



### AA British Insurance Premium Index – 2017 quarter 3

27 October 2017

The AA British Insurance Premium Index (Index) has been tracking the quarterly movement of car and home insurance since 1994. It measures the five cheapest quotes for each 'customer' to provide an average or Shoparound index.

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### Car insurance premiums – 2017 quarter 3

#### £35 slashed off the average car insurance quote

- Biggest quarterly drop since 2014
- Industry responds to discount rate and whiplash reforms
- Premium fall not an excuse to hike IPT, AA warns

Car insurance premiums have made a sudden but welcome reverse from an accelerating trend, falling nearly £35 (4.9%) over the past 3 months, according to the latest AA British Insurance Premium Index.

The Shoparound quote fell from £714.85, the highest since the Index began in 1994, to £679.93 over the quarter ending 30 September.<sup>1</sup>

But premiums are still £60 (9.7%) higher than this time last year.

"This is certainly a small step in the right direction," says Michael Lloyd, director of [AA Insurance](#).

"Drivers have had to put up with some sharp premium increases over the past three years, in part due to avoidable government interventions."

The dramatic change is attributed to a combination of factors, in particular the review by the government of the so-called 'discount rate' change announced in February 2017, which applies to the payment of injury claims.<sup>2</sup> Insurers, the NHS and others were suddenly faced with losses of millions after a government decision to slash the rate, leading to much bigger compensation payouts and in turn a sharp rise in car insurance premiums.

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<sup>1</sup> The AA Shoparound index is an average of the 5 cheapest premiums, quoted from the broker, the direct market and price comparison sites, for each risk in a nationwide basket of risks representative of the insurance buying public. This method gives accurate quarterly price tracking.

<sup>2</sup> On 7 September, the Ministry of Justice announced measures to change the way compensation payments are calculated, following a pledge by ministers in February to consult on whether there was a fairer way to set the 'discount rate'.  
<https://www.gov.uk/government/news/reforms-to-compensation-payouts-announced>



Explains Lloyd: "Ministers quickly got the message that their drop in the discount rate was too much, too far, and was hitting drivers in the pocket.

"I'm glad that they announced in September that they would review it, and the industry has responded favourably."

Lloyd also believes that the industry is responding to the proposed Ministry of Justice reforms of the dysfunctional whiplash claims industry, which encourages people to claim for injuries that may never have happened.<sup>3</sup>

"Although the reforms are not expected to be introduced for another year, the government claims they will have the potential to knock 30% off a typical car insurance premium. The premium reduction we have revealed underlines the industry's willingness to pass cost savings straight on to their customers.

"But it is important that the much delayed reforms are pushed through."

However, Lloyd is concerned that the Chancellor of the Exchequer may see the latest premium reductions as an excuse to pile more on to Insurance Premium Tax (IPT).

"The message I send to the Chancellor is that drivers who have no choice but to pay for car insurance – or drive illegally – have suffered enough with rising costs, and so he should leave IPT well alone in his November Budget.

"This stealth tax has doubled in two years, and rising costs like this have driven many young drivers to drive without insurance. A big jump in the number of uninsured drivers is evidenced by the rise in collisions involving those without cover, as well as hit and run incidents that are likely to involve illegal drivers.

"I strongly urge the Chancellor to consider removing IPT completely for young drivers who use telematics black-box insurance, which is proven to contribute to road safety.

"Such a positive step will encourage young drivers to get behind the wheel both safely and responsibly, and in turn help to reduce car insurance premiums for everyone by cutting claims."

Continued

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<sup>3</sup> In the [Queen's Speech](#) this year, the Ministry of Justice was tasked with the Civil Liability Bill. The bill is expected to include a tariff for reduced road traffic collision claims compensation, and a ban on compensation offers made without medical evidence. The reforms, not expected before October 2018, are planned to come into force at the same time as an increase in the small claims limit to £5,000 for road traffic collision claims.



### Shoparound premium summary (all channels)

	2017 Q2	2017 Q3	Change	2016 Q3	Change
<b>Comprehensive</b>	£714.85	£679.93	-4.9%	£619.83	+9.7%
<b>Third Party, Fire &amp; Theft</b>	£1044.83	£951.01	-9.0%	£879.03	+8.2%

Third party, fire and theft cover appears to have a higher premium than comprehensive. This is because the basket of risks reflects the type of driver that buys such cover, typically young drivers.

## Car insurance premiums – summary tables and charts 2017 Q3

**Download the Index (Excel file) for motor insurance**

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

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AA British Insurance Premium Index – Car insurance trends since 1994 (chart)

### All channels combined

Car insurance Shoparound premium movements (chart)

Car insurance Shoparound premium movements (table)

Car insurance Shoparound premium movements – region and age (tables)

Comprehensive car insurance Shoparound premium trend (chart)

TPFT car insurance Shoparound premium trend (chart)

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### Home insurance premiums – 2017 quarter 3

#### Upward trend running out of steam, says AA Index

- Modest rise for buildings insurance
- Contents cover cost falls
- Stormy winter could push up prices

A competitive market is holding home insurance premiums in check, the latest AA British Insurance Premium Index has found.

The Shoparound quote shows that the cost of a combined buildings and contents policy has risen over the 3 months ending 30 September, but by less than £2 (1.2%) to £159.69.<sup>4</sup>

The rise was driven by an increase of 1.4% in the quoted premium for buildings insurance to £114.47 over the same period, although contents insurance dropped by a modest 5p (0.1%) to £61.20.

Over 12 months the price of a combined policy has increased by just 3.5%, due to the increase in Insurance Premium Tax (IPT).

Michael Lloyd, director of [AA Insurance](#), says: "These very small price changes reflect the competitive nature of the market and ensure very good value for householders.

"Premiums have remained low for a long time, though there is some evidence to suggest that they aren't keeping pace with developing risks such as weather damage and flooding.

"But if the recent storms in the west and north are a portent for a severe winter to come, then homeowners can expect to feel the pain of rising premiums, and not just those whose homes are been damaged or flooded.

"Insurance customers have become price sensitive to the point that there is now less consideration of the quality of the cover and what it provides, which doesn't serve them well. Nevertheless, the industry has a good reputation for responding well to those who need immediate help.

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<sup>4</sup> The AA Shoparound index is an average of the 5 cheapest premiums, quoted from the broker, the direct market and price comparison sites, for each risk in a nationwide basket of risks representative of the insurance buying public. This method gives accurate quarterly price tracking.



## AA British Insurance Premium Index

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"Despite the relative lack of premium movement over the last quarter, the trend is upwards – albeit modestly so.

Lloyd is also concerned that IPT is a potential target for the Chancellor of the Exchequer.

"Although I have no direct evidence that there will be an IPT increase this November, the Treasury has previously suggested that IPT and VAT should be more closely aligned. I recognise that the government has budget shortfalls, but I hope the relative lack of premium movement in the home insurance market doesn't encourage him to try to fill the holes by taxing responsible people trying to protect their homes."

### Shoparound premium summary

	2017 Q2	2017 Q3	Change	2016 Q3	Change
<b>Buildings</b>	£112.85	£114.47	+1.4%	£109.63	+4.4%
<b>Contents</b>	£61.25	£61.20	-0.1%	£62.89	-2.7%
<b>Combined</b>	£157.78	£159.69	+1.2%	£154.36	+3.5%

Based on GFK channel preference and arrangement data.

Continued



## Home insurance premiums – summary tables and charts 2017 Q3

Download the Index (Excel file) for home insurance:

[750 risks for home insurance](#)

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AA British Insurance Premium Index - Home insurance trends since 1994 (chart)

### All channels combined

Home insurance Shoparound premium movements (chart)

Home insurance Shoparound premium movements (table)

Home insurance Shoparound premium movements – region (tables)

Home insurance Shoparound premium movements – age (tables)

Home insurance Shoparound premium movements – property type (tables)

Home insurance Shoparound premium movements – year built (tables)

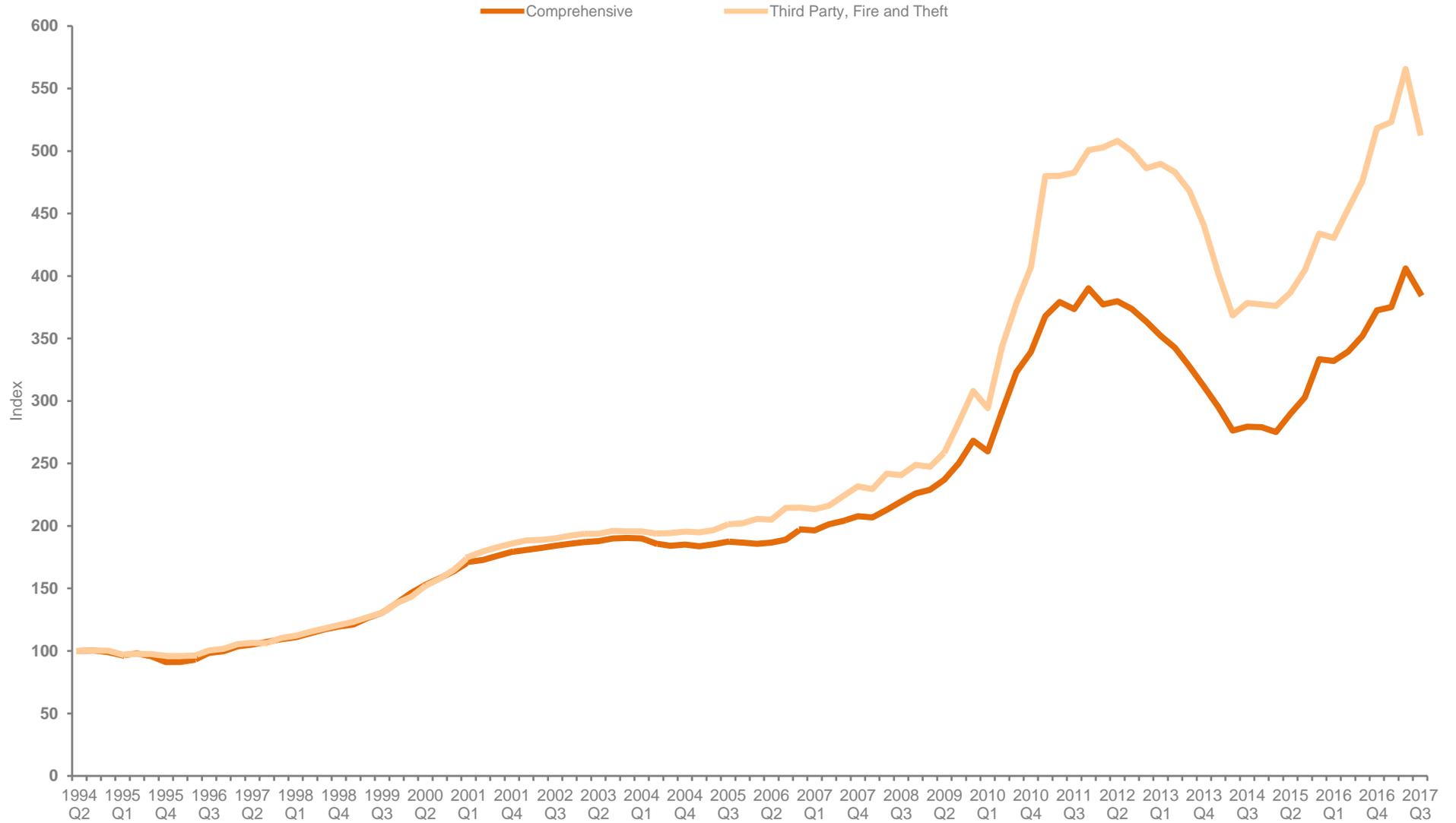
Buildings insurance Shoparound premium trend (chart)

Contents insurance Shoparound premium trend (chart)

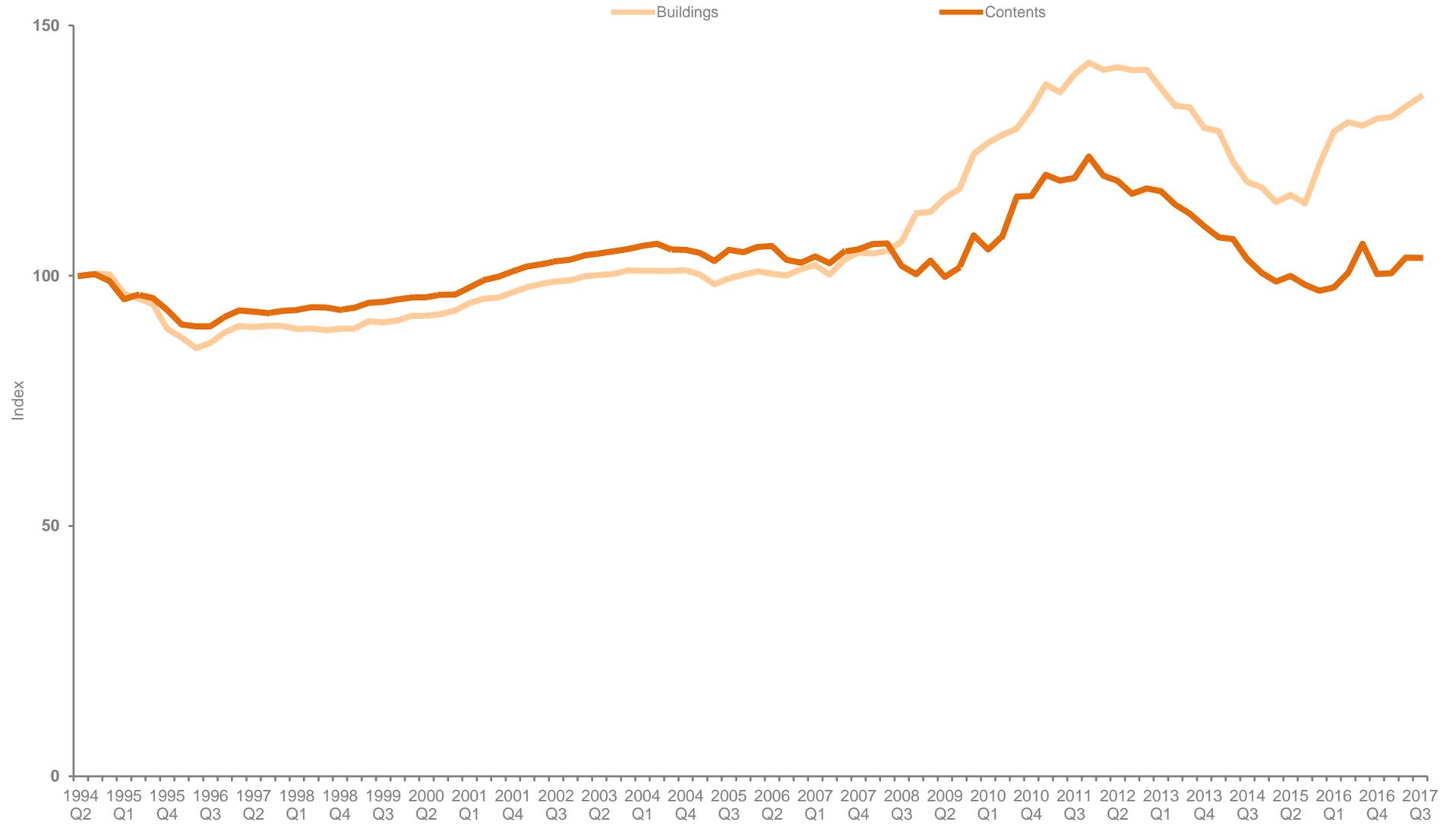
Buildings and contents insurance Shoparound premium trend (chart)

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## AA British Insurance Premium Index - Car Insurance ShoparoundTrends

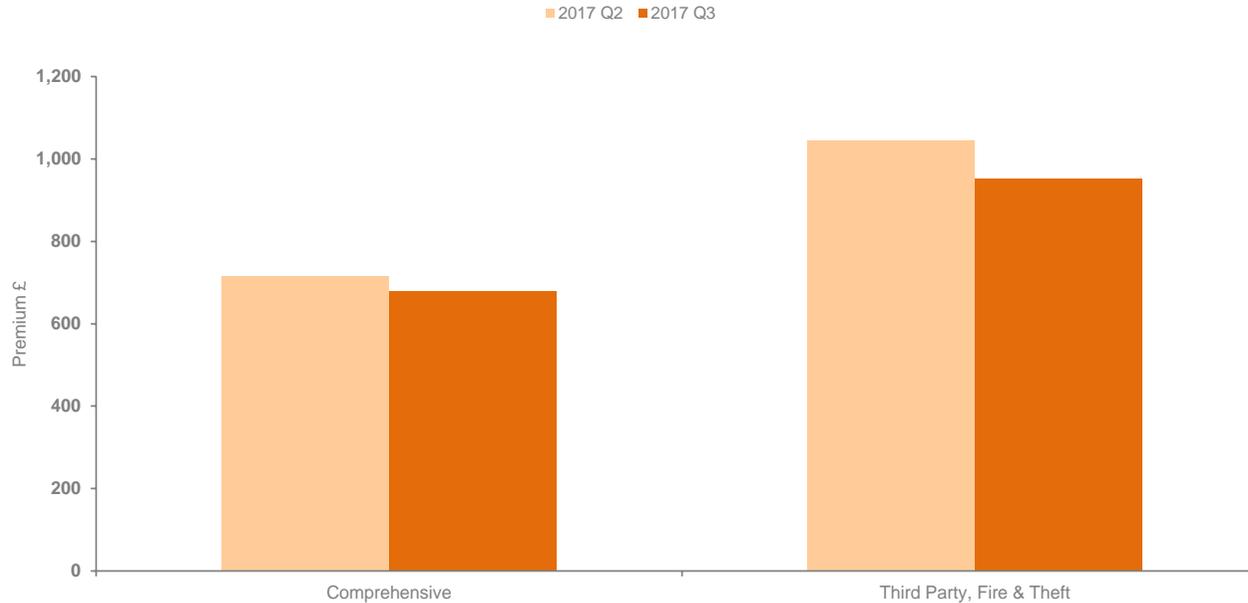


## AA British Insurance Premium Index - Home Insurance Market Average Trends



## AA British Insurance Premium Index - Motor Shoparound Premium All Channels

	2017 Q2	2017 Q3
Comprehensive	£714.85	£679.93
Third Party, Fire & Theft	£1,044.83	£951.01



A base rate of 100 was set at July 1994. The British Insurance Premium Index gives a quarterly update on the movements of home insurance on 750 risks each for buildings and contents, and on 2800 car insurance risks - 2500 comprehensive and 300 TPFT. July 1994 and subsequent premiums are assumed average premiums rebased in line with BIPI production methods over time.

The Index shows average car insurance premiums based on open market rates from 80 of the UK's leading insurers and home premiums across 72 insurers. Composites, direct writers and online providers are included.

The quarterly move compares the market average premium this quarter with the previous quarter.

The shoparound premium is the average of the five lowest premiums quoted by the insurers in the market survey. This more closely reflects the price paid, but does not take account of discretionary discounts offered.

All premiums shown include Insurance Premium Tax at the prevailing rate.  
Premiums shown for July 1994 alone are free of IPT

While it is not possible to include risks from every town in the UK, those selected are typical risks, reflecting a cross section of the insurance market. Movements by specific towns are checked separately using a basket of 250,000 risks.

## AA BIPI - Motor Insurance Shoparound Movements

All channels\*

	2017 Q2	2017 Q3	Change	2016 Q3	Change
Comprehensive	£714.85	£679.93	- 4.9%	£619.83	+ 9.7%
Third Party, Fire & Theft	£1,044.83	£951.01	- 9.0%	£879.03	+ 8.2%

\* Based on GFK channel preference and arrangement data - March 2017.

## AA BIPI - Motor Insurance Shoparound Movements

### Summary by region - all channels

Region	Shoparound		Change
	2017 Q2	2017 Q3	
Anglia	£701.85	£663.11	- 5.5%
Border & TyneTees	£706.23	£656.75	- 7.0%
Central	£732.29	£690.20	- 5.7%
Granada	£964.86	£909.71	- 5.7%
London	£880.21	£841.51	- 4.4%
Scotland	£534.28	£508.77	- 4.8%
South	£618.61	£585.08	- 5.4%
UTV	£945.48	£870.49	- 7.9%
Wales	£691.47	£656.51	- 5.1%
West & West Country	£577.21	£550.71	- 4.6%
Yorkshire	£777.23	£737.86	- 5.1%

### Summary by age - all channels

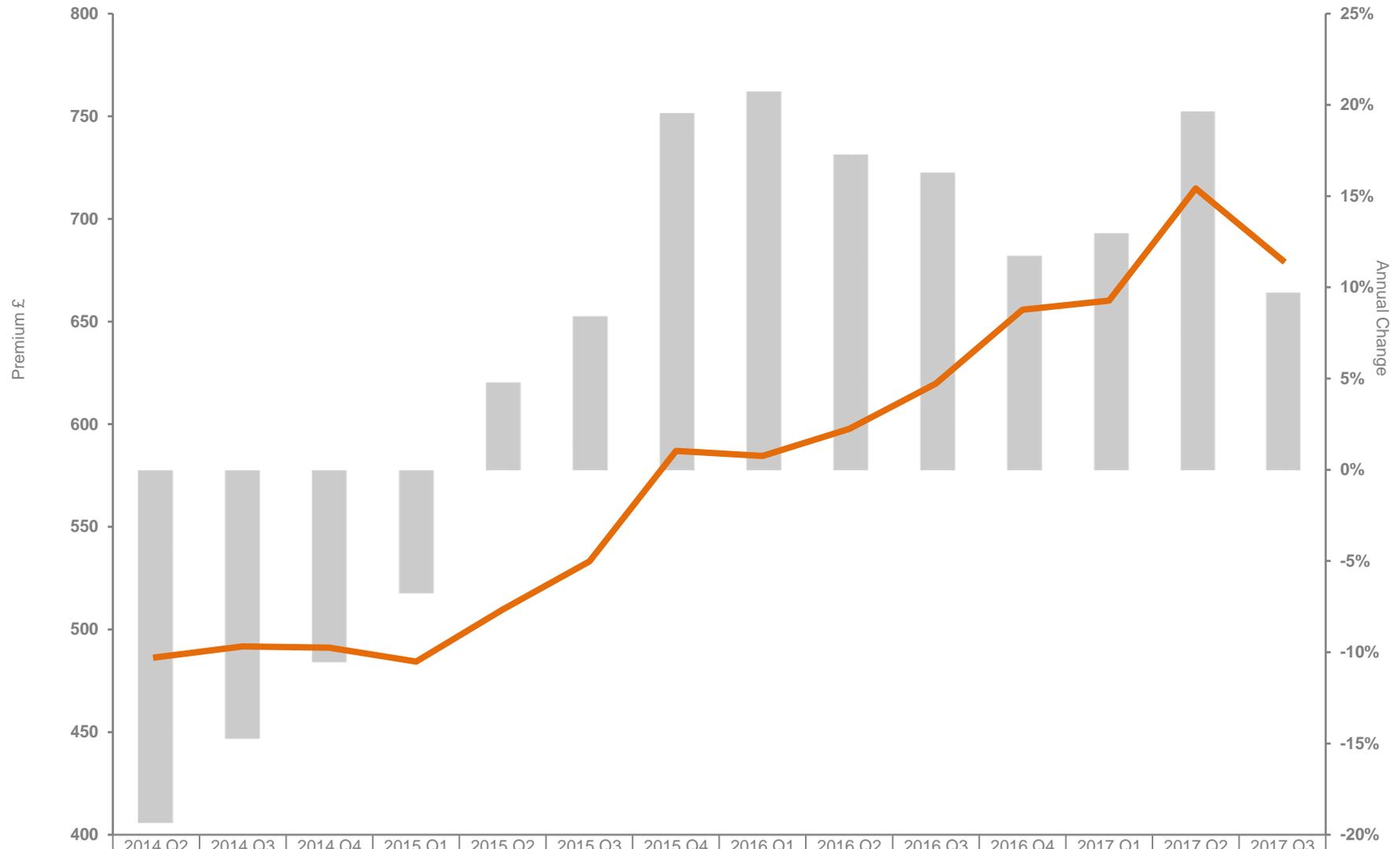
Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£1,631.81	£1,507.18	- 7.6%
23-29	£938.08	£879.39	- 6.3%
30-39	£621.02	£591.18	- 4.8%
40-49	£558.45	£528.84	- 5.3%
50-59	£483.99	£467.71	- 3.4%
60-69	£439.61	£428.60	- 2.5%
70+	£616.98	£601.43	- 2.5%

### Summary by age and gender - all channels

Female Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£1,489.83	£1,370.92	- 8.0%
23-29	£878.59	£821.43	- 6.5%
30-39	£591.78	£562.55	- 4.9%
40-49	£548.74	£515.43	- 6.1%
50-59	£500.88	£483.81	- 3.4%
60-69	£436.75	£425.81	- 2.5%
70+	£577.35	£565.67	- 2.0%

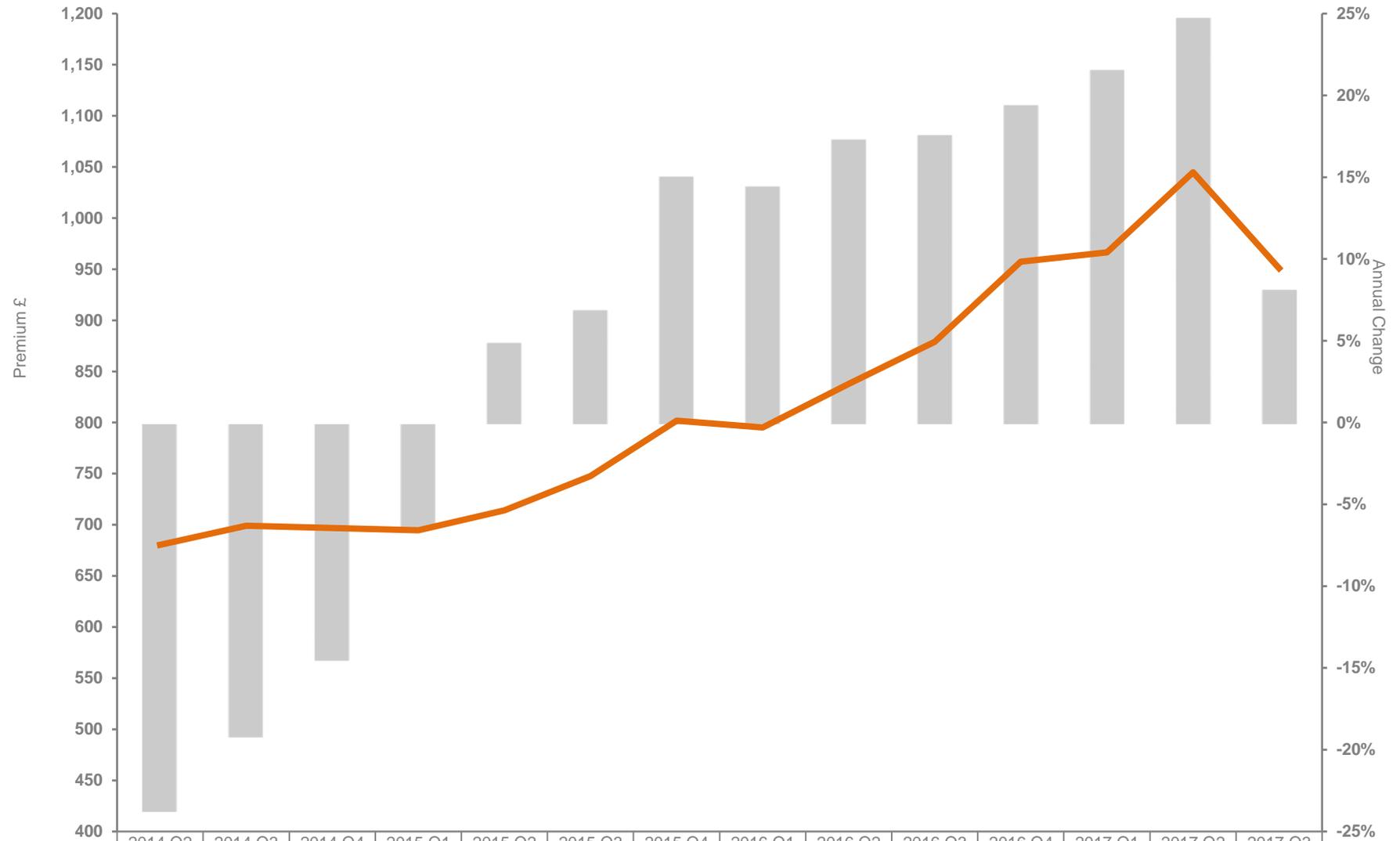
Male Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£1,782.03	£1,650.23	- 7.4%
23-29	£1,003.11	£942.72	- 6.0%
30-39	£649.63	£619.17	- 4.7%
40-49	£567.30	£541.26	- 4.6%
50-59	£464.40	£448.95	- 3.3%
60-69	£442.32	£431.27	- 2.5%
70+	£657.81	£638.39	- 3.0%

### AA BIPI - Motor Comprehensive Shoparound Premium



Annual change	-19.3%	-14.7%	-10.5%	-6.7%	4.8%	8.4%	19.5%	20.7%	17.2%	16.3%	11.7%	12.9%	19.6%	9.7%
Comp premium	£486.47	£491.78	£491.16	£484.34	£509.79	£533.14	£587.04	£584.51	£597.72	£619.83	£655.76	£660.14	£714.85	£679.93

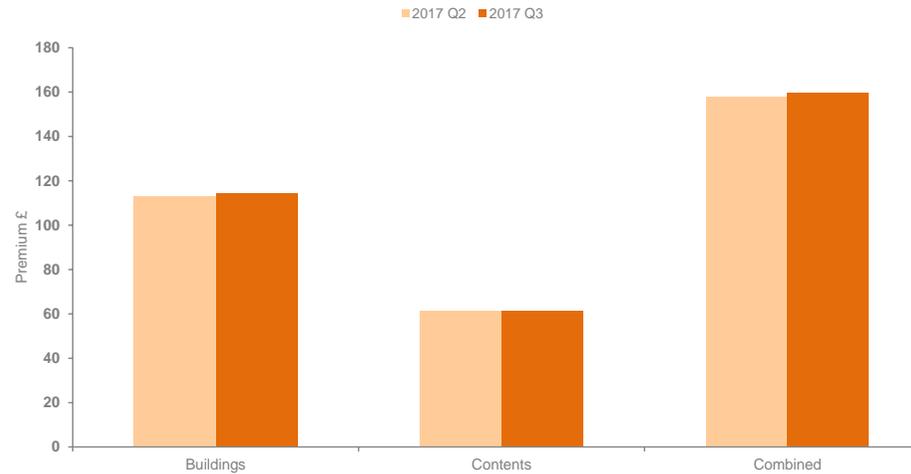
### AA BIPI - Motor Third Party, Fire & Theft Shoparound Premium



Annual Change	-23.8%	-19.1%	-14.4%	-6.4%	5.0%	6.9%	15.1%	14.5%	17.3%	17.6%	19.4%	21.6%	24.7%	8.2%
TPFT Premium	£680.42	£699.01	£696.75	£694.68	£714.16	£747.51	£801.79	£795.18	£837.83	£879.03	£957.46	£966.55	£1,044.83	£951.01

## AA British Insurance Premium Index - Home Shoparound Premium All Channels

	2017 Q2	2017 Q3
<b>Buildings</b>	£112.85	£114.47
<b>Contents</b>	£61.25	£61.20
<b>Combined</b>	£157.78	£159.69



A base rate of 100 was set at July 1994. The British Insurance Premium Index gives a quarterly update on the movements of home insurance on 750 risks each for buildings and contents, and on 2800 car insurance risks - 2500 comprehensive and 300 TPFT. July 1994 and subsequent premiums are assumed average premiums rebased in line with BIPI production methods over time.

The Index shows average car insurance premiums based on open market rates from 80 of the UK's leading insurers and home premiums across 72 insurers. Composites, direct writers and online providers are included.

The quarterly move compares the market average premium this quarter with the previous quarter.

The shoparound premium is the average of the five lowest premiums quoted by the insurers in the market survey. This more closely reflects the price paid, but does not take account of discretionary discounts offered.

All premiums shown include Insurance Premium Tax at the prevailing rate. Premiums shown for July 1994 alone are free of IPT

While it is not possible to include risks from every town in the UK, those selected are typical risks, reflecting a cross section of the insurance market. Movements by specific towns are checked separately using a basket of 250,000 risks.

**AA BIPI - Home Insurance Shoparound Movements**

All channels\*

	2017 Q2	2017 Q3	Change	2016 Q3	Change
<b>Buildings</b>	£112.85	£114.47	+ 1.4%	£109.63	+ 4.4%
<b>Contents</b>	£61.25	£61.20	- 0.1%	£62.89	- 2.7%
<b>Combined</b>	£157.78	£159.69	+ 1.2%	£154.36	+ 3.5%

\*Based on GFK channel preference and arrangement data - March 2017.

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by region - all channels

Region	Shoparound		Change
	2017 Q2	2017 Q3	
Border & TyneTees	£110.56	£110.52	- 0.0%
Central & Granada	£110.80	£111.73	+ 0.8%
London & South	£117.90	£120.82	+ 2.5%
Scotland	£110.77	£111.78	+ 0.9%
Wales	£116.82	£118.37	+ 1.3%
West & West Country	£107.93	£108.82	+ 0.8%
Yorkshire & Anglia	£110.37	£112.06	+ 1.5%

### Contents summary by region - all channels

Region	Shoparound		Change
	2017 Q2	2017 Q3	
Border & TyneTees	£57.39	£56.94	- 0.8%
Central & Granada	£63.67	£63.88	+ 0.3%
London & South	£62.88	£62.59	- 0.5%
Scotland	£55.36	£55.43	+ 0.1%
Wales	£58.75	£58.36	- 0.7%
West & West Country	£57.46	£56.99	- 0.8%
Yorkshire & Anglia	£62.11	£62.45	+ 0.5%

### Combined summary by region - all channels

Region	Shoparound		Change
	2017 Q2	2017 Q3	
Border & TyneTees	£152.12	£150.76	- 0.9%
Central & Granada	£157.17	£158.66	+ 0.9%
London & South	£166.26	£169.61	+ 2.0%
Scotland	£151.87	£153.01	+ 0.8%
Wales	£158.31	£159.60	+ 0.8%
West & West Country	£147.14	£148.96	+ 1.2%
Yorkshire & Anglia	£154.59	£156.57	+ 1.3%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by age - all channels

Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£114.13	£117.73	+ 3.2%
23-29	£120.90	£123.74	+ 2.3%
30-39	£115.37	£117.79	+ 2.1%
40-49	£116.55	£117.85	+ 1.1%
50-59	£109.73	£111.25	+ 1.4%
60-69	£99.56	£100.04	+ 0.5%
70+	£101.74	£101.77	+ 0.0%

### Contents summary by age - all channels

Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£69.02	£67.92	- 1.6%
23-29	£69.94	£69.96	+ 0.0%
30-39	£65.43	£65.60	+ 0.3%
40-49	£62.08	£62.24	+ 0.3%
50-59	£58.18	£58.08	- 0.2%
60-69	£52.01	£51.21	- 1.5%
70+	£50.25	£49.68	- 1.1%

### Combined summary by age - all channels

Age	Shoparound		Change
	2017 Q2	2017 Q3	
17-22	£163.95	£166.70	+ 1.7%
23-29	£176.00	£178.43	+ 1.4%
30-39	£164.36	£166.91	+ 1.5%
40-49	£160.68	£162.72	+ 1.3%
50-59	£153.21	£155.20	+ 1.3%
60-69	£137.87	£138.15	+ 0.2%
70+	£136.78	£136.87	+ 0.1%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by property - all channels

Property type	Shoparound		Change
	2017 Q2	2017 Q3	
Bungalow	£107.28	£107.98	+ 0.7%
Detached	£130.92	£131.53	+ 0.5%
End Terraced	£100.76	£103.55	+ 2.8%
Flat	£116.77	£119.73	+ 2.5%
Semi Detached	£101.74	£103.22	+ 1.5%
Terraced	£108.21	£111.71	+ 3.2%

### Contents summary by property - all channels

Property type	Shoparound		Change
	2017 Q2	2017 Q3	
Bungalow	£56.62	£56.47	- 0.3%
Detached	£63.39	£63.29	- 0.2%
End Terraced	£63.26	£63.96	+ 1.1%
Flat	£64.73	£64.43	- 0.5%
Semi Detached	£59.36	£59.11	- 0.4%
Terraced	£62.60	£62.94	+ 0.5%

### Combined summary by property - all channels

Property type	Shoparound		Change
	2017 Q2	2017 Q3	
Bungalow	£147.17	£147.96	+ 0.5%
Detached	£177.51	£178.21	+ 0.4%
End Terraced	£149.64	£153.69	+ 2.7%
Flat	£173.97	£178.45	+ 2.6%
Semi Detached	£143.17	£145.54	+ 1.7%
Terraced	£155.83	£158.58	+ 1.8%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by year built - all channels

Year built	Shoparound		Change
	2017 Q2	2017 Q3	
<1920	£136.64	£138.53	+ 1.4%
1920-1945	£114.44	£116.71	+ 2.0%
1946-1979	£102.22	£103.62	+ 1.4%
1980-1999	£97.27	£98.48	+ 1.2%
2000+	£89.63	£88.72	- 1.0%

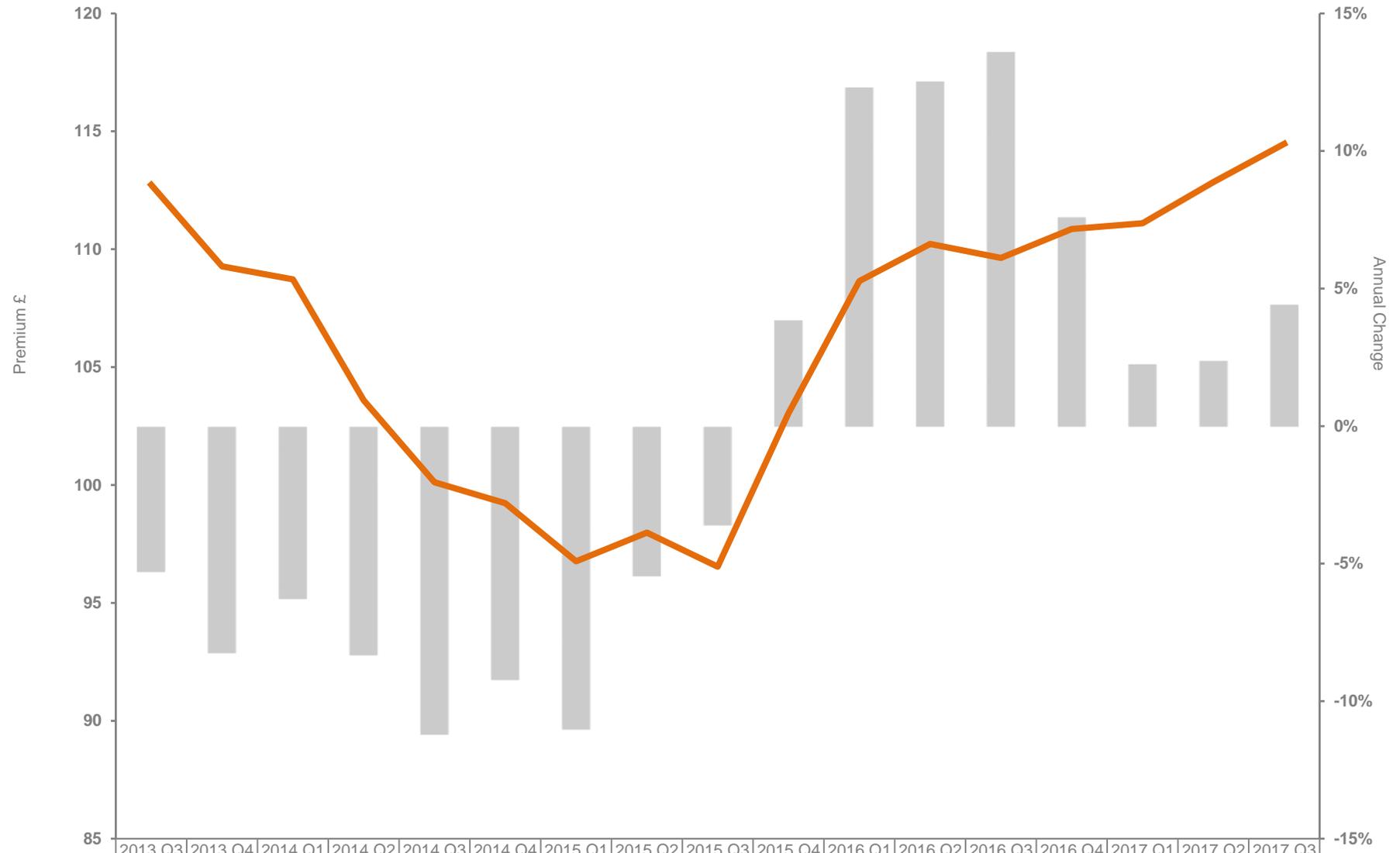
### Contents summary by year built - all channels

Year built	Shoparound		Change
	2017 Q2	2017 Q3	
<1920	£66.75	£67.15	+ 0.6%
1920-1945	£64.31	£64.17	- 0.2%
1946-1979	£57.53	£57.33	- 0.3%
1980-1999	£57.35	£57.03	- 0.6%
2000+	£58.38	£58.22	- 0.3%

### Combined summary by year built - all channels

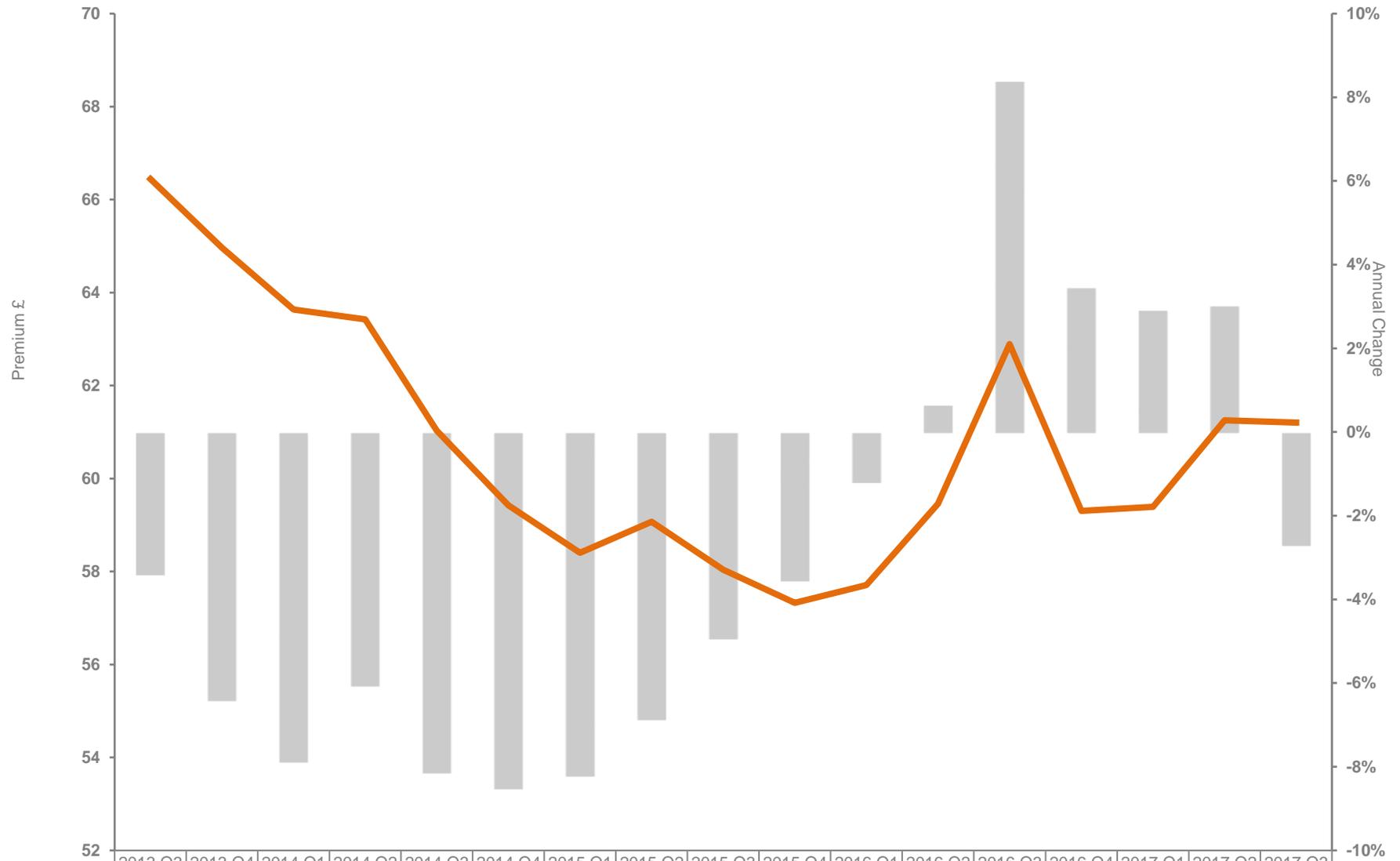
Year built	Shoparound		Change
	2017 Q2	2017 Q3	
<1920	£188.01	£189.54	+ 0.8%
1920-1945	£161.43	£163.99	+ 1.6%
1946-1979	£143.97	£145.66	+ 1.2%
1980-1999	£136.41	£138.95	+ 1.9%
2000+	£132.37	£132.08	- 0.2%

### AA BIPI - Home Buildings Shoparound Premium



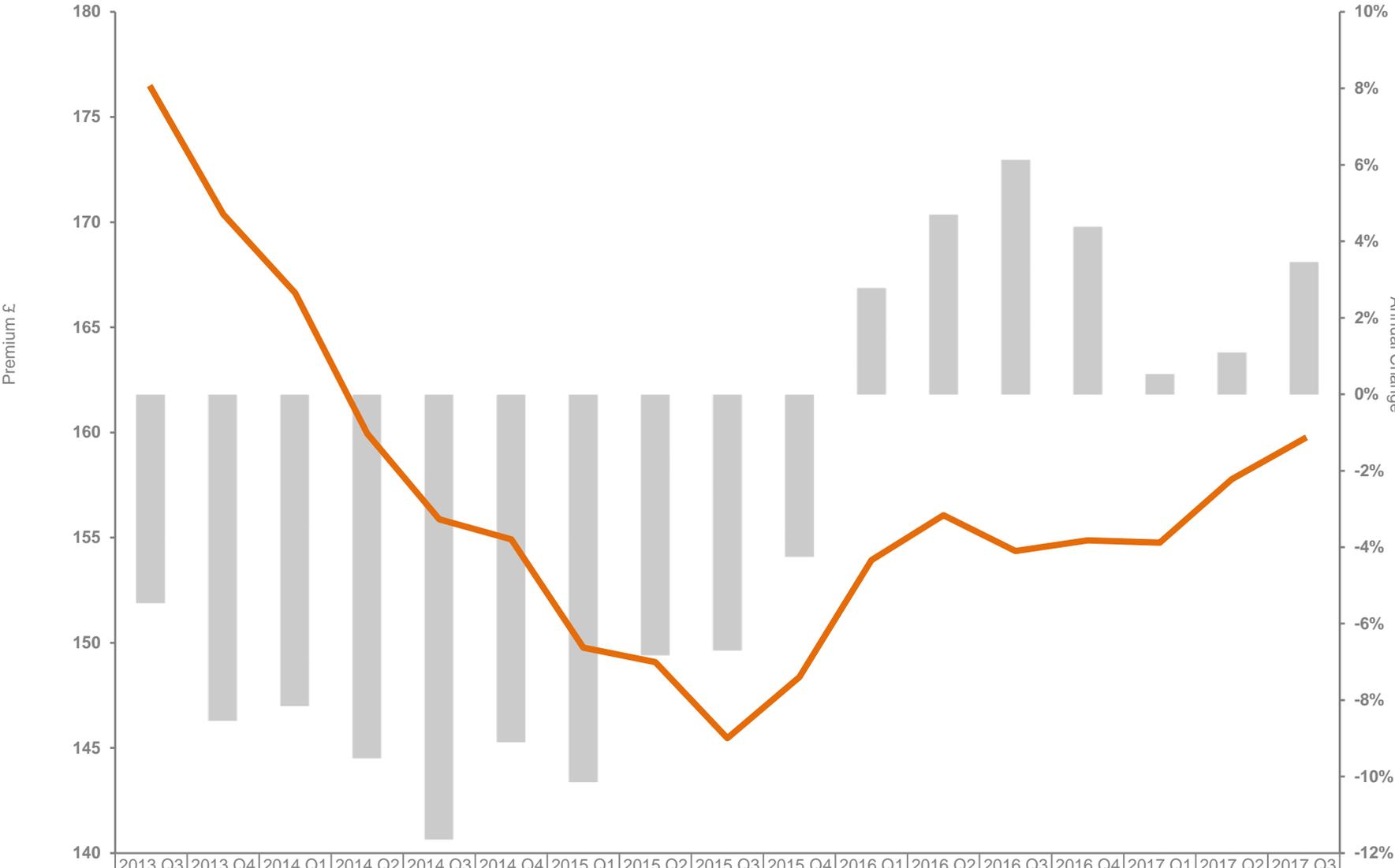
Annual Change	-5.3%	-8.2%	-6.2%	-8.3%	-11.2%	-9.2%	-11.0%	-5.4%	-3.6%	3.8%	12.3%	12.5%	13.6%	7.6%	2.3%	2.4%	4.4%
Buildings Premium	£112.73	£109.27	£108.72	£103.59	£100.12	£99.23	£96.76	£97.98	£96.54	£103.04	£108.65	£110.23	£109.63	£110.86	£111.10	£112.85	£114.47

### AA BIPI - Home Contents Shoparound Premium



Annual Change	-3.4%	-6.4%	-7.9%	-6.0%	-8.1%	-8.5%	-8.2%	-6.9%	-4.9%	-3.5%	-1.2%	0.7%	8.4%	3.5%	2.9%	3.0%	-2.7%
Contents Premium	£66.44	£64.96	£63.63	£63.42	£61.03	£59.42	£58.40	£59.07	£58.04	£57.32	£57.71	£59.46	£62.89	£59.30	£59.39	£61.25	£61.20

### AA BIPI - Home Combined Shoparound Premium



Annual Change	-5.4%	-8.5%	-8.1%	-9.5%	-11.6%	-9.1%	-10.1%	-6.8%	-6.7%	-4.2%	2.8%	4.7%	6.1%	4.4%	0.5%	1.1%	3.5%
Combined Premium	£176.36	£170.38	£166.63	£159.95	£155.87	£154.92	£149.77	£149.08	£145.47	£148.37	£153.93	£156.07	£154.36	£154.87	£154.76	£157.78	£159.69

### **AA BRITISH INSURANCE PREMIUM INDEX - 2017 Q3**

Note: IPT at 2.5 per cent was introduced to premiums between July and October 1994

IPT was increased to 4% on 1 April 1997, to 5% on 1 July 1999, to 6% on 4 January 2011, to 9.5% on 1 November 2015, to 10% on 1 October 2016 and then 12% on 1st June 2017

Figures shown include IPT, whereas on July 1994 premiums IPT did not apply

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