



Association of British Insurers

**UK Insurance**

# **KEY FACTS**

**2014**

## **About the ABI**

The Association of British Insurers is the voice of the UK insurance industry, representing general insurance and long-term savings and life insurance. The ABI has over 250 members, who account for around 90% of UK insurance premiums.

[www.abi.org.uk](http://www.abi.org.uk) – has all the latest news, views and key information about insurance and the ABI's work on behalf of the industry. The ABI produces detailed statistics on the industry, which are free to members and can be purchased by others for a fee.

## **Contents**

- 1 Introduction
- 2 The insurance industry is a UK success story
- 4 General insurance and its customers
- 10 Long-term savings and life insurance and its customers
- 15 Insurers play an important role as investors in the economy
- 16 Glossary
- 17 Contacts at the ABI

The UK insurance industry is the largest in Europe and the third largest in the world. It plays an essential part in the UK's economic strength, managing investments of £1.8 trillion (equivalent to 25% of the UK's total net worth) and paying nearly £12bn in taxes to the Government. It employs around 315,000 individuals, of which more than a third are employed directly by insurers with the remainder in auxiliary services such as broking.

On behalf of its members, the ABI works with government, regulators and policymakers to create effective insurance markets for consumers. We represent the UK-based insurance industry on a wide range of issues to Government, regulators, other public bodies, and the media. We provide consumers with general information on insurance and savings products and services and promote best practice, transparency and high standards within the industry.

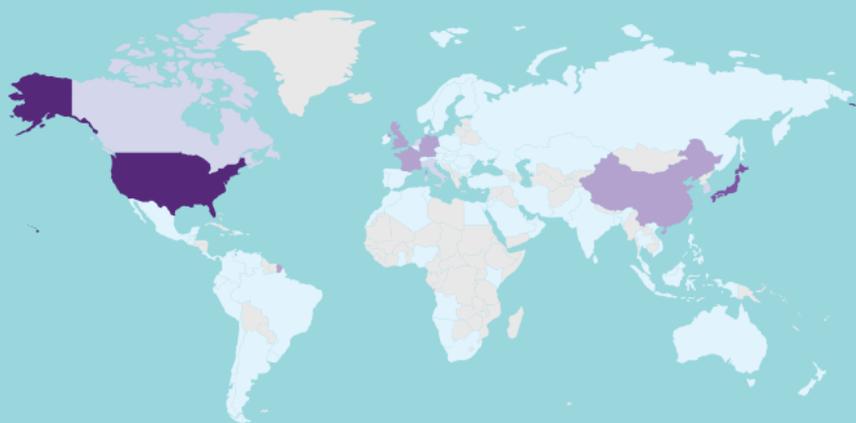
Each year the ABI publishes a summary booklet of the UK insurance industry. This booklet provides facts and figures on 2013 (unless otherwise stated and where available) about UK insurance<sup>1</sup> and its significant contribution both to the economy and society.

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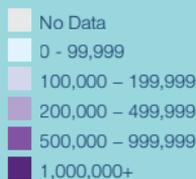
<sup>1</sup> Unless stated, data is ABI data and covers ABI members only.

# The insurance industry is a UK success story

Breakdown of worldwide premium income by country, 2013



**Total premiums 2013**  
(USD millions)



## 1st

The UK has the largest insurance industry in Europe and the third largest in the world.<sup>2</sup>

## 24%

The UK insurance industry generates almost a quarter of total EU premium income.<sup>3</sup>

<sup>2</sup> Source: Swiss Re, Sigma No 3/2014

<sup>3</sup> Source: Insurance Europe

**Total Premium income, \$bn, 2013**

United States	1,259
Japan	532
United Kingdom	330
PR China	278
France	255

**387<sup>4</sup>**

Number of authorised life insurance companies in the UK, of which 210 are UK authorised and 177 are headquartered in another European country and passport in under the EU Third Life Directive

**911<sup>4</sup>**

Number of authorised general insurance companies in the UK, of which 349 are UK authorised and 562 are headquartered in another European country and passport in under the EU Third Non-Life Directive.

**£25bn<sup>5</sup>**

The UK insurance industry contributed £25bn to UK GDP in 2011, which equates to more than a fifth of the total gross value added for the financial services industry.

**£11.8bn<sup>6</sup> 314,400<sup>7</sup>**

The UK insurance industry contributed nearly £12bn in taxes to the UK government in 2014.

The number of people employed by the insurance industry in the UK, of which 118,100 are directly employed by insurance companies and 196,300 are employed in auxiliary services.

<sup>4</sup> Bank of England, July 2014

<sup>5</sup> Blue Book 2013, Office for National Statistics

<sup>6</sup> PWC, Total Tax Contribution of the UK Insurance Industry, 2014

<sup>7</sup> Office for National Statistics licensed under the Open Government Licence v.2.0.

# General Insurance and its customers

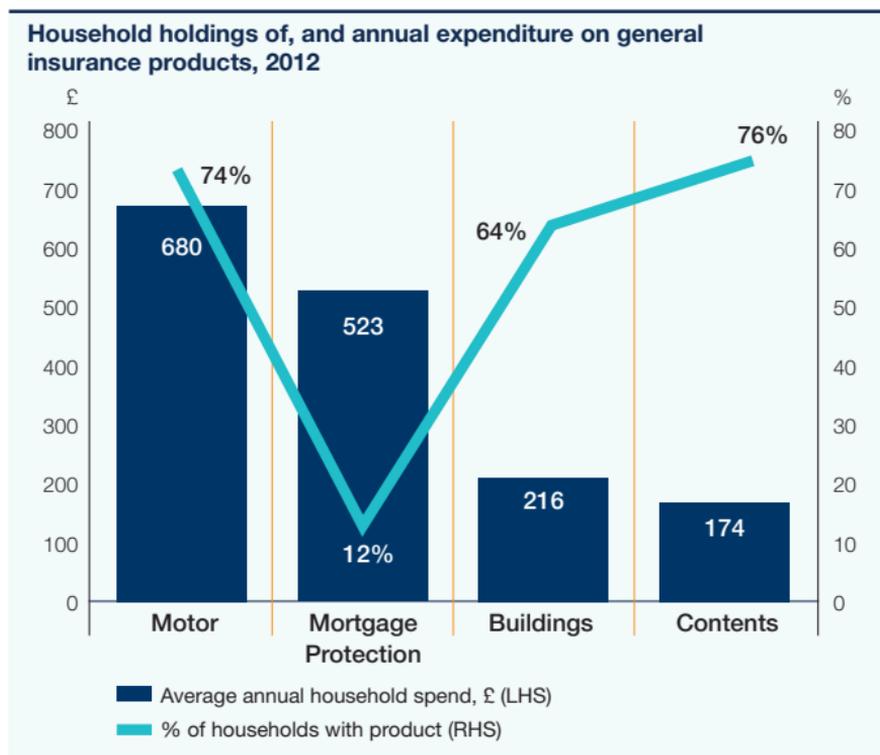
General or non-life insurance includes motor, property, accident, health, liability, pet insurance and other specialist lines. These play an important part in UK society, with the majority of UK consumers purchasing at least one general insurance product. It also plays an important role in helping businesses to cope with unforeseen events and to recover more effectively.

## £32.1bn

The UK general insurance industry received worldwide net premiums of £50.2bn and paid out on claims worth £32.1bn. Further outgoings such as commission and expenses resulted in an underwriting profit of £1.4bn in 2013.

The chart below shows the percentage of households with different general insurance products and the average annual expenditure on those products.

Of the 26.4 million households in the UK in 2012, 20.1 million had contents insurance, 19.6 million had motor insurance, 17 million had buildings insurance, 3.1 million had mortgage protection, and 1.6 million had private medical insurance<sup>8</sup>.



<sup>8</sup> Source: ONS Family Expenditure Survey, 2012

## MOTOR INSURANCE

# £53m

The UK motor insurance market made a £53m underwriting loss in 2013. The motor insurance industry last made an underwriting profit in 1993.

# £17.1m

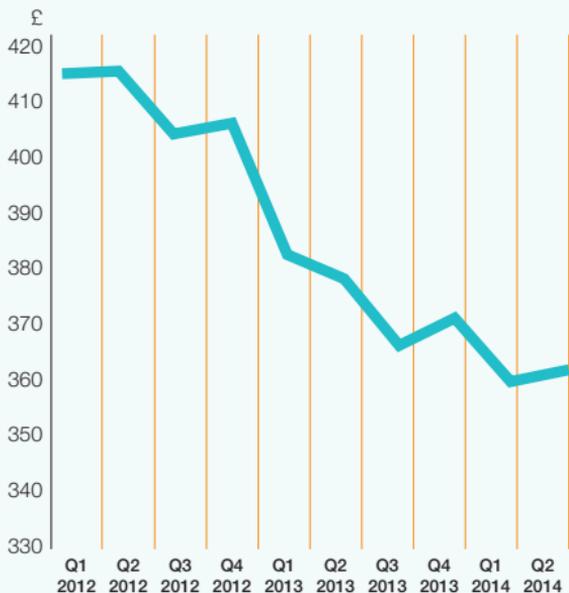
Motor insurers paid out £17.1m per day in private car claims, for a total of almost 3 million claims.

# £2,767

The average cost for a claim settled for private car insurance, although the average claim for bodily injury was much higher at £11,292.

In January 2014, the ABI launched its average motor insurance premium tracker. The average motor premium for private motor vehicles has continued on a downward trajectory since collection of the data began, falling by 13% between Q1 2012 and Q2 2014.

Average premium paid for private motor insurance\*, £



\*The average amount paid for a fully comprehensive private motor insurance policy where the policy holder holds a full driving licence

## PROPERTY INSURANCE

# £930m

The UK property insurance market made an underwriting profit of £930m.

# £11.1m

Insurers paid out £11.1m per day in property claims, of which £8.1m was domestic and £3m was commercial.

## Industry response to the 2013/14 winter floods<sup>9</sup>

# £451m

The expected amount to be paid for the 18,700 flood claims received.

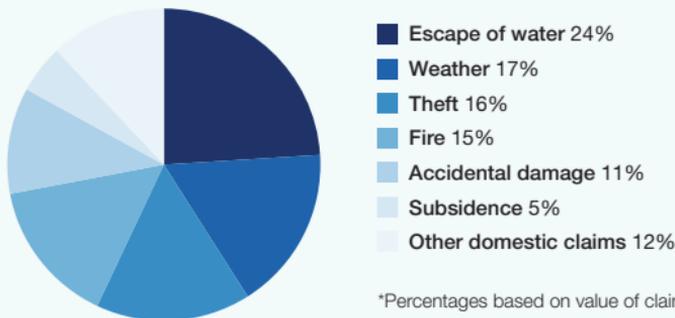
# £640m

The expected amount to be paid out for nearly 450,000 storm claims received.

# £71m

Insurers paid out nearly £30m in placing flooded householders in alternative accommodation and made an additional £42m in payments to meet the immediate emergency needs of 6,600 households and businesses.

### Domestic property claims by type of claim, 2013\*



<sup>9</sup> Covers the floods and storms between 23 December 2013 and 28 February 2014. Data has been grossed up to represent all UK insurance companies (excluding non-ABI members operating through Lloyd's of London)

## ACCIDENT INSURANCE (INCLUDING TRAVEL)

# £16m

Accident insurance made an underwriting profit of £16m in the UK.

# £1.3m

Accident and travel insurers paid out £1.3m in claims per day in 2013.

# £1m+

Every day, travel insurers paid out more than £1 million in claims, of which 56% were for medical expenses.

## HEALTH INSURANCE

# 5.1m

In 2013, 5.1m people in the UK were covered for private healthcare, with £7.3m paid out in claims every day.

## LIABILITY INSURANCE

# -£826m

The liability insurance market made an underwriting loss of £826m in 2013, the largest loss for more than 30 years.

## PET INSURANCE

# 2.8m

2.8m consumers have their pets insured, with over 95% of insurance being for cats and dogs.

# £271m

In 2013, health insurance made an underwriting profit of £271m in the UK.

# £6.8m

Every day, liability insurers paid out claims of £6.8m, of which £2.3m was for employers' liability.

# £1.4m

Pet insurers paid out more than £1.4m per day in claims.

## INSURANCE FRAUD

# £1.3bn

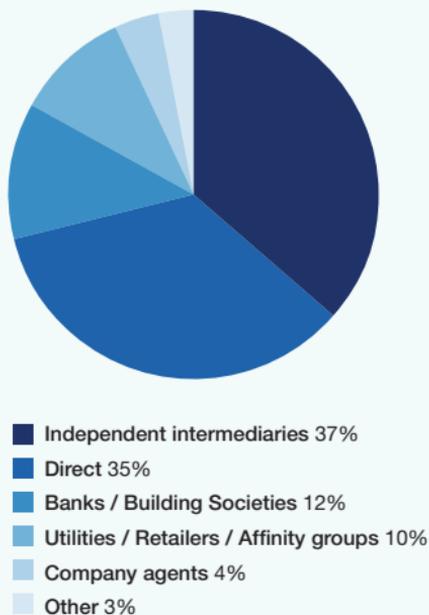
General insurers detected 118,500 cases of attempted claims fraud in 2013 totaling almost £1.3bn, an 18% increase in value compared to 2012.

**Fraud was most likely to be detected in liability insurance.**

## HOW CONSUMERS PURCHASE GENERAL INSURANCE PRODUCTS

The relative simplicity of general insurance products means that consumers are more likely to purchase them directly than they are long-term insurance products. Over half of motor insurance is purchased directly by consumers (52%). Around a fifth of domestic property insurance (22%) is purchased directly.

Distribution of personal lines general insurance, 2013



# Long-term savings and life insurance and its customers

Long-term savings and life insurance includes pensions, annuities, investments and savings and protection policies. Long-term insurance products are used to provide an income during retirement and provide for individuals and their families following an accident, illness or a death in the family.

The chart opposite shows the percentage of households with different long-term insurance products and the average annual expenditure on those products.

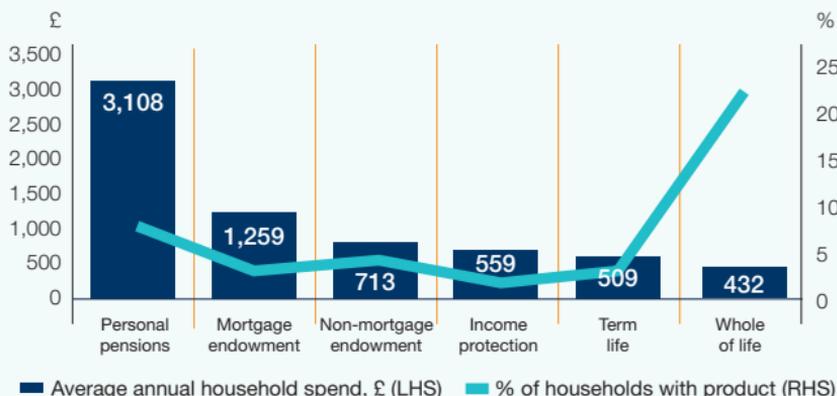
Of the 26.4 million households in the UK in 2012, 5.7 million had whole of life assurance, 2.5 million had a personal pension, 1.1 million had a non-mortgage-related endowment, 0.8 million had a mortgage-related endowment, 0.7 million had term insurance and 0.4 million had income protection<sup>10</sup>.

## £191.2bn

The UK insurance industry received worldwide net premium income of £160.4bn and paid out benefits of £191.2bn in 2013.

<sup>10</sup> Source: ONS Family Expenditure Survey, 2012

### Households holdings of, and annual expenditure on long term savings and protection products, 2012



## PENSIONS

# 20.7m

There were 20.7m individual pension policies in force in 2013, of which more than a quarter were work-based. In addition, more than two thirds of individual pension policies were linked policies.

# 47%

47%<sup>11</sup> of the working population contribute to a pension.

### PENSION AUTO-ENROLMENT

Between 2012 and 2018 certain employees who are not already in a work-based pension scheme will be automatically enrolled into one.

# 4m

Just over 4 million pension policies\* were sold in 2013, nearly 30% higher than the 3.1 million sold in 2012.

<sup>11</sup> ONS Pension Trends, Chapter 6, 2013

\*Includes personal and work-based individual pension as well as trust based pensions

## ANNUITIES

An annuity can be purchased with a sum of money from a pension which will then provide an income during retirement.

**350,000**

Around 350,000 new annuity products were taken out in 2013. The 2014 budget had a big impact on post-retirement policy – the abolition of any requirement to take out an annuity saw annuity sales fall by 38% between Q1 and Q2 2014.

**6.0m**

There were 6.0m pension annuity policies in payment in 2013, that received £13.3bn in payments during the year.

**50%**

Just over half of all annuities were purchased through an alternative provider to the customer's existing pension savings provider.

The ABI regularly publishes the annuity rates offered by ABI members on its website to give consumers an indication of the rates available from annuity providers.

## INVESTMENT AND SAVINGS

Investment and savings products include investment bonds and endowments.

**7.2m**

There were 7.2m investment and savings policies in force in 2013, of which almost a third were linked policies.

**£52.2m**

Investment and savings policies paid out £52.2m per day in 2013.

**121,000**

Insurers sold almost 121,000 new savings and investment policies in 2013.

## PROTECTION

Protection products include term life, whole of life, income protection, critical illness and collective life insurance and provide financial security in the event of serious illness, accident or death.

# 29.3m

There were 29.3m individual term, whole of life, income protection and critical illness insurance policies in force. In addition, there were 2.1m collective life policies.

# £3.1bn

In 2013, £3.1 billion was paid to 99,000 customers or families as a result of claims on protection insurance policies<sup>12</sup>, an average of £8.4m each day.

# 10.4m

There were 10.4m members of group life cover, group income protection and group critical illness schemes, of which 7.9m were life cover. Group cover is provided by employers for the benefit of their employees.

# 3m

Around 3m new individual and group protection products were taken out in 2013.

# 97%

In 2013 97% of protection claims were paid out<sup>12</sup>, including 98% of term life insurance claims and 92% of critical illness claims.

## LONG-TERM CARE

# 23,000

In 2013, there were 23,000 long-term care policies in force.

<sup>12</sup> Excludes Group Income Protection

**FRAUD**

**£11.8m**

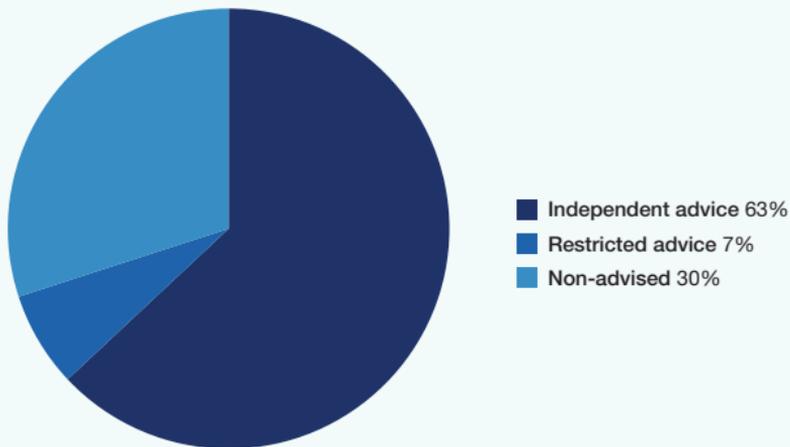
Life insurers detected 980 cases of attempted claims fraud in 2013, totaling £11.8m.

**HOW CONSUMERS PURCHASE LONG-TERM INSURANCE PRODUCTS**

The complexity of long-term insurance products means that they tend to be taken out with advice. In 2013, 70% of customers who purchased a pension, protection or other long-term insurance product had some form of advice.

Whether advice is taken depends on the product being purchased. Independent advice was taken by 87% of consumers in selecting a pension product. For protection products it was 45%.

**Distribution channel of long-term savings, pensions, annuities and protection new business, 2013**

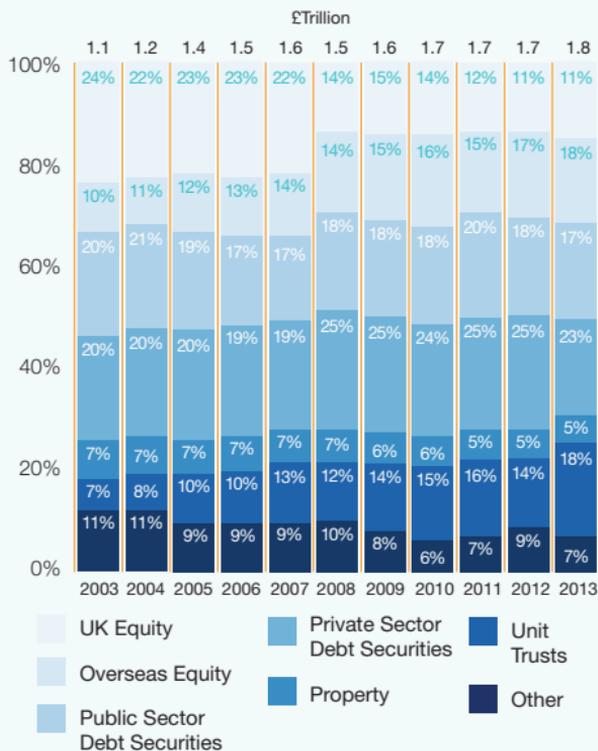


# Insurers play an important role as investors in the economy

Insurers that provide long term savings and life insurance products ensure they meet their long-term liabilities by investing the premiums received in different types of investments. At the end of 2013, insurers held £1.81trn of assets, of which £1.68trn was held by life insurance companies.

UK equity holdings have decreased by 13% points over the past 10 years. Unit Trust holdings have increased by 11% points.

### Invested insurance funds by asset class



# Glossary

## **Underwriting loss**

Loss generated by an insurer's underwriting activity. An underwriting loss occurs when expenses incurred and claims paid out exceed premiums collected on insurance policies by the insurer.

## **Whole of life**

Life assurance policy that stays in place for insured's whole life and provides a sum of money to the insured's family or estate when the insured dies.

## **Term insurance**

A life insurance policy that provides coverage for a limited amount of time.

## **Collective life**

Life insurance that covers a group of people in a common group.

## **Endowment**

An endowment is an investment product, which will pay out a cash lump sum on a fixed date in the future. The product also provides life cover and will pay out if you die before your policy matures. These products can also include critical illness cover.

## **Linked**

Policies in which your money is used to purchase units in a particular fund or combination of funds, and the value of the units will change directly in line with the performance of the investments held within the fund(s).

# Contacts

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