



AA British Insurance Premium Index Quarter 3 2011

October 2011

The AA British Insurance Premium Index (Index) has been tracking the quarterly movement of car and home insurance since 1994. It measures the market average premium (an average of all quotes on a UK-representative basket of 'customers') as well as the three cheapest quotes for each 'customer' to provide the Shoparound index.

The 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 3 2011

Car premiums fall by just £2, AA Index finds

The biggest car insurance premium increases since records began appear to have ended, according to the latest AA British Insurance Premium Index.

The broker's benchmark Shoparound index fell by 0.3% (just £2) to £921 over the three months ending 30 September.

At the end of March 2011, premiums had risen by over 40% over the previous 12 months. The annual rise has now dropped to 16% for the 12 months ending September, giving hope that the worst of the price hikes are over.

Simon Douglas, director of [AA Insurance](#), says: "The past two years have seen the biggest-ever rises in premiums as insurers struggled to close a widening gap between premium income and claims costs. Although historically costs had been rising, premiums had not and, at the end of 2009, for every £100 taken in premiums £123 was being paid out.

"Something had to give," he says. "But the gap has now closed sufficiently to allow insurers to start pricing more competitively once again."

However, he warns there are still inflationary pressures for insurers and that the respite may be short lived.

"I believe that this fall is a respite rather than the start of a trend. Premiums are likely to continue rising next year, but at a much more modest rate," he adds. "I would be concerned if they do start falling because after a time, it could lead to a repeat of the past two years' sharp premium inflation."

The steep upward premium increases recorded by the AA's Index attracted the attention of the Commons Transport Committee, which is continuing an inquiry into the cost of car insurance. More recently, the Office of Fair Trading started a probe into the industry while the Justice Minister announced reform of the way that personal injury claims are managed, including an end to so-called 'referral fees'. This is regarded as one of the principal causes of premium increases.

Introduction this year of continuous insurance enforcement (CIE) to tackle uninsured driving, the launch early next year of a dedicated police insurance fraud unit funded by the insurance industry and moves to allow insurance companies to access customer data held by the DVLA are all also expected to help insurance companies control fraudulent claims over coming months.

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AA British Insurance Premium Index



"I expect these moves to help the insurance industry manage costs which, in turn, should help avoid big premium increases in the future," Mr Douglas says. "But the fact remains that while the number of accidents on Britain's roads is falling, the number of personal injury claims continues to rise and I'm glad that this is at last going to be brought under control."

Over the past six months, premiums for young drivers have also shown signs of falling. They fell by over 5% during the previous quarter but have since risen again slightly.

Recent statistics from the Department for Transport suggest that the number of crashes involving death and serious injury amongst young drivers are falling although they remain significantly higher than for other age groups.

Education, changes to the driving test and development of new black-box 'pay-by-performance' insurance solutions should all help young people start their driving careers responsibly and safely, Mr Douglas believes, but points out: "There will need to be strong evidence that these reduce the number of serious crashes experienced by young drivers before premiums fall much further for them."

Motor insurance premiums – Quarter 3 2011

Summary tables

Car insurance direct providers

	Oct-11	Jul-11	% change	Oct-10	% change	Jul-94	% change
Market average							
Comprehensive	£1,449.85	£1,438.18	0.8	£1,249.71	16.0	£384.50	277.1
TPFT	£1,513.03	£1,510.80	0.1	£1,246.41	21.4	£333.39	353.8
Shoparound							
Comprehensive	£921.38	£923.90	-0.3	£791.82	16.4	n/a	n/a
TPFT	£1,460.85	£1,465.23	-0.3	£1,097.72	33.1	n/a	n/a

Car insurance comparison sites

	Oct-11	Jul-11	% change	Oct-10	% change
Market average					
Comprehensive	£1,053.28	£1,067.72	-1.4	888.84	18.5
TPFT	£1,280.87	£1,280.36	0	909.02	40.9
Shoparound					
Comprehensive	£682.80	£696.67	-2.0	592.08	15.3
TPFT	£949.27	£940.72	0.9	764.77	24.1

Continued

Shoparound quarter movements by age and gender

	Average premium	Shoparound movement %					
	Oct-11	Oct-10	Jan-11	Apr-11	Jul-11	Oct-11	Annual
Male							
17-22	£2,977	13.5	11.93	11.01	-5.91	3.66	21.19
23-29	£1,464	10.7	12.57	7.03	3.01	-0.98	22.89
30-39	£788	7.3	5.66	8.16	5.94	0.08	21.16
40-49	£710	10.3	6.9	6.78	7.19	-0.17	22.15
50-59	£599	8.1	6.57	5.74	5.11	-0.29	18.1
60-69	£495	11.8	6.02	4.68	7.89	-1.59	17.83
70+	£611	11.7	8.69	4.99	4.05	-0.85	17.73
Female							
17-22	£1,682	15.5	18.23	5.01	-5.38	0.65	18.24
23-29	£901	10.5	9.49	5.04	-0.09	-1.1	13.64
30-39	£576	8.7	6.31	3.6	2.79	-0.59	12.55
40-49	£591	12.2	6.53	8.16	3.27	-0.55	18.35
50-59	£512	11.4	6.53	7.04	3.6	-0.06	18.06
60-69	£400	8.2	6.04	3	5.01	-1.55	12.92
70+	£449	2.3	3.59	8.99	3.72	-0.88	16.08
All							
17-22	£2,342	14.4	15.1	7.98	-5.64	2.12	19.75
23-29	£1,169	10.6	11.01	6.02	1.42	-1.04	18.11
30-39	£680	7.9	5.99	5.88	4.36	-0.25	16.81
40-49	£650	11.1	6.72	7.47	5.22	-0.36	20.24
50-59	£533	9.8	6.55	6.44	4.29	-0.17	18.08
60-69	£451	10.2	6.03	3.92	6.59	-1.57	15.6
70+	£524	7.1	6.02	7.1	3.88	-0.86	16.93

Download the Index (csv file) for motor insurance

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

Home insurance premiums – Quarter 3 2011

Home insurance premiums still rising, AA Index says

The cost of a typical home buildings policy rose to its highest-ever level over the three months ending 30 September 2011, according to the latest benchmark AA British Insurance Premium Index.

The Index shows that a steady rise in the cost of buildings cover, that started in 2009, shows no sign of abating with an increase of 14.3% over the 12 months to the end of September, most of which happened during the first quarter of 2011.

The average cost of a contents policy also rose by 2.2% over the quarter to £77.21, a rise of 5.8% over 12 months. For combined buildings and contents cover policyholders can expect to be quoted, on average, £205.55; a three-month increase of 1.5% and 5.7% over the year.

Simon Douglas, director of [AA Insurance](#), says that the cost of buildings insurance has risen steadily for just over two years, after a long period of relatively little change. Even the devastating floods of 2007 didn't produce the big premium increases many predicted at the time, he points out.

"But since then, we've gone through two severe winters that caused widespread property damage throughout the UK. Insurers are also concerned about more frequent severe weather events such as flash floods, often in places with no flooding history; wind damage and even damage from extreme hailstorms, lightning strikes and tornadoes. One recent industry report suggests that claims for storm damage have jumped by 68% over the past year.*

"Insurers need to consider the potential for future claims and ensure that they have adequate reserves to meet the cost of any extreme and widespread weather damage: for example major flooding or more severe winters."

Mr Douglas suggests that home owners, whether they have insurance or not, should do all they can to reduce the risk of damage to their property from another harsh winter, pointing out that 'escape of water' such as from broken or frozen pipes and roof tanks is the biggest single cause of home insurance claims.

"Quite apart from the damage and distress caused by water bringing down ceilings and ruining furnishings, it could still hit you in the pocket after insurance has covered the costs. Although no-claims bonuses are less common on home insurance policies, if you have suffered a loss or made a claim then you will need to disclose this to your insurer. It could well increase your premium the following year," he says.

Continued

Mr Douglas also points to building repair costs as well as contents claims which are rising with inflation, and this in turn is leading to premium increases.

"There has been a lot of focus on the sharp rises in car insurance premiums, yet over the past couple of years the cost of insuring your home as been steadily rising too; and I believe they will continue to do so for the foreseeable future."

* According to the price comparison site Confused, storm-related insurance claims have risen by 68% in the last year.

Home insurance premiums – Quarter 3 2011

Summary tables

Home insurance direct providers

	Oct-11	Jul-11	% change	Oct-10	% change	Jul-94	% change
Market average							
Buildings	£224.95	£221.29	1.7	£213.55	5.3	£165.15	36.2
Contents	£114.14	£113.92	0.2	£112.01	1.9	£105.02	8.7
Combined	£290.56	£286.18	1.5	£279.84	3.8	n/a	n/a
Shoparound							
Buildings	£152.18	£146.35	4.0	£133.16	14.3	n/a	n/a
Contents	£77.21	£75.53	2.2	£72.98	5.8	n/a	n/a
Combined	£205.55	£202.54	1.5	£194.45	5.7	n/a	n/a

Home insurance comparison sites

	Oct-11	Jul-11	% change	Oct-10	% change		
Market average							
Buildings	£174.82	£173.73	0.6	£161.79	8.1		
Contents	£108.26	£108.26	0	£102.77	5.3		
Combined	£243.70	£239.46	1.8	£223.59	9.0		
Shoparound							
Buildings	£119.32	£117.24	1.8	£114.17	4.5		
Contents	£67.06	£67.58	-0.8	£66.08	1.5		
Combined	£169.73	£168.05	1.0	£165.20	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](#)