, an average of the cheapest three premiums for each 'customer' in the basket of risks and closer to what most customers will expect to pay for their cover, shows buildings premiums fell slightly over the quarter while contents rose.

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However, for the comparison sites, market average premiums fell for buildings, contents and combined policies, although the comparison site Shoparound index showed buildings and combined policies up, but contents sharply down.

“This underlines the continuing competitiveness of the home insurance market, which has not been suffering the losses to the same extent as car insurance, and it seems there is still room for deals to be done,” Douglas suggests.

“Combined policy costs are also rising, and for many customers it can be cheaper to buy home buildings and contents policies from different insurers.”

Douglas is concerned, however, that home contents premiums have shown little upward movement over the past two or three years.

“Many commentators have been warning of increasing costs and eventually this must lead to rising premiums. It would be better for insurers to introduce gradual premium price rises to avoid the kind of sharp hike we have seen in the motor market.”

Continued

Home insurance premiums – Quarter 1 2010

Summary tables

Home insurance direct providers

| | Apr-10 | Jan-10 | % change | Apr-09 | % change | Jul-94 | % change |
|-----------------------|---------|---------|----------|---------|----------|---------|----------|
| Market average | | | | | | | |
| Buildings | £203.11 | £199.50 | 1.8 | £180.95 | 12.2 | £160.46 | 26.6 |
| Contents | £110.31 | £113.27 | -2.6 | £108.01 | 2.1 | £104.82 | 5.2 |
| Combined | £284.85 | £275.43 | 3.4 | £250.14 | 13.9 | n/a | n/a |
| Shoparound | | | | | | | |
| Buildings | £124.08 | £124.53 | -0.4 | £116.27 | 6.7 | | |
| Contents | £65.95 | £64.61 | 2.1 | £64.90 | 1.6 | | |
| Combined | £186.57 | £184.06 | 1.4 | £173.32 | 7.6 | | |

Home insurance comparison sites

| | Apr-10 | Jan-10 | % change | Apr-09 | % change |
|-----------------------|---------|---------|----------|--------|----------|
| Market average | | | | | |
| Buildings | £155.07 | £160.86 | -3.6 | * | * |
| Contents | £98.98 | £104.63 | -5.4 | * | * |
| Combined | £225.39 | £231.55 | -2.7 | * | * |
| Shoparound | | | | | |
| Buildings | £111.81 | £109.08 | 2.5 | * | * |
| Contents | £60.93 | £66.37 | -8.2 | * | * |
| Combined | £163.43 | £159.13 | 2.7 | * | * |

Only the market average premium was collected in 1994 when the Index began.

* One year of comparison sites premium data is not yet available.

Download the Index (csv file) for home insurance:

[750 risks for home buildings insurance](#)

[750 risks for home contents insurance](#)

[750 risks for home combined insurance](#)