



AA British Insurance Premium Index Quarter 2 2011

July 2011

The British Insurance Premium Index (Index) records premium movements for 2,800 car insurance 'customers' throughout the UK, from around 50 providers. 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 AA Insurance.

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AA British Insurance Premium Index



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Motor insurance premiums – Quarter 2 2011

Car insurance increases ease, home premiums fall

According to the latest benchmark AA British Insurance Premium Index, the cost of both car and home insurance appears to be levelling off, with welcome but small falls in the cost of cover for young drivers and for home insurance. This follows two years of unprecedented premium increases.

The average Shoparound cost of an annual car insurance premium increased overall by 3.6% over the three months ending 30 June 2011 to £923.90, the lowest rise for 18 months. Nevertheless, over 12 months the Shoparound premium has risen by 30.1%. However, for drivers aged 17–22, premiums fell by 5.6% during the quarter – a welcome respite for young drivers after more than two years of sharp quarterly increases.

Fall in car insurance premiums gives hope to young drivers

The most welcome news in the latest Index is an unexpected fall of 5.6% in the average Shoparound cost of an annual comprehensive car insurance policy for young drivers. This has helped to bring the overall Shoparound average increase to just 3.6%, the smallest quarterly premium increase for nearly two years.

Simon Douglas, director of [AA Insurance](#), says: "Young drivers have for a long time been the biggest losers in the insurance market with premiums driving them off the road. They share the greatest number of serious crashes, premiums have been rising at a disproportionate rate, but it seems at last that insurers are starting to compete a bit more for their business with rates starting to come down."

Nevertheless, the average Shoparound premium for a 17–22 year-old is £2,493 compared with the £924 average. However, Mr Douglas warns that with the end of gender-based pricing in December 2012, young women under 25, who typically pay premiums up to 40% less than their male counterparts, can expect to see a sharp rise in the cost they pay for their cover.

The average premium paid by 17–22 year-old men is currently £2,872 and for women £1,671.

Commenting on the overall slowing in premium increases, Mr Douglas believes that insurers have done sufficient work to overcome most of the underwriting losses of the past couple of years.

"At the end of 2009, for every £100 taken in premiums, £123 was being paid out in claims. By the end of 2010 this had fallen to £116 and I believe that the gap has closed further since then. This is encouraging insurers to price more competitively which is benefiting every driver, but especially young drivers."

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Developments to help reduce insurer costs

Mr Douglas points out that new legislation is helping to restore confidence for car insurers: "The recent introduction of continuous insurance enforcement means that it is now illegal to keep a registered car that is neither insured nor recorded as off the road through a Statutory Off Road Notification (SORN). The Motor Insurers' Bureau is now writing to the owners of all vehicles on the DVLA database that are not insured, encouraging their owners to take action or face a fine and possible confiscation of the vehicle.

"Similarly, the police have been very successful in stopping uninsured drivers – last year they confiscated over 150,000 cars being driven illegally."

Other developments include the setting up of a dedicated police fraud unit and, in the longer term, a new industry-wide fraud database and access to DVLA driver data for insurers.

"Fraud continues to be one of the biggest challenges facing the insurance industry", Mr Douglas points out. "According to new figures from the Association of British Insurers, the value of detected fraud amounts to £17.5 million per week – an increase of 9% over the previous year.

"However, we believe that this is just the visible tip of the iceberg – beneath the waterline there is a serious culture of insurance crime that must be stopped. While insurers are getting better at identifying attempts at fraud, the formation of a new police fraud unit early in 2012 will help ensure that insurance criminals are brought to book much more quickly."

One of the biggest contributors to premium increases has been false and exaggerated personal injury claims, Mr Douglas points out.

"One recent case involved a claim for over £1m by a man who said that he had to rely on a stick to walk and a wheelchair, yet he was witnessed uncoupling and pushing a caravan without difficulty. He was jailed for nine months. It's vital that the industry strongly gets the message over that there will be no hiding place for those who attempt to rip off their insurance company."

Mr Douglas added that he welcomes the recent public outcry over the no-win, no-fee claims culture that has encouraged people to make false or exaggerated injury claims.

"The sooner legislation is introduced to bring to an end the cold-call marketing of accident management firms, the better it will be for everyone."

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Regional car insurance winners and losers

Regionally, the biggest jump in car insurance premiums over the three months ending 30 June was in London with a 4.8% rise to an average Shoparound premium of £1,069 – overtaking Yorkshire to become the second most expensive region to insure a car.

In Yorkshire, premiums increased by 3.1% to a Shoparound average of £1,058. And despite an increase of just 1.4%, the north-west retains top position in the premium leader board.

The cheapest region to insure a car remains Scotland, with an average quoted Shoparound policy price of £556, up by 1.9% over the quarter. It is perhaps no coincidence that claims management firms don't operate in Scotland, where the legal system is very different.

Motor insurance premiums – Quarter 2 2011

Summary tables

Car insurance direct providers

	Jul-11	Apr-11	% change	Jul-10	% change	Jul-94	% change
Market average							
Comprehensive	£1,438.18	£1,416.27	1.5	£1,119.29	28.5	£384.50	274.0
TPFT	£1,510.80	£1,565.61	-3.5	£1,135.46	33.1	£333.39	353.2
Shoparound							
Comprehensive	£923.90	£892.08	3.6	£709.91	30.1	n/a	n/a
TPFT	£1,465.23	£1,538.62	-4.8	£979.66	49.6	n/a	n/a

Car insurance comparison sites

	Jul-11	Apr-11	% change	Jul-10	% change
Market average					
Comprehensive	£1,067.72	£1,011.52	5.6	£783.93	36.2
TPFT	£1,280.36	£1,212.37	5.6	£962.95	33
Shoparound					
Comprehensive	£696.67	£677.49	2.8	£536.13	29.9
TPFT	£940.72	£921.66	2.1	£700.21	34.3

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Shoparound quarter movements by age and gender

	Average premium	Shoparound movement %					
	Jul-11	Jul-10	Oct-10	Jan-11	Apr-11	Jul-11	Annual
Male							
17-22	£2,872	14.7	13.5	11.93	11.01	-5.91	32.69
23-29	£1,479	11.2	10.7	12.57	7.03	3.01	37.39
30-39	£788	11.1	7.3	5.66	8.16	5.94	29.9
40-49	£711	7.9	10.3	6.9	6.78	7.19	34.96
50-59	£560	8.4	8.1	6.57	5.74	5.11	28.04
60-69	£503	7.8	11.8	6.02	4.68	7.89	33.87
70+	£616	11.4	11.7	8.69	4.99	4.05	32.63
Female							
17-22	£1,671	16.9	15.5	18.23	5.01	-5.38	35.68
23-29	£911	11.4	10.5	9.49	5.04	-0.09	26.97
30-39	£579	7.3	8.7	6.31	3.6	2.79	23.06
40-49	£595	6.9	12.2	6.53	8.16	3.27	33.52
50-59	£513	8.1	11.4	6.53	7.04	3.6	31.6
60-69	£406	6.9	8.2	6.04	3.0	5.01	24.1
70+	£453	9.9	2.3	3.59	8.99	3.72	19.8
All							
17-22	£2,294	15.4	14.4	15.1	7.98	-5.64	34.15
23-29	£1,181	11.3	10.6	11.01	6.02	1.42	32.01
30-39	£682	9.4	7.9	5.99	5.88	4.36	26.36
40-49	£652	7.5	11.1	6.72	7.47	5.22	34.07
50-59	£534	8.2	9.8	6.55	6.44	4.29	29.87
60-69	£458	7.4	10.2	6.03	3.92	6.59	29.42
70+	£529	10.7	7.1	6.02	7.1	3.88	26.33

Download the Index (csv file) for motor insurance

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

Home insurance premiums – Quarter 2 2011

Home buildings and contents premiums ease

The latest Index brings welcome news for home owners with a small fall over the past three months of just over £1, to £146.35, in the average cost of an annual buildings policy.

This follows a steady rise over the past two years that added almost 20% to the cost of insuring a home. The cost of contents insurance also fell by a few pence over the quarter ending 30 June, to £75.53.

However, Simon Douglas, director of [AA Insurance](#), doesn't believe that this will mark the start of a sustained fall in premiums, pointing out that home insurers are suffering an increase both the cost of severe weather claims as well as fraud.

"While we can do little about the weather, the creation of a new Police Fraud Unit should help insurers to significantly improve detection and prosecution of insurance fraud", Mr Douglas says.

"The number of people attempting to make claims for losses that are grossly exaggerated or non-existent has risen sharply, according to the Association of British Insurers. We need to persuade those thinking of swindling their insurer to think twice. After all, those who are caught falsifying or exaggerating claims will find it difficult to obtain cover from any other insurer because the industry is also getting better at sharing data about those attempting fraud."

Insurers continue to be concerned about future extreme weather damage and flash flooding. The freeze in December turned out to be very expensive for insurers, covering as it did so much of the country and over such a long period.

Meanwhile the industry has been meeting Department for Environment, Food and Rural Affairs (Defra) officials to consider the best ways to provide insurance protection for those homes that are most at risk of flooding.

"This will become particularly important after the current 'statement of principles', which ensures homes in flood-prone locations can continue to get insurance protection, comes to an end in 2013", Mr Douglas points out.

"The industry is keen to continue building reserves for future severe weather events and I believe that premiums may need to rise further.

Continued

The competitive market has ensured that home insurance remains remarkably good value for money. After all, the cost of contents cover has risen only by 8.5% over 17 years while buildings cover has risen by 34% over the same period – even that is well below inflation", Mr Douglas says.

"My concern is that insurers may be faced with more regular extreme weather events. If that happens, then current premium rates will not be sustainable and premiums might have to be brought sharply into line."

Home insurance premiums – Quarter 2 2011

Summary tables

Home insurance direct providers

	Jul-11	Apr-11	% change	Jul-10	% change	Jul-94	% change
Market average							
Buildings	£221.29	£226.72	-2.4	£214.30	3.3	£165.15	34.0
Contents	£113.92	£111.96	1.8	£112.04	1.7	£105.02	8.5
Combined	£286.18	£286.13	0	£288.79	-0.9	n/a	n/a
Shoparound							
Buildings	£146.35	£147.29	-0.6	£130.93	11.8	n/a	n/a
Contents	£75.53	£76.39	-1.1	£69.82	8.2	n/a	n/a
Combined	£202.54	£199.51	1.5	£199.85	1.3	n/a	n/a

Home insurance comparison sites

	Jul-11	Apr-11	% change	Jul-10	% change
Market average					
Buildings	£173.73	£172.27	0.9	£159.45	9.0
Contents	£108.26	£109.83	-1.4	£97.26	11.3
Combined	£239.46	£246.81	-3.0	£224.99	6.4
Shoparound					
Buildings	£117.24	£119.07	-1.5	£113.62	3.2
Contents	£67.58	£68.16	-0.9	£60.58	11.6
Combined	£168.05	£164.53	2.1	£165.00	1.8

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](#)