



AA British Insurance Premium Index Quarter 4 2011

19 January 2012

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.

Motor insurance premiums	3
Home insurance premiums	7

Media contact

Ian Crowder

01256 492 844 ian.crowder@theAA.com

The information in the Index may only be used internally by the business (Internal Business Use) on the following terms. Internal Business Use means use of the information contained in the Index in reports and submissions – that do not carry advertising – in internal business activities. It specifically excludes any commercial use and exploitation including any use whereby the user obtains direct or indirect revenue, for example as part of any publishing activity, promotion, marketing or advertising. The AA copyright notice must be displayed on all such information. Press journalists may use the Index for editorial purposes without prior permission.

Any use of the Index other than as above is not permitted without the prior written consent of the AA (contact details above).

Continued

AA British Insurance Premium Index



*For the
road ahead*

AA excludes all implied warranties and conditions to the fullest extent permitted by law. AA does not in any way warrant the accuracy or completeness of the Index and by using the Index the user acknowledges that it is relying upon its own skill in determining its suitability for any general or specific purpose and accepts that the Index may not be error free.

Automobile Association Insurance Services Limited is an intermediary and is regulated by the Financial Services Authority.

Motor insurance premiums – Quarter 4 2011

Year end brings another car premium increase

- AA's benchmark British Insurance Premium Index shows 15% annual premium increase
- Young drivers see big increases yet again

The rising trend in the cost of a typical quoted premium for an annual comprehensive car insurance policy continued over the fourth quarter of 2011, after a brief stall.

According to the AA's benchmark British Insurance Premium Index (published 19 January 2011), the Shoparound index is now £971.40, a 5.4% increase (from £921.38) over the three months ending 31 December. The annual increase is 15.3% (from £842.69).

The Shoparound index is an average of the cheapest three premium quotes returned from a range of insurers for each 'customer' in a nationwide basket of risks. (The main Index, which is an average of all quotes for each 'customer' in our basket of risks, rose by just 0.6%.)

Simon Douglas, director of [AA Insurance](#), is surprised that the increase was this large. "I expected a much smaller rise, especially following the small fall in premiums during the third quarter of 2011.

"The difference shows that the cheaper deals are disappearing. Young drivers seem to be the biggest losers with a higher than average increase for them.

"It's clear that young drivers continue to be of concern to insurers, while many no longer offer cover to those under 21," Mr Douglas says.

Young drivers

The latest figures from the Department for Transport confirm:

- Young men under age 24 account for 28% of all those killed or seriously injured on Britain's roads
- There are more than twice as many casualties among young men (1,153) than young women (514)

The Department for Transport figures explain the big difference in premiums for young men and young women. According to the AA Shoparound prices, the average premium quoted for men aged 17–22 is £3,194, and for women in the same age group £1,879 (41% less).

Continued

However, following last year's European Court of Justice ruling that using gender to set insurance premiums is discriminatory, insurers are no longer be able to take gender into account from December 2012.

This means that everyone who has bought a car insurance policy since the end of December will find that their next renewal will be affected by the ruling.

"Young women will see the biggest premium increases," says Mr Douglas. "It is unknown territory for insurers who will be careful to avoid significant losses they can ill afford."

The ECJ gender ruling has opened the way for more widespread use of telematic or 'black box' insurance, which sets premiums based on driving performance.

"It puts ownership of responsible and safe driving firmly in the hands of the driver, regardless of their sex. It is genuinely a gender-neutral product," Mr Douglas says.

AA Insurance launched a telematic insurance product, [AA Drivesafe Insurance](#), in February 2012.

Personal injury claims

The Department for Transport figures follow the House of Commons Transport Committee report (12 January 2012) which blamed a sharp increase in premiums on whiplash injury claims.

Three years ago, the AA warned that the rising cost and frequency of personal injury claims was putting pressure on premiums.

Although the AA believes further sharp premium increases are unlikely, it expects prices to continue rising ahead of inflation over the rest of the year.

Mr Douglas says: "Reform of the way that personal injury claims are managed can't come soon enough. It is wrong that injury claims are rising while the number of accidents on Britain's roads is falling."

Continued

Motor insurance premiums – Quarter 4 2011

Summary tables

Car insurance direct providers

	Jan-12	Oct-11	% change	Jan-11	% change
Shoparound					
Comprehensive	£971.40	£921.38	5.4	£842.69	15.3
Third party, fire & theft*	£1,495.71	£1,460.85	2.4	£1,389.97	7.6

* The higher figure quoted for TPFT reflects the basket of risks for this type of cover, which is typically bought by young drivers with older vehicles.

Regional winners and losers

	No of risks	Market			Shoparound		
		Jan-12	Oct-11	% change	Jan-12	Oct-11	% change
London	441	£1,628	£1,616	0.7	£1,120	£1,058	5.9
South	329	£1,262	£1,264	-0.1	£825	£789	4.6
Anglia	212	£1,212	£1,196	1.4	£769	£732	5.2
Central	334	£1,429	£1,405	1.7	£962	£914	5.2
West	198	£1,203	£1,199	0.3	£748	£723	3.3
Wales	172	£1,309	£1,279	2.4	£834	£790	5.6
North West	266	£2,063	£2,028	1.8	£1,615	£1,529	5.6
Yorkshire	232	£1,610	£1,587	1.5	£1,119	£1,065	5.1
North East	126	£1,392	£1,401	-0.6	£929	£893	4
Scotland	168	£994	£998	-0.5	£587	£555	5.7

- Scotland remains the cheapest part of the UK to insure a car
- Most costly is North West, followed by London
- Biggest premium increase was London (5.9%), followed by Scotland (5.7%)
- Smallest premium increase was West (3.3%), followed by North East (4.0%)

The number of risks for Northern Ireland is too small to be statistically reliable.

Continued

AA British Insurance Premium Index



Shoparound quarter movements by age and gender

	Average premium	Shoparound movement %							
		Jan-12	Jul-10	Oct-10	Jan-11	Apr-11	Jul-11	Oct-11	Jan-12
Male									
17-22	£3,163	14.7	13.5	11.93	11.01	-5.91	3.66	6.24	15.03
23-29	£1,562	11.2	10.7	12.57	7.03	3.01	-0.98	6.72	16.51
30-39	£819	11.1	7.3	5.66	8.16	5.94	0.08	3.94	19.19
40-49	£740	7.9	10.3	6.9	6.78	7.19	-0.17	4.21	19.08
50-59	£577	8.4	8.1	6.57	5.74	5.11	-0.29	3.35	14.53
60-69	£521	7.8	11.8	6.02	4.68	7.89	-1.59	5.25	16.98
70+	£640	11.4	11.7	8.69	4.99	4.05	-0.85	4.83	13.55
Female									
17-22	£1,799	16.9	15.5	18.23	5.01	-5.38	0.65	6.94	6.94
23-29	£953	11.4	10.5	9.49	5.04	-0.09	-1.1	5.74	9.75
30-39	£601	7.3	8.7	6.31	3.6	2.79	-0.59	4.32	10.44
40-49	£618	6.9	12.2	6.53	8.16	3.27	-0.55	4.45	16.04
50-59	£533	8.1	11.4	6.53	7.04	3.6	-0.06	4.02	15.28
60-69	£424	6.9	8.2	6.04	3	5.01	-1.55	5.88	12.75
70+	£471	9.9	2.3	3.59	8.99	3.72	-0.88	4.92	17.56
All									
17-22	£2,497	15.4	14.4	15.1	7.98	-5.64	2.12	6.6	10.91
23-29	£1,241	11.3	10.6	11.01	6.02	1.42	-1.04	6.22	13.02
30-39	£708	9.4	7.9	5.99	5.88	4.36	-0.25	4.13	14.76
40-49	£678	7.5	11.1	6.72	7.47	5.22	-0.36	4.33	17.56
50-59	£553	8.2	9.8	6.55	6.44	4.29	-0.17	3.72	14.94
60-69	£475	7.4	10.2	6.03	3.92	6.59	-1.57	5.54	15.07
70+	£550	10.7	7.1	6.02	7.1	3.88	-0.86	4.88	15.67

Download the Index (csv file) for motor insurance

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

Home insurance premiums – Quarter 4 2011

Home premiums steadily rising, AA Index finds

- Weather claims put pressure on premiums

Home insurance premiums continue their steady upward trend, according to the latest benchmark AA British Insurance Premium Index.

The Shoparound index, which is an average of the cheapest three premium quotes returned from a range of insurers for each 'customer' in a nationwide basket of risks, show that the average quote for annual buildings, contents and for combined policies rose by up to 11% over 2011.

Over the last three months of 2011:

- Buildings premiums rose 3.1% to £156.95 (from £152.18), an annual increase of 9.5% (from £143.36)
- Contents premiums rose 4.4% to £80.58 (from £77.21), an annual increase of 11.2% (from £72.43)
- Combined buildings and contents premiums rose 2.9% (from £211.49), an annual increase of 5.6% (from £200.25)

According to Simon Douglas, director of [AA Insurance](#): "Storm damage, flooding and burst pipes are top of an insurer's list of worries, following two harsh winters and increasingly frequent severe weather.

"In addition, economic pressures result in more theft claims. According to the British Crime Survey, domestic burglary in England and Wales grew by 10 per cent over the 12 months to the end of June 2011.

"The premium increases we have seen over 2011 reflect both past losses and concern about future claims."

Continued



Mr Douglas believes that premiums will continue to rise through 2012, but not sharply.

"I expect that by this time next year, home premiums will have risen by somewhere between 5% and 10%," he added, pointing out that home premiums have been relatively static.

"For example, between 1994 when the AA started tracking home premiums and January 2009, the average quoted premium for a contents policy had risen by less than 1%, while buildings had risen by less than 8%. That compares with more than 100 per cent increase for a car policy over the same period.

"Home insurance still represents good value."

Home insurance premiums – Quarter 4 2011

Summary table

Home insurance direct providers					
	Jan-12	Oct-11	% change	Jan-11	% change
Shoparound					
Buildings	£156.95	£152.18	3.1	£143.36	9.5
Contents	£80.58	£77.21	4.4	£72.43	11.2
Combined	£211.49	£205.55	2.9	£200.25	5.6

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](#)