



AA British Insurance Premium Index Quarter 4 2010

January 24 2011

The British Insurance Premium Index (Index) records premium movements for 2,800 car insurance 'customers' throughout the UK, from more than 80 insurers, brokers and schemes. The premiums are averaged to provide a market 'average quoted premium', while the **Shoparound** premium is an average of the cheapest three premiums returned for each 'customer' in the basket of risks, and is thus closer to what customers pay for their cover. For home insurance, average premium movements are calculated from 750 customers in the basket of risks and from about 75 insurers, brokers and schemes.

The Index started separately tracking for **comparison sites** (aggregators) from the fourth quarter 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 was provided by Premium Research Ltd and Experian.

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Media contact

Ian Crowder

01256 492 844 ian.crowder@theAA.com

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AA British Insurance Premium Index



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Motor insurance premiums – Quarter 4 2010

Car insurance continues to rise steeply, according to AA Index

- Shoparound premium increases by £210 in a year for car insurance

The AA British Insurance Premium Index shows that over the last three months of 2010 car insurance premiums jumped by a further 6.4%, adding £51 to the cost that drivers typically pay for an annual comprehensive car insurance policy. Over the year premiums have risen by a third (33.2%), or £210, to £843.

Although these rises are less than the previous quarter, it is nevertheless bad news for hard-pressed motorists, coming on top of fuel duty and VAT increases in January, as well as a 1% increase in Insurance Premium Tax. However, the AA believes that this marks the beginning of a slow-down in price rises.

Over 2010 the Shoparound premium rose by a third (33.2%) from £633 in January 2010,¹ meaning that, on average, drivers who shop around for their cover can still expect to find that their premiums have increased by around £210.

Third party, fire and theft (TPFT) insurance, most commonly bought by young drivers for old cars, is being offered by fewer and fewer companies and can be more costly than comprehensive cover. It rose by 26.6% over the quarter, and 71.9% over the year, to £1,390.

Although comprehensive premiums have risen for everyone, young drivers have suffered the brunt of the increases; 17 to 22 year olds have seen premiums rise by 15.1% over the quarter (more than 5% per month), and by 58.3% over the year, to £2,251.

Simon Douglas, director of [AA Insurance](#), says: "There has been no let-up in premium increases as insurers struggle against losses from 2009, when for every £100 taken in premiums £123 was being paid out in claims.

"This has led to the biggest annual premium increases we have seen since the AA Index began in 1994."

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¹ The Shoparound index is an average of the cheapest three quotes from around 30 insurance companies, brokers and schemes for each of a basket of risks representative of the UK population.

The sharp rises recorded by the Index prompted a House of Commons Transport Committee inquiry into the car insurance market.

“MPs at the inquiry learned premium increases have been fuelled by fraud, injury claims, exaggeration of claims, organised ‘cash for crash’ scams, uninsured driving, and poor investment returns because of the recession.

“A sharp growth in the number of accident management and personal injury claim firms has helped to develop a hard-sell system in Britain that encourages people to claim, even if they have not suffered an injury,” Mr Douglas says.

According to the Association of British Insurers, there are 108 fraudulent motor insurance claims – amounting to a combined value of £1.12 million – detected every day, which Mr Douglas believes is ‘just the tip of the iceberg’. He adds that some estimates put the cost of fraud at £80 for every honestly bought car insurance policy.

“I hope that as a result of the inquiry the government is able to help the motor insurance industry stem the haemorrhaging costs. Swiftly introducing the Jackson reform of rogue accident management firms and increasing police resources to help tackle insurance fraud would be welcomed,” Mr Douglas says. He points out that for smaller claims, such a whiplash injury, for every £1 paid in compensation a disproportionate 87p is paid in legal costs.²

On 11 January Mike Penning MP, Under-Secretary of State for Transport, told the Inquiry that from 1 April 2011 continuous insurance enforcement (CIE) would become law, while insurers should be given access to the DVLA database later this year as part of the insurance application process.

“Both measures are very welcome. They will help insurers start to get a grip on costs,” Mr Douglas says. “CIE legislation will make it an offence to keep any vehicle that is either not insured or is subject to a Statutory Off Road Notification (SORN). Detection will be easy, combining the records of on both DVLA and Motor Insurance Database records, and should sweep out hundreds of thousands of uninsured cars.

“Access to DVLA database information will help to prevent ‘economy with the truth’ and identify innocent mistakes, although the provisions will be voluntary.”

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² ABI survey of over 50,000 low value motor accident claims between September 2009 and March 2010.

Mr Douglas points out that some insurers have taken cost control to the extreme, by exiting the car insurance market altogether, while others are becoming increasingly choosy in the risks they underwrite.

“For example, more than half of insurers will no longer insure young drivers and many are also withdrawing TPFT cover. As a result, premiums for them have risen to a point where they are becoming unsustainable.

“Although young male drivers are ten times more likely to have a car crash than older drivers, it is nevertheless important that the industry finds ways to help young people start their driving career safely, responsibly and affordably.”

Motor insurance premiums – Quarter 4 2010

Summary tables

Car insurance direct providers

	Jan-11	Oct-10	% change	Jan-10	% change	Jul-94	% change
Market average							
Comprehensive	£1,332.13	£1,249.71	6.6	£1,031.47	29.1	£384.50	246.5
TPFT	£1,452.18	£1,246.41	16.5	£1,026.76	41.4	£333.39	335.6
Shoparound							
Comprehensive	£842.69	£791.82	6.4	£632.65	33.2		
TPFT	£1,389.97	£1,097.72	26.6	£808.79	71.9		

Car insurance comparison sites

	Jan-11	Oct-10	% change	Jan-10	% change
Market average					
Comprehensive	£949.99	£888.84	7.2	£673.73	41.0
TPFT	£1,142.87	£1,068.70	6.9	£683.69	67.2
Shoparound					
Comprehensive	£618.59	£592.08	4.5	£501.75	23.3
TPFT	£761.87	£764.77	-0.4	£602.33	26.5

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Annual Shoparound movements by age and gender

	Average premium	Shoparound movement %					
	Jan-11	Jan-10	Apr-10	Jul-10	Oct-10	Jan-11	Annual
Male							
17-22	£2,750	9.6	2.8	14.7	13.5	11.93	49.8
23-29	£1,341	15.4	-1.4	11.2	10.7	12.57	36.63
30-39	£687	8.8	0.0	11.1	7.3	5.66	25.96
40-49	£621	10.3	-2.5	7.9	10.3	6.9	24.05
50-59	£504	16.0	-6.1	8.4	8.1	6.57	17.27
60-69	£446	9.0	-0.8	7.8	11.8	6.02	26.75
70+	£564	9.4	-0.1	11.4	11.7	8.69	35.12
Female							
17-22	£1,682	9.9	7.0	16.9	15.5	18.23	70.81
23-29	£868	12.2	3.1	11.4	10.5	9.49	38.96
30-39	£544	10.9	-0.7	7.3	8.7	6.31	23.13
40-49	£532	13.8	-2.2	6.9	12.2	6.53	24.97
50-59	£462	13.9	-4.0	8.1	11.4	6.53	23.15
60-69	£376	9.2	-1.6	6.9	8.2	6.04	20.69
70+	£401	4.2	1.4	9.9	2.3	3.59	18.1
All							
17-22	£2,251	9.7	4.2	15.4	14.4	15.1	58.33
23-29	£1,098	14.1	0.4	11.3	10.6	11.01	37.19
30-39	£617	9.7	-0.3	9.4	7.9	5.99	24.73
40-49	£577	11.9	-2.4	7.5	11.1	6.72	24.4
50-59	£481	15.0	-5.1	8.2	9.8	6.55	20.13
60-69	£413	9.1	-1.1	7.4	10.2	6.03	24.11
70+	£475	7.0	0.6	10.7	7.1	6.02	26.46

Download the Index (csv file) for motor insurance

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

Home insurance premiums – Quarter 4 2010

Cost of buildings cover reaches record high, AA Index finds

The latest benchmark AA British Insurance Premium Index shows that the cost of home insurance rose sharply over the last three months of 2010, as insurers become increasingly concerned with growing numbers of weather-related claims.

The Shoparound premium for buildings cover is now a record £143, an increase of 7.7% over the quarter and 10.2% over the year.³

The cost of contents cover, however, fell slightly (by 0.8%) to £72. Nevertheless, over the year the Shoparound premium rose by 8.3%.

The cost of a combined buildings and contents policy rose by 3% (4.9% over the year) to £200.

Simon Douglas, director of [AA Insurance](#), says that insurers are beginning to build reserves to meet future weather-related claims.

“Flood claims are both increasing in number and unpredictability. In just the past quarter we have seen severe weather in Cornwall, Hampshire, Sussex, the Isle of Wight and elsewhere, in places where there is no flooding history

“In addition, the early winter brought a huge increase of snow and ice related claims for the second year running – in fact the Association of British Insurers estimates that the industry is paying out £7m per day for burst pipe claims.

“There does seem to be a pattern of weather extremes developing.”

In the autumn spending review investment in flood defences was effectively reduced, and the government is facing pressure to explain how it will continue to protect flood-prone properties. In 2013 an agreement between the government and the insurance industry, known as the ‘statement of principles’ and designed to ensure that properties in such areas can continue to obtain insurance cover, comes to an end.

“The industry, including the AA, is discussing with the government ways to meet the future insurance needs of people affected by flooding. It is vital that a solution is found before the risk becomes a crisis. Otherwise, I fear there will be thousands of properties up and down the country that will become uninsurable and thus unmortgageable,” Mr Douglas says.

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³ The Shoparound index is an average of the cheapest three quotes from around 20 insurance companies, brokers and schemes for each of a basket of risks representative of the UK population.

The Environment Agency estimates that there are 2.5 million homes in the UK that are in areas known to be at risk from flooding.

However, the home insurance sector continues to be competitive and this is reflected in the slight fall recorded in the cost of contents cover, which continues to represent extremely good value for money. Mr Douglas points out that since the Shoparound index started in 2004, the average cost of contents cover has fallen by 4.7% while buildings cover has increased by 47.2%.

Mr Douglas says that unpredictable weather patterns should act as a warning to householders to ensure that their home cover is up to date. "A recent industry estimate suggested that a third of homes are underinsured, which means that in the event of a major claim insurers may pay out a percentage of the claim relative to the amount of underinsurance.

"A good new-year resolution would be to make sure that your home is properly covered for both buildings and contents," he says.

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Home insurance premiums – Quarter 4 2010

Summary tables

Home insurance direct providers

	Jan-11	Oct-10	% change	Jan-10	% change	Jul-94	% change
Market average							
Buildings	£224.75	£213.55	5.2	£205.33	9.5	£165.15	36.1
Contents	£113.59	£112.01	1.4	£113.49	0.1	£105.02	8.2
Combined	£286.77	£279.84	2.5	£277.52	3.3	n/a	n/a
Shoparound							
Buildings	£143.36	£133.16	7.7	£130.11	10.2		
Contents	£72.43	£72.98	-0.8	£66.85	8.3		
Combined	£200.25	£194.45	3.0	£190.92	4.9		

Home insurance comparison sites

	Jan-11	Oct-10	% change	Jan-10	% change
Market average					
Buildings	£165.60	£161.79	2.4	£160.87	2.9
Contents	£104.51	£102.77	1.7	£104.65	-0.1
Combined	£230.74	£223.59	3.2	£231.55	-0.3
Shoparound					
Buildings	£114.11	£114.17	0.0	£110.18	3.6
Contents	£66.52	£66.08	0.7	£66.41	0.2
Combined	£163.46	£165.20	-1.1	£159.09	2.7

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](#)