



### AA British Insurance Premium Index – 2018 quarter 2

25 July 2018

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 – 2018 quarter 2

#### Car insurance premiums still falling

- Premiums anticipate whiplash claim savings in Civil Liability Bill
- Intense competition keeps premiums down

The latest benchmark AA British Insurance Premium Index for the 3 months ending 30 June 2018 shows that car insurance premiums have continued to fall.

The second quarter of the year saw more than £18 wiped off the Shoparound premium, while over 12 months premiums have dropped by an average of 10.8% to £648.10, a whopping £78.83 cheaper.<sup>1</sup> This follows an all-time high of £726.93 at the end of the second quarter of 2017.

Janet Connor, director of [AA Insurance](#), says: "Although not everyone will see premium falls of this size it is certainly welcome news for many drivers.

"Premiums had been steadily driven upwards by the fast-growing whiplash claims epidemic, fuelled by unscrupulous cold-call law firms, as well as higher car repair costs.

"Last year the government said it was pushing through reforms to the claims culture with the Civil Liability Bill, as well as a review of the much-misunderstood discount rate on payments made for serious injury, which is likely to cut insurance pay-outs for serious injury claims.

"That has triggered a fall in premiums in the expectation that claims costs would fall. The bill has passed its third reading in the House of Lords, meaning that it will now go through its final stages in the House of Commons after the summer recess.

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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.



Connor adds: "I understand that although the bill should become law early next year, one of the key reforms, the increase of the small claims track, will be delayed until 2020.<sup>2</sup> That's to allow the public portal to be built that will enable people who have suffered minor injuries to easily make claims themselves. They will be supported through the process without the need to involve a law firm.

"The insurance industry has welcomed this because it should immediately cut the number of claims made through cold-call claim firms, hence the falling premiums, which are being further fuelled by intense competition."

Recent research on cold-calls for the AA has shown that, astonishingly, 63% of respondents have received such nuisance calls over the past 12 months; 88% of them had been called on multiple occasions; and 29% said they have been on the end of such calls or texts more than 10 times.<sup>3</sup>

"So I think the outlook for drivers is positive, especially if the promised new legislation is effective in stemming the tide of spurious whiplash injury claims," says Janet Connor.

The biggest winners over the second quarter are young drivers, who saw the Shoparound premium fall by 4.1% to £1,586.04, just over £67. The age group attracting the lowest premiums is 60–69, with a Shoparound premium of £400.36, a fall of just 1.1% or £4.28.

Regionally, the largest premium reduction was in London, down 4.0% or £32.73 to £794.98, making it the second most expensive region to insure a car after the north-west (Granada), which saw a fall of 2.1% to £897.13. Scotland is still the cheapest region to insure a car. Scottish drivers saw their premiums fall by 2.8% to £488.82.

### Shoparound premium summary

	2018 Q1	2018 Q2	Change	2017 Q2	Change
<b>Comprehensive</b>	£666.41	£648.10	-2.7%	£726.93	-10.8%
<b>Third Party, Fire &amp; Theft</b>	£1041.31	£1,013.36	-2.7%	£1,178.77	-14.0%

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.

<sup>2</sup> This means law firms won't be able to make money (typically 80p for every £1 in compensation awarded) from insurance companies for claims below £5,000

<sup>3</sup> Populus surveyed 10,293 AA Members in its online poll 13–20 June 2018. Populus is a founding member of the British Polling Council and abides by its rules.



### Car insurance premiums – summary tables and charts 2018 Q2

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)



### Home insurance premiums – 2018 quarter 2

#### Premiums climb again after stalling

- Home insurers mop up after Beast from the East
- Concern about a subsidence year

According to the AA, insurers have seen a jump in claims for property repairs following damage due to the sub-zero temperatures of the 'Beast from the East', in February and March this year. But as temperatures reach 30°C and higher in July, some insurers are now fearing a raft of subsidence claims.

Premiums for buildings insurance rose 2.3% over the 3 months ending 30 June 2018, or 5.9% over 12 months to a Shoparound premium of £119.79. The cost of contents insurance, however, remains relatively static: there was a small rise of just 57p or 1% for the quarter; over 12 months the premium fell by 1.7% to £59.69.<sup>4</sup>

A typical combined buildings and contents policy quote is now £163.03 – an increase of £5.90 or 3.8% over 12 months, from £157.13.

Janet Connor, director of [AA Insurance](#), says: "The harsh winter seems a lifetime away as we enjoy a long hot summer, but insurers are counting the cost of claims related to the freezing conditions.

"Now there is some concern in the industry that if the hot weather continues to dry up not only our reservoirs but the soil too, it can increase the risk of subsidence in some parts of the UK and the consequent damage to buildings.

"However, the industry is well prepared for such an eventuality. The last time there was a significant rise in subsidence claims was in 2006. Now might be a good time to check that your home is fully insured against such risk."

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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.



Subsidence is the most damaging geo-hazard to property in the UK, costing around £3bn every decade. The current MORECS Met Office measure of soil moisture deficit in the UK is high amber, suggesting that if the hot summer continues there will be an increased risk of a spike in subsidence claims, particularly where clay soils shrink as they dry out.<sup>5</sup>

Over June only 2.1mm of rain fell over the south-east, compared with the June average of 54mm and the lowest recorded since 1925.<sup>6</sup>

### Shoparound premium summary

	2018 Q1	2018 Q2	Change	2017 Q2	Change
<b>Buildings</b>	£117.09	£119.79	+2.3%	£113.12	+5.9%
<b>Contents</b>	£59.12	£59.69	+1.0%	£60.72	-1.7%
<b>Combined</b>	£161.47	£163.03	+1.0%	£157.13	+3.8%

Based on GFK channel preference and arrangement data.

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<sup>5</sup> <http://www.bv-solutions.co.uk/building-claims-validation/subsidence/subsidence-view-july-2018/>

<sup>6</sup> Met Office statistics:

[https://www.metoffice.gov.uk/hadobs/hadukp/data/monthly/HadSEEP\\_monthly\\_qc.txt](https://www.metoffice.gov.uk/hadobs/hadukp/data/monthly/HadSEEP_monthly_qc.txt)



### Home insurance premiums – summary tables and charts 2018 Q2

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)

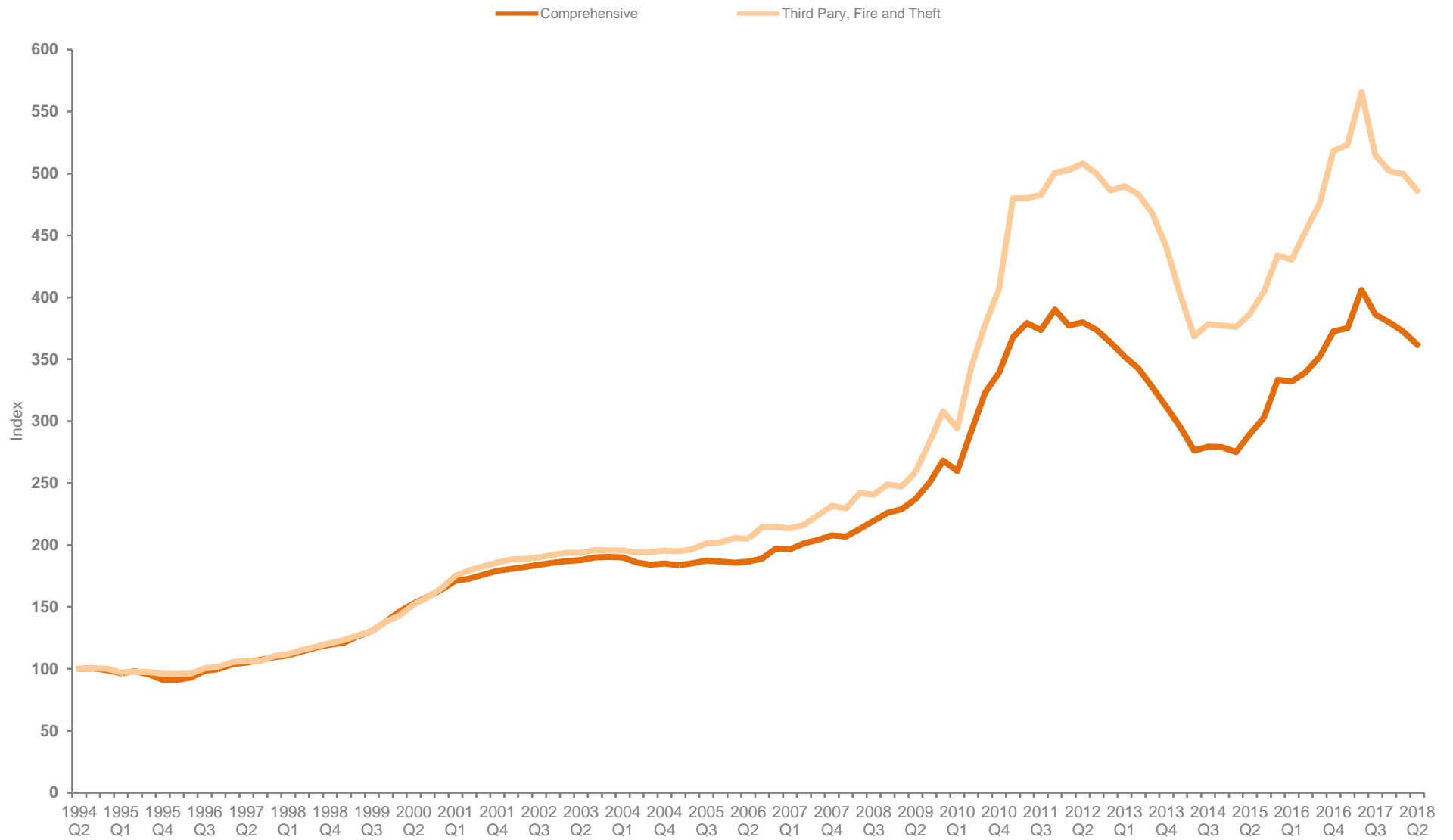
Home insurance Shoparound premium movements – year built (tables)

Buildings insurance Shoparound premium trend (chart)

Contents insurance Shoparound premium trend (chart)

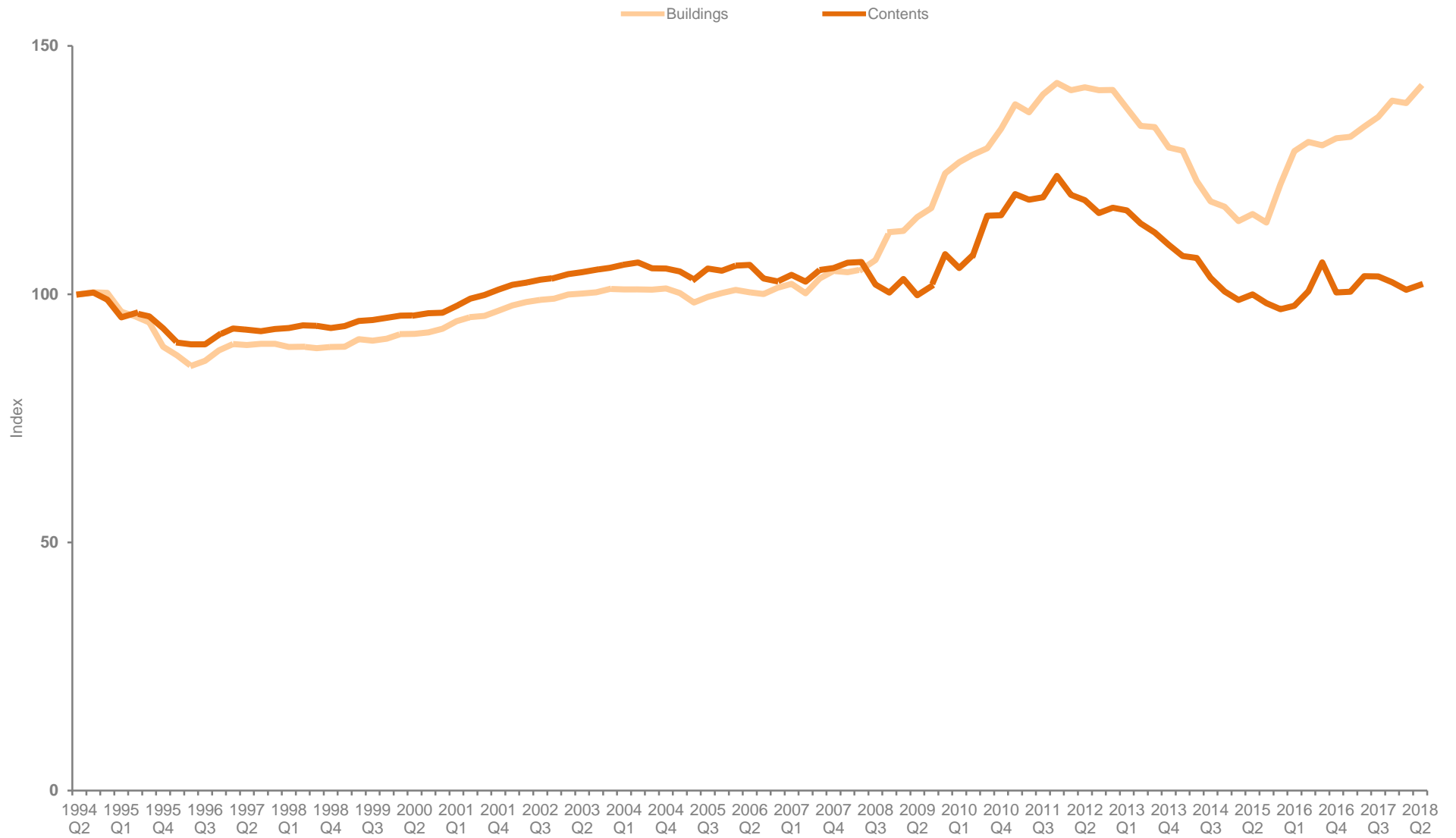
Buildings and contents insurance Shoparound premium trend (chart)

## AA British Insurance Premium Index - Car Insurance Shoparound Trends



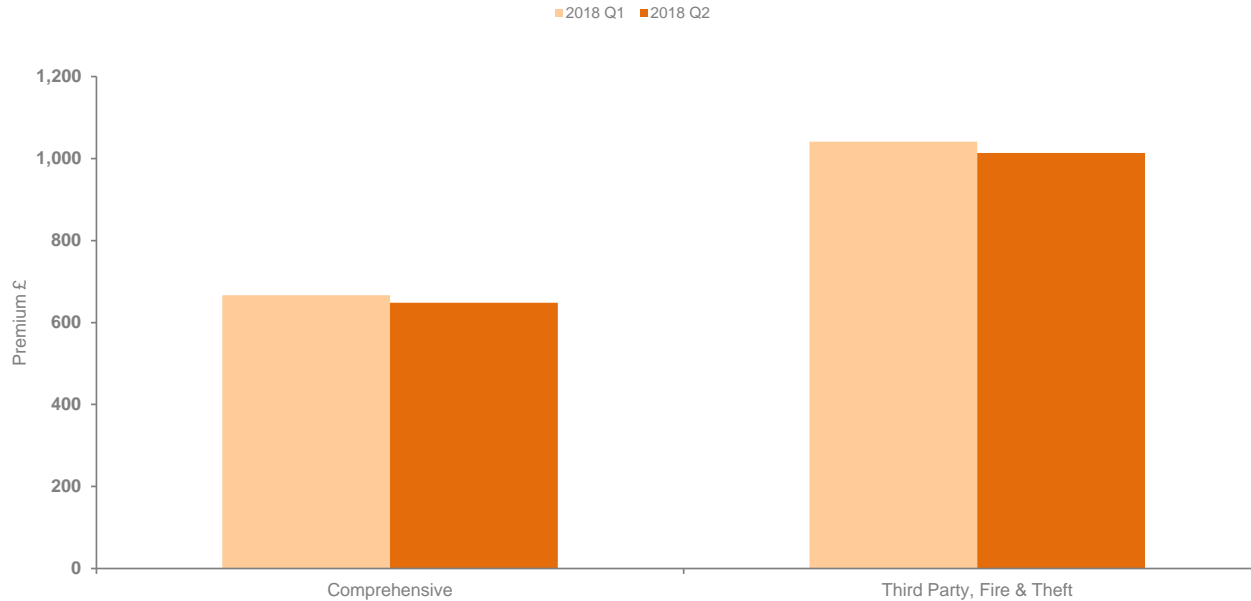


# AA British Insurance Premium Index - Home Insurance Shoparound Trends



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

	2018 Q1	2018 Q2
Comprehensive	£666.41	£648.10
Third Party, Fire & Theft	£1,041.31	£1,013.36



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 2,800 car insurance risks - 2,500 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 85 of the UK's leading insurers and home premiums across 54 insurers. Composites, direct writers and online providers are included.

The quarterly movement 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

	2018 Q1	2018 Q2	Change	2017 Q2	Change
Comprehensive	£666.41	£648.10	- 2.7%	£726.93	- 10.8%
Third Party, Fire & Theft	£1,041.31	£1,013.36	- 2.7%	£1,178.77	- 14.0%

## AA BIPI - Motor Insurance Shoparound Movements

### Summary by region - all channels

Region	Shoparound		Change
	2018 Q1	2018 Q2	
Anglia	£675.72	£661.01	- 2.2%
Border & TyneTees	£625.28	£623.51	- 0.3%
Central	£682.72	£659.52	- 3.4%
Granada	£916.56	£897.13	- 2.1%
London	£827.71	£794.98	- 4.0%
Scotland	£503.10	£488.82	- 2.8%
South	£578.27	£560.28	- 3.1%
UTV	£890.07	£891.72	+ 0.2%
Wales	£619.08	£604.28	- 2.4%
West & West Country	£547.37	£532.68	- 2.7%
Yorkshire	£721.47	£702.00	- 2.7%

### Summary by age - all channels

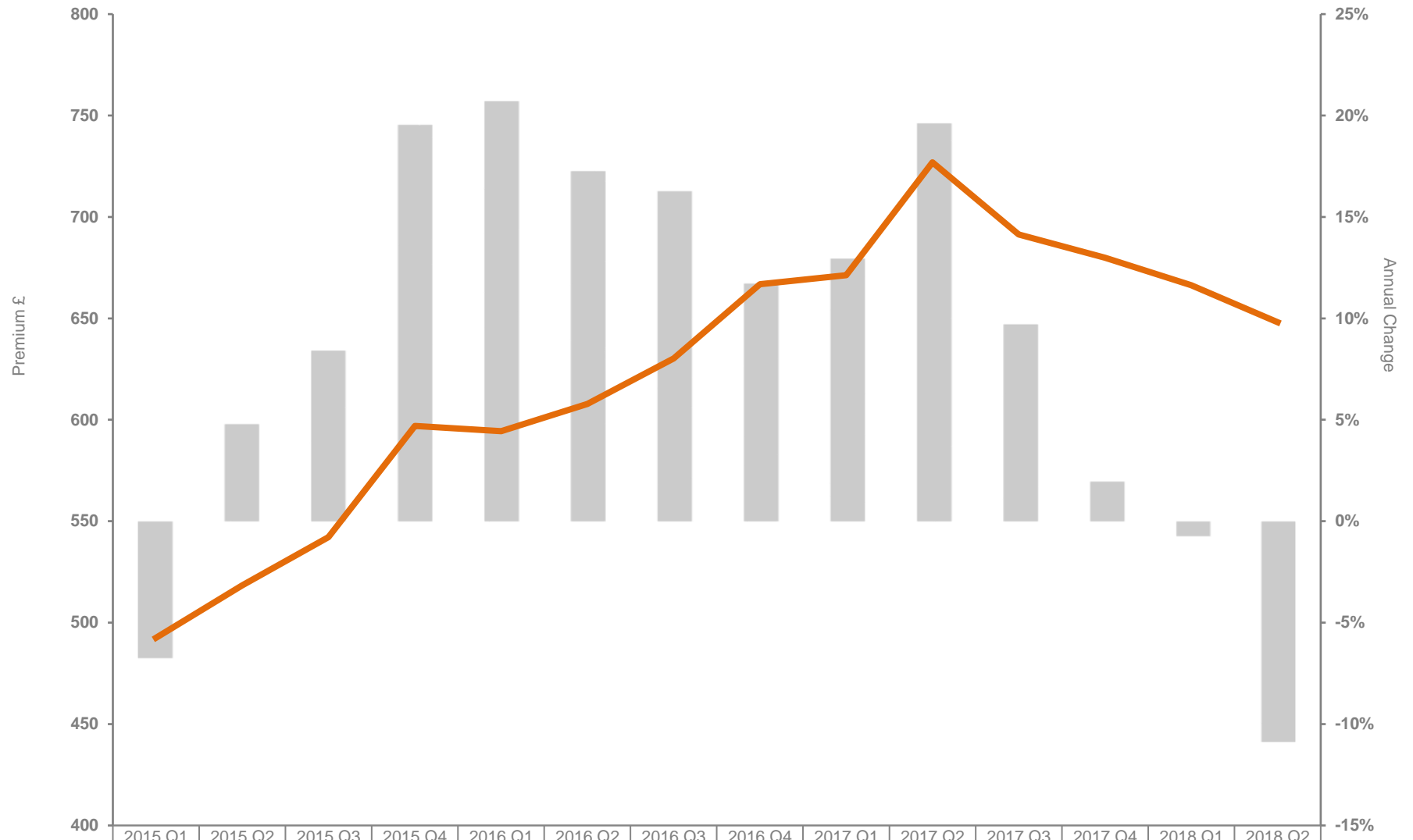
Age	Shoparound		Change
	2018 Q1	2018 Q2	
17-22	£1,653.45	£1,586.04	- 4.1%
23-29	£862.56	£846.35	- 1.9%
30-39	£557.37	£547.24	- 1.8%
40-49	£513.96	£506.89	- 1.4%
50-59	£460.88	£447.69	- 2.9%
60-69	£404.64	£400.36	- 1.1%
70+	£574.40	£559.43	- 2.6%

### Summary by age and gender - all channels

Female		Shoparound		Change
Age	2018 Q1	2018 Q2		
17-22	£1,529.30	£1,456.34		- 4.8%
23-29	£792.56	£780.29		- 1.5%
30-39	£546.76	£528.87		- 3.3%
40-49	£492.52	£486.17		- 1.3%
50-59	£465.13	£452.29		- 2.8%
60-69	£394.87	£393.26		- 0.4%
70+	£528.56	£516.41		- 2.3%

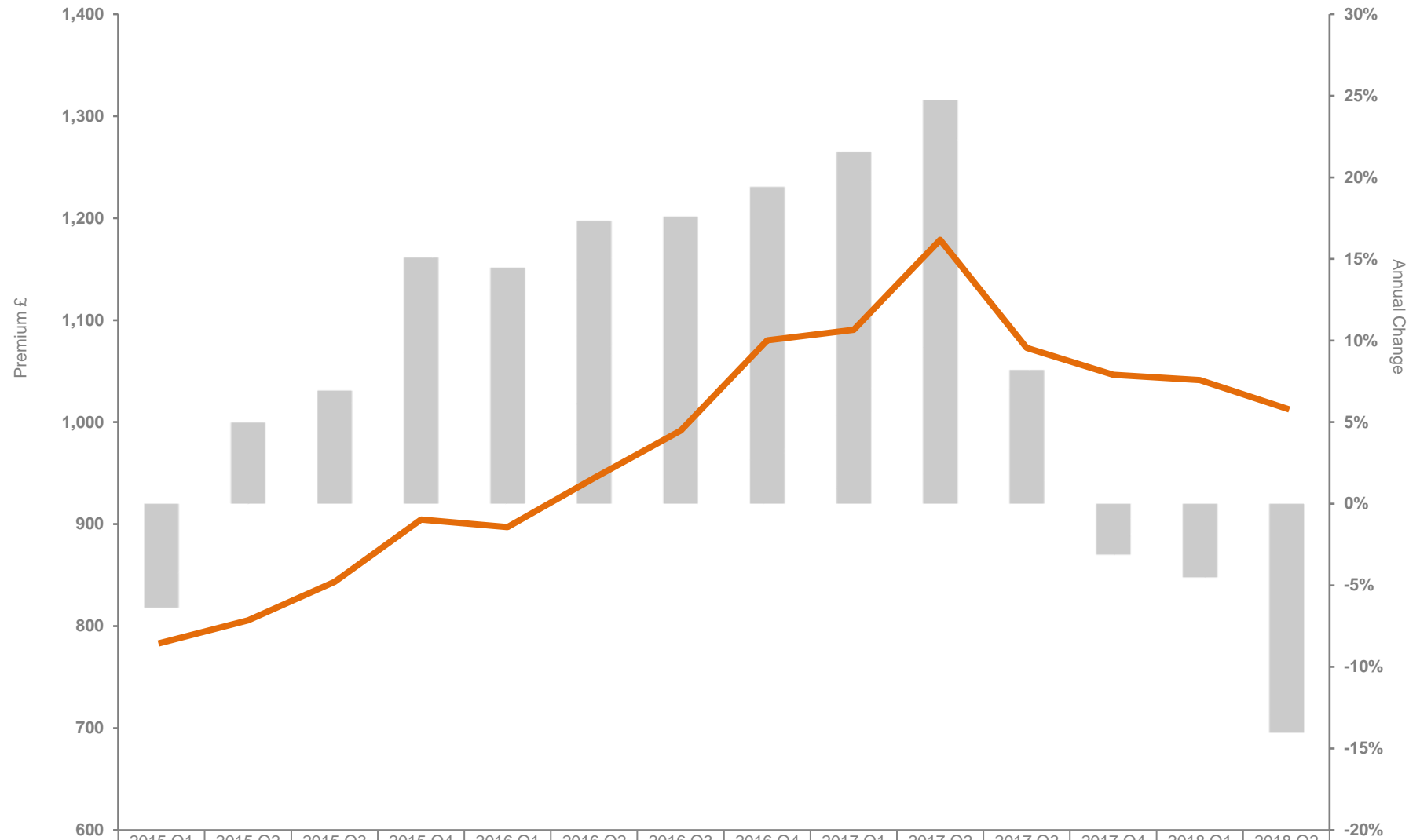
Male		Shoparound		Change
Age	2018 Q1	2018 Q2		
17-22	£1,793.62	£1,730.86		- 3.5%
23-29	£940.41	£920.37		- 2.1%
30-39	£567.69	£564.92		- 0.5%
40-49	£533.84	£526.04		- 1.5%
50-59	£455.80	£442.13		- 3.0%
60-69	£413.05	£406.54		- 1.6%
70+	£624.68	£606.59		- 2.9%

### AA BIPI - Motor Comprehensive Shoparound Premium



Annual change	-6.7%	4.8%	8.4%	19.5%	20.7%	17.2%	16.3%	11.7%	12.9%	19.6%	9.7%	2.0%	-0.7%	-10.8%
Comp premium	£492.52	£518.40	£542.15	£596.95	£594.38	£607.81	£630.30	£666.84	£671.29	£726.93	£691.41	£679.95	£666.41	£648.10

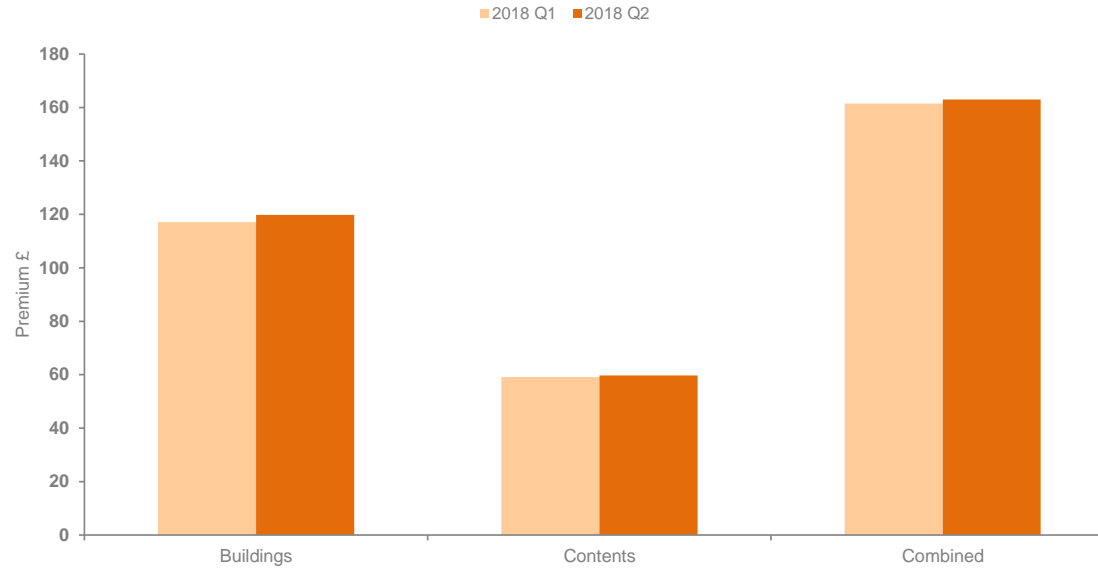
## AA BIPI - Motor Third Party, Fire & Theft Shoparound Premium



Annual Change	-6.4%	5.0%	6.9%	15.1%	14.5%	17.3%	17.6%	19.4%	21.6%	24.7%	8.2%	-3.1%	-4.5%	-14.0%
TPFT Premium	£783.73	£805.72	£843.33	£904.58	£897.12	£945.23	£991.72	£1,080.21	£1,090.46	£1,178.77	£1,072.92	£1,046.44	£1,041.31	£1,013.36

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

	2018 Q1	2018 Q2
<b>Buildings</b>	£117.09	£119.79
<b>Contents</b>	£59.12	£59.69
<b>Combined</b>	£161.47	£163.03



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 2,800 car insurance risks - 2,500 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 85 of the UK's leading insurers and home premiums across 54 insurers. Composites, direct writers and online providers are included.

The quarterly movement 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

	2018 Q1	2018 Q2	Change	2017 Q2	Change
<b>Buildings</b>	£117.09	£119.79	+ 2.3%	£113.12	+ 5.9%
<b>Contents</b>	£59.12	£59.69	+ 1.0%	£60.72	- 1.7%
<b>Combined</b>	£161.47	£163.03	+ 1.0%	£157.13	+ 3.8%



## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by region - all channels

Region	Shoparound		Change
	2018 Q1	2018 Q2	
Border & TyneTees	£113.30	£115.73	+ 2.1%
Central & Granada	£113.18	£115.46	+ 2.0%
London & South	£125.83	£128.46	+ 2.1%
Scotland	£113.28	£116.16	+ 2.5%
Wales	£121.72	£124.45	+ 2.2%
West & West Country	£111.42	£114.54	+ 2.8%
Yorkshire & Anglia	£112.80	£115.91	+ 2.8%

### Contents summary by region - all channels

Region	Shoparound		Change
	2018 Q1	2018 Q2	
Border & TyneTees	£54.68	£55.40	+ 1.3%
Central & Granada	£60.60	£61.43	+ 1.4%
London & South	£61.21	£61.65	+ 0.7%
Scotland	£54.27	£54.84	+ 1.1%
Wales	£56.77	£57.25	+ 0.8%
West & West Country	£55.41	£55.79	+ 0.7%
Yorkshire & Anglia	£60.04	£60.55	+ 0.8%

### Combined summary by region - all channels

Region	Shoparound		Change
	2018 Q1	2018 Q2	
Border & TyneTees	£151.77	£153.23	+ 1.0%
Central & Granada	£158.61	£159.76	+ 0.7%
London & South	£173.45	£175.77	+ 1.3%
Scotland	£154.35	£154.91	+ 0.4%
Wales	£161.73	£163.54	+ 1.1%
West & West Country	£150.58	£151.00	+ 0.3%
Yorkshire & Anglia	£157.77	£159.57	+ 1.1%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by age - all channels

Age	Shoparound		Change
	2018 Q1	2018 Q2	
17-22	£120.39	£121.08	+ 0.6%
23-29	£126.78	£128.38	+ 1.3%
30-39	£120.37	£123.63	+ 2.7%
40-49	£120.98	£123.53	+ 2.1%
50-59	£114.18	£117.11	+ 2.6%
60-69	£101.77	£104.14	+ 2.3%
70+	£102.41	£104.96	+ 2.5%

### Contents summary by age - all channels

Age	Shoparound		Change
	2018 Q1	2018 Q2	
17-22	£65.44	£66.14	+ 1.1%
23-29	£65.69	£65.91	+ 0.3%
30-39	£63.10	£63.60	+ 0.8%
40-49	£60.24	£60.85	+ 1.0%
50-59	£56.88	£57.50	+ 1.1%
60-69	£49.79	£50.81	+ 2.1%
70+	£47.91	£48.41	+ 1.0%

### Combined summary by age - all channels

Age	Shoparound		Change
	2018 Q1	2018 Q2	
17-22	£170.12	£168.40	- 1.0%
23-29	£179.27	£180.19	+ 0.5%
30-39	£169.80	£171.40	+ 0.9%
40-49	£164.44	£165.89	+ 0.9%
50-59	£157.10	£159.20	+ 1.3%
60-69	£138.71	£140.41	+ 1.2%
70+	£136.24	£138.27	+ 1.5%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by property - all channels

Property type	Shoparound		Change
	2018 Q1	2018 Q2	
Bungalow	£109.71	£112.75	+ 2.8%
Detached	£135.88	£138.71	+ 2.1%
End Terraced	£106.61	£110.32	+ 3.5%
Flat	£124.65	£126.77	+ 1.7%
Semi Detached	£105.28	£107.81	+ 2.4%
Terraced	£112.95	£115.50	+ 2.3%

### Contents summary by property - all channels

Property type	Shoparound		Change
	2018 Q1	2018 Q2	
Bungalow	£54.72	£55.04	+ 0.6%
Detached	£61.96	£62.49	+ 0.9%
End Terraced	£60.79	£61.17	+ 0.6%
Flat	£61.48	£61.94	+ 0.8%
Semi Detached	£56.44	£57.20	+ 1.3%
Terraced	£60.86	£61.40	+ 0.9%

### Combined summary by property - all channels

Property type	Shoparound		Change
	2018 Q1	2018 Q2	
Bungalow	£149.87	£149.97	+ 0.1%
Detached	£181.28	£182.34	+ 0.6%
End Terraced	£154.47	£158.90	+ 2.9%
Flat	£181.99	£183.99	+ 1.1%
Semi Detached	£146.18	£148.33	+ 1.5%
Terraced	£160.07	£161.75	+ 1.1%

## AA BIPI - Home Insurance Shoparound Movements

### Buildings summary by year built - all channels

Year built	Shoparound		
	2018 Q1	2018 Q2	Change
<1920	£141.80	£144.79	+ 2.1%
1920-1945	£119.25	£121.91	+ 2.2%
1946-1979	£106.11	£108.67	+ 2.4%
1980-1999	£100.37	£102.78	+ 2.4%
2000+	£93.51	£95.28	+ 1.9%

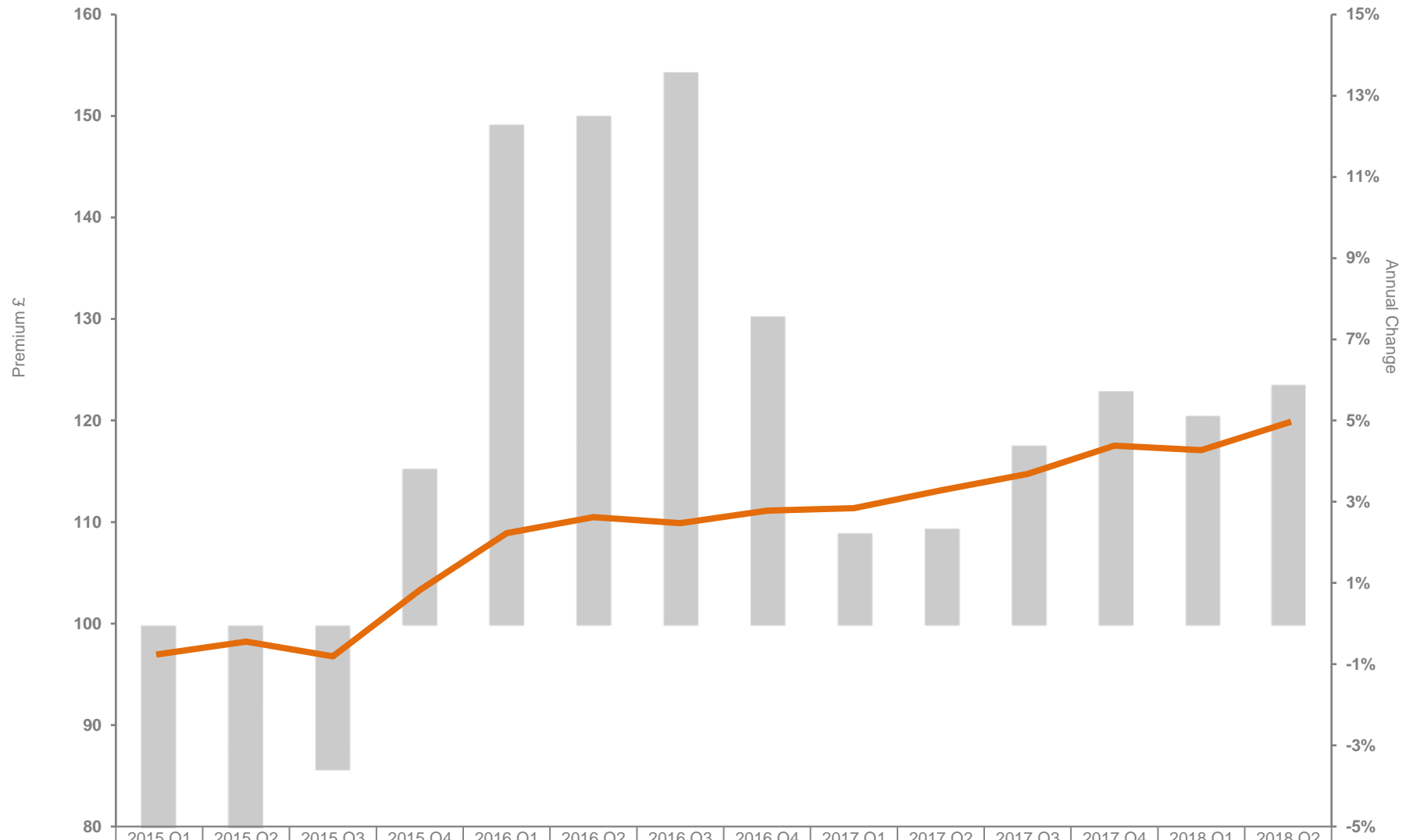
### Contents summary by year built - all channels

Year built	Shoparound		
	2018 Q1	2018 Q2	Change
<1920	£65.34	£65.83	+ 0.8%
1920-1945	£61.28	£62.14	+ 1.4%
1946-1979	£55.37	£55.98	+ 1.1%
1980-1999	£55.36	£55.55	+ 0.3%
2000+	£53.93	£54.64	+ 1.3%

### Combined summary by year built - all channels

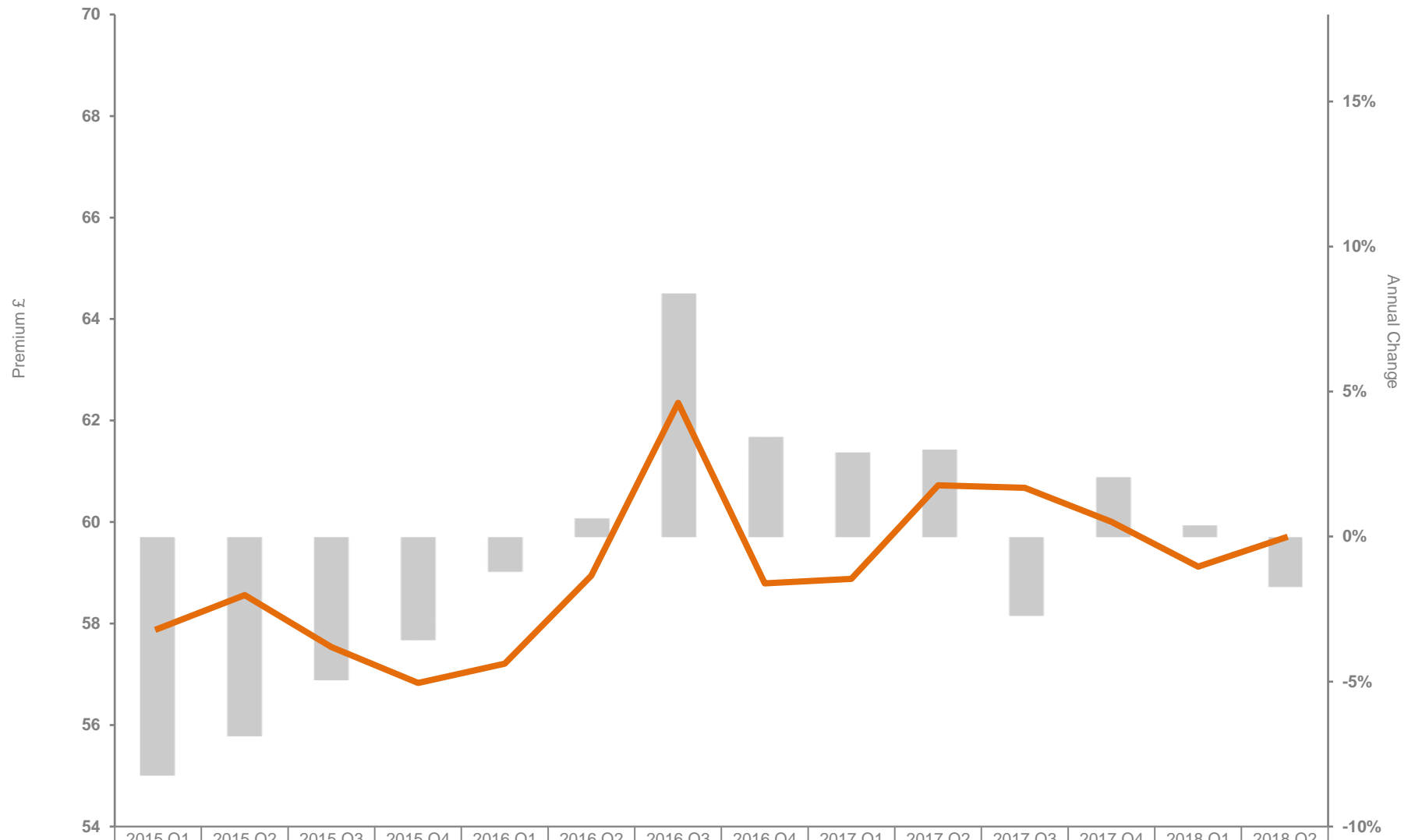
Year built	Shoparound		
	2018 Q1	2018 Q2	Change
<1920	£192.39	£193.67	+ 0.7%
1920-1945	£164.70	£167.54	+ 1.7%
1946-1979	£147.51	£148.74	+ 0.8%
1980-1999	£140.04	£141.24	+ 0.9%
2000+	£134.78	£134.38	- 0.3%

## AA BIPI - Home Buildings Shoparound Premium



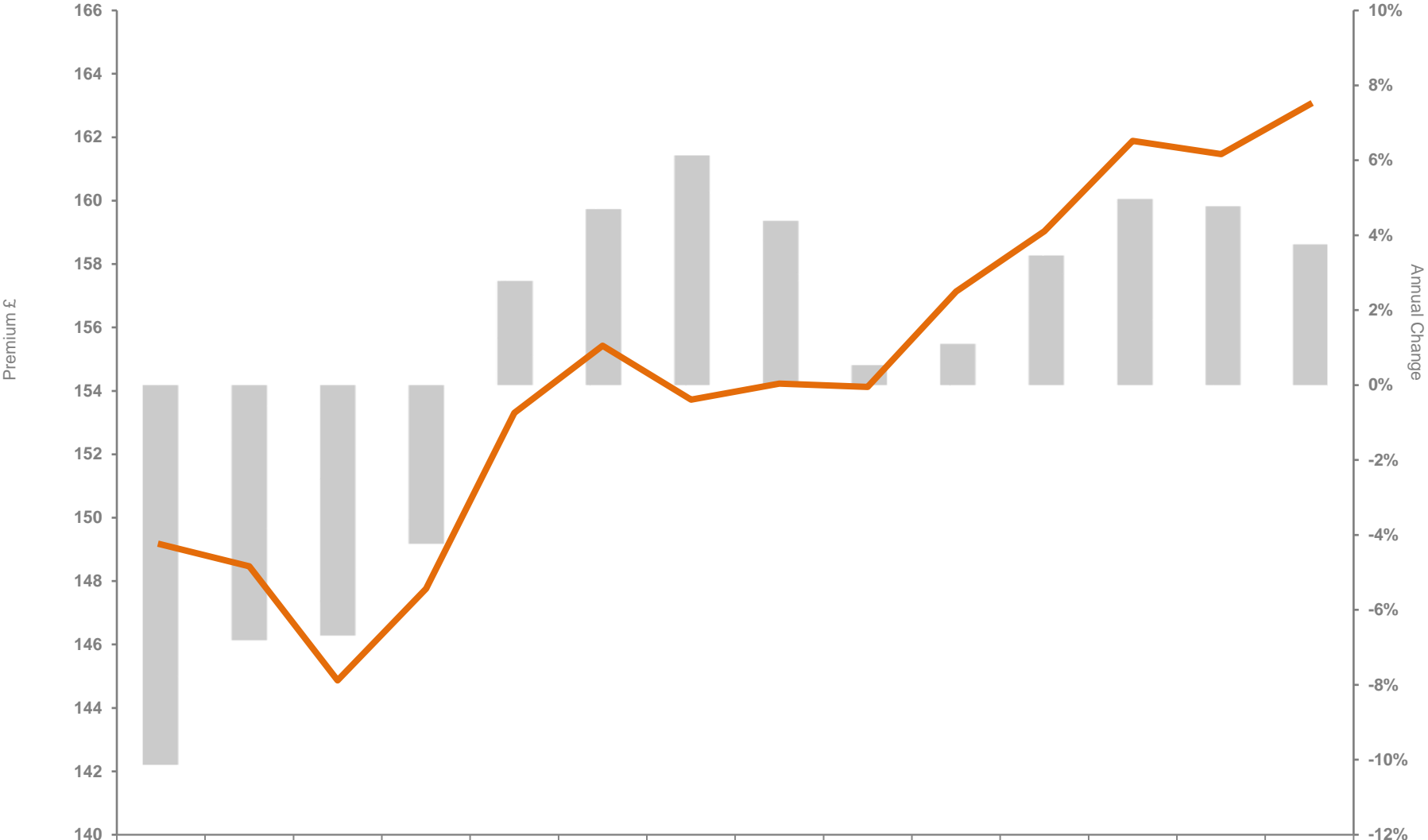
Annual Change	-11.0%	-5.4%	-3.6%	3.8%	12.3%	12.5%	13.6%	7.6%	2.3%	2.4%	4.4%	5.7%	5.1%	5.9%
Buildings Premium	96.99	98.22	96.77	103.29	108.91	110.49	109.89	111.13	111.37	113.12	114.75	117.52	117.09	119.79

### AA BIPI - Home Contents Shoparound Premium



Annual Change	-8.2%	-6.9%	-4.9%	-3.5%	-1.2%	0.7%	8.4%	3.5%	2.9%	3.0%	-2.7%	2.1%	0.4%	-1.7%
Contents Premium	57.90	58.56	57.54	56.83	57.21	58.94	62.35	58.79	58.88	60.72	60.67	60.01	59.12	59.69

### AA BIPI - Home Combined Shoparound Premium



	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2
Annual Change	-10.1%	-6.8%	-6.7%	-4.2%	2.8%	4.7%	6.1%	4.4%	0.5%	1.1%	3.5%	5.0%	4.8%	3.8%
Combined Premium	149.16	148.46	144.87	147.76	153.30	155.43	153.73	154.23	154.12	157.13	159.04	161.89	161.47	163.03

## **AA BRITISH INSURANCE PREMIUM INDEX - 2018 Q2**

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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