



Association of British Insurers

**UK Insurance &
Long-Term Savings
Key Facts**

The UK insurance industry is the largest in Europe and the fourth largest in the world.

It plays an essential part in the UK's economic strength, managing investments of over £1.6 trillion and paying nearly £12bn in taxes to the Government. It employs around 300,000 individuals, of which around a third are employed directly by providers with the remainder in auxiliary services such as broking.

On behalf of its members, the ABI works with government, regulators and policymakers to create and maintain effective insurance markets for consumers, and represents the UK insurance market in 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 from 2015 (unless otherwise stated and where available) about UK insurance¹ and its significant contribution both to the economy and society.

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¹ Unless stated, data is ABI data and covers ABI data providers only.

Top 10 Key Facts

1



The UK is the 4th largest insurance & long-term savings industry in the world and largest in the EU

2

£35bn

UK insurers contribute £35bn to the UK economy

3

£1.6trn

ABI Members hold £1.6trn invested assets

4

305,500

There are 305,500 people employed in the UK insurance industry

5

£44m

£44m was paid out each day in private motor & property claims

6



Travel insurers paid out £365m claims to travellers who needed help whilst they were abroad

7



£8.2bn was withdrawn from pensions in first year following reforms

8

15m

Over 15 million employees contributed to a workplace pension in the UK in 2015

9



97% of Protection claims presented were paid out

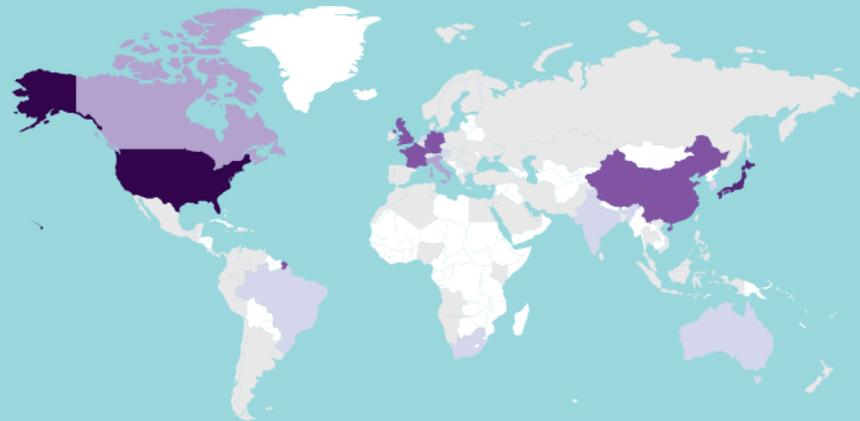
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£1.3bn

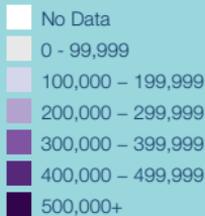
£1.3bn fraudulent claims detected

Insurance & long-term savings: a UK success story

Breakdown of worldwide premium income by country, 2015



Total premiums 2015
(USD billions)



1st

The UK has the largest insurance industry in Europe and the fourth largest in the world.²

22%

The UK insurance and long-term savings industry generates over a fifth of total EU premium income.³

² Source: Swiss Re, Sigma No 3/2016

³ Source: Insurance Europe

Total Premium Income, \$bn, 2015

United States		1,316
Japan		450
PR China		387
United Kingdom		320
France		231

435⁴**Long-term savings providers**

Number of authorised life insurance companies in the UK, of which 195 are UK authorised and 240 are headquartered in another European country and passport in under the EU Third Life Directive.

934⁴**General insurers**

Number of authorised general insurance companies in the UK, of which 340 are UK authorised and 563 are headquartered in another European country and passport in under Solvency II.

305,500⁷**employees**

In the UK, 111,600 are directly employed by insurance companies and 193,900 are employed in auxiliary services to insurance and pension funding; such as broking, & third party services.

£11.8bn⁶**taxes paid**

In 2014 the sector contributed nearly £12bn in taxes to the UK government.

£35bn⁵**contribution to the economy**

In 2013 the UK insurance industry contributed £35bn to the UK economy.

⁴ Bank of England, Jan 2016

⁵ Blue Book 2015, Office for National Statistics

⁶ PWC, Total Tax Contribution of the UK Insurance Industry, 2014

⁷ Office for National Statistics licensed under the Open Government Licence v.3.0.

Insurance & long-term savings: Households and types of products

Of the 26.7 million households in the UK in 2014:

- 🏠 20.4 million had contents insurance
- 🏠 20.1 million had motor insurance
- 🏠 17.3 million had buildings insurance
- 🏠 3.2 million had mortgage protection
- 🏠 1.9m million had private medical insurance.

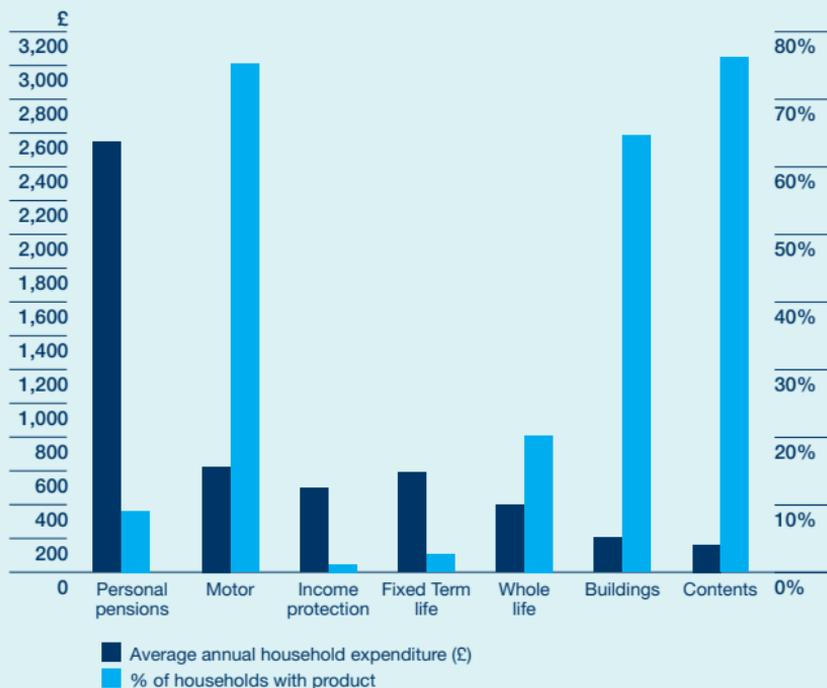
And for long-term savings products:

- 🏠 5.4 million had whole of life assurance
- 🏠 2.4 million had a personal pension
- 🏠 0.6 million had term life assurance
- 🏠 0.3 million had income protection⁸



⁸ Source: ABI Analysis, Office for National Statistics, Department for Environment, Food and Rural Affairs. (2016). Living Costs and Food Survey, 2014

Household holdings & expenditure on insurance and long-term savings products, 2014



General Insurance Statistics

MOTOR INSURANCE

£33m

underwriting profit

The £33m underwriting profit in 2015 was the first time that the UK motor insurance market made a profit since 1994.

£28.6m

paid per day

Insurers paid out £28.6m per day in motor claims of which £21.2m was for domestic claims and £7.4m related to commercial claims.

£440

average premium

By Q3 2016, the average premium for private motor had risen to £440, following the rise in Insurance Premium Tax (IPT) from 6% to 10%.

99%

claims acceptance

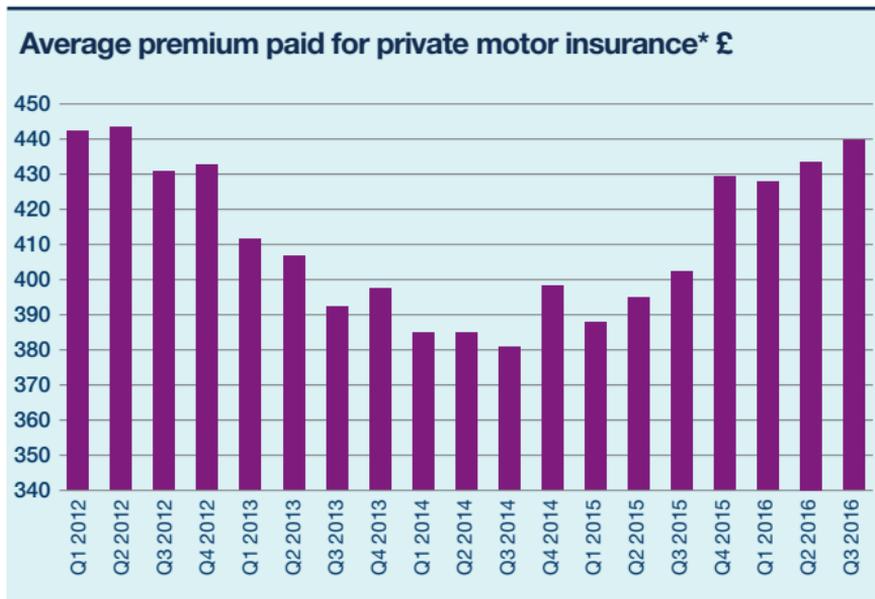
In private motor, around 99% of the total number of claims made were accepted in the 2014/15 period.

£10,955

average Bodily Injury claim

Whilst average claims for bodily injury are high, the overall average for all types of private car claims was £2,671.





*the average amount paid for a fully comprehensive policy where the policy holder holds a full driving licence

PROPERTY INSURANCE

-£22m**underwriting loss**

The UK property insurance market made an underwriting loss for the first time since 2010.

£15.0m**paid per day**

Insurers paid out £15.0m per day in property claims, of which £8.1m was for domestic claims and £6.9m related to commercial claims.

£308**average premium**

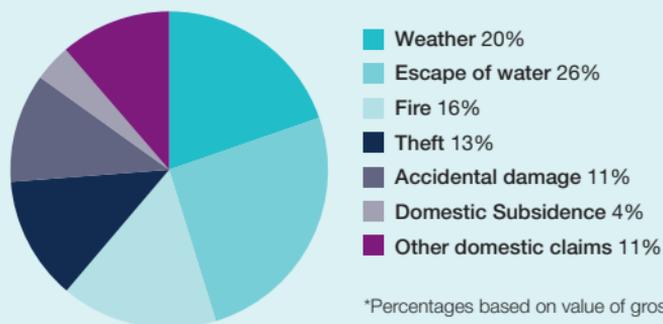
By Q3 2016 the average premium for a combined building and contents policy had fallen to £308, down 10% from its highest peak in Q3 2012. The average premiums for buildings and contents only, were £268 and £140 respectively.

Average premium paid for domestic property insurance* £



*the average amount paid for a combined buildings and contents policy

Domestic Property Insurance Claims, by type of Claim



TRAVEL INSURANCE

£1m
paid per day

In 2015, travel insurers paid out £365m for 494,000 claims to travellers who needed help whilst they were abroad. £197m of this was to cover the cost of emergency medical treatment, and £128m for cancellations.

HEALTH INSURANCE

£1,906
per claimant

The average amount paid out to each claimant for private medical insurance came to £1,906.

1.5m
people with Health
Cash Plans



**LIABILITY
INSURANCE****£117m**

underwriting profit

The liability insurance market made an underwriting profit of £117m in 2015.

£7.2m

paid per day

Every day, liability insurers paid out claims of £7.2m, of which £2.3m was for employers' liability.

**PET
INSURANCE****3.4m**

customers

Around 94% of insurance being for cats and dogs.

£1.8m

paid per day

£721

average claim

**TRADE
CREDIT**

Business can take out trade credit insurance to protect themselves against financial distress of a trading partner.

11,900

policies

£400k

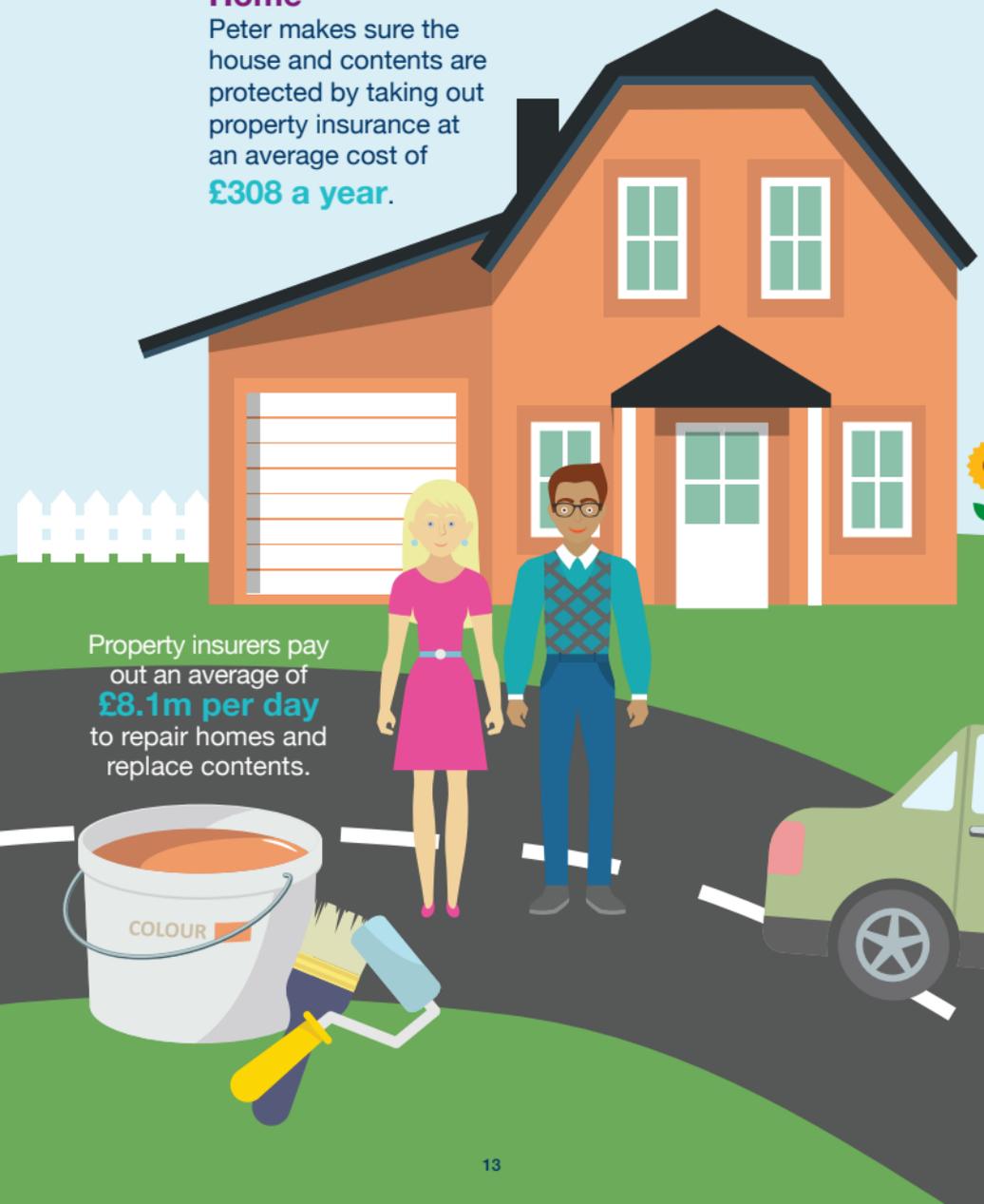
paid per day in claims

**Insurance
& long-term
savings:
How they
work for you**

Home

Peter makes sure the house and contents are protected by taking out property insurance at an average cost of **£308 a year.**

Property insurers pay out an average of **£8.1m per day** to repair homes and replace contents.



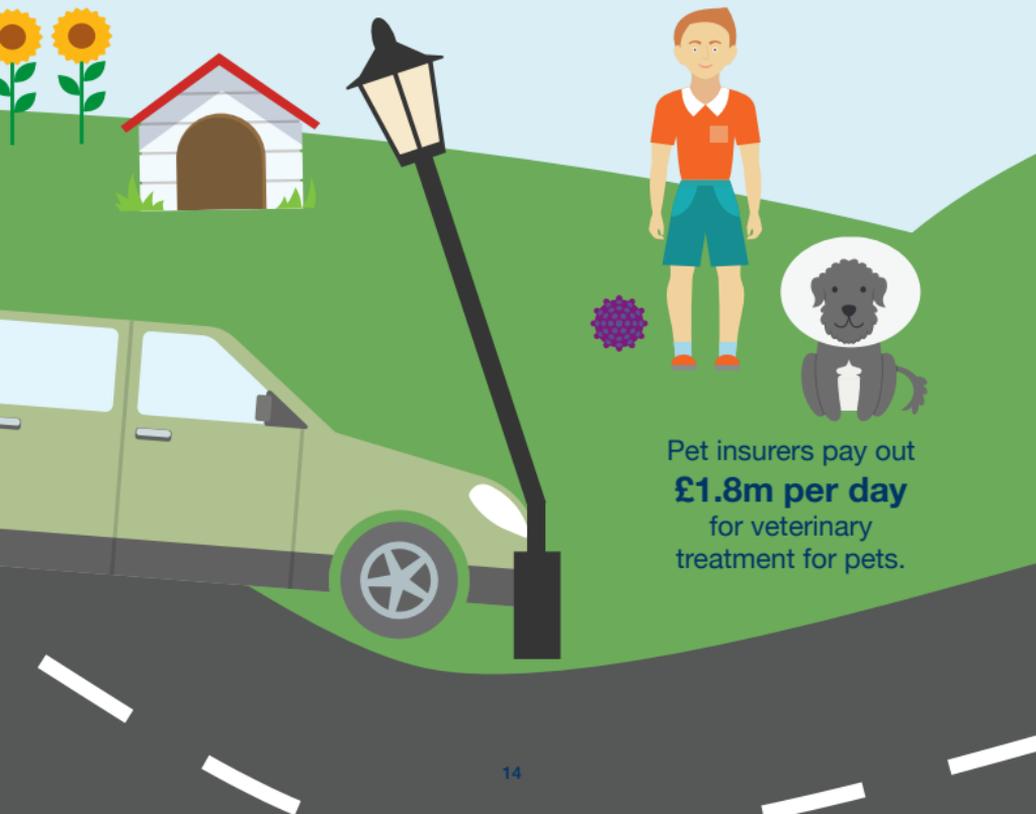
Motor

Susie renews her car insurance at an average cost of **£440 a year**.

The average bodily injury claim following a motor accident costs **£10,955**.

Pet

The Johnsons make sure their pet dog Barney is looked after in case he needs medical treatment.



Pet insurers pay out **£1.8m per day** for veterinary treatment for pets.



Travel

The Johnsons went on holiday to Spain recently and took out travel insurance to protect them whilst they were away.

Travel insurers pay out more than **£500k a day** to help people who need medical treatment abroad.

Retirement

Grandma June saved for her retirement throughout her working life. Earlier this year, she took some of her pension as cash and bought an annuity with the rest to ensure she has an income throughout her retirement.



There are **19.1m** individual pension policies in force.

Liability

Peter owns a café in the town and makes sure he is covered with liability insurance should anything go wrong.

Liability insurers pay out **£7.2m every day** to protect businesses.



Protection

Susie hurt her back a few months ago, but her employer has income protection insurance and paid her a salary when she could not work.

Insurers pay out **£9.9m every day** for protection policies, including income protection, critical illness and life insurance.



General Insurance Fraud

£1.3bn

detected fraud

Over 130,000 detected cases of attempted claims fraud in 2015 - a 6% increase in volume compared to 2014.

£800m

motor fraud

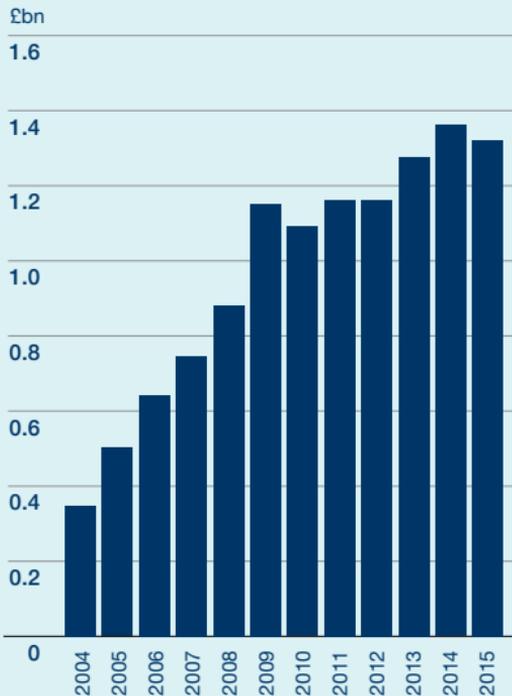
Fraudulent motor claims were the most common, over 70,000 in 2015, and valued at £800m.

£390m

liability fraud

Volume of fraudulent liability claims is up 36% in 2015, with 26,900 detected, and valued at over £390m.

Detected Fraud - Value of Cases, £bn



Long-term Savings and Life Statistics

PENSIONS

19.1m

policies

More than a third of individual pension policies were work place pensions.

15.1m⁹

contributing employees

This has increased by 9% on 2014.

PENSION AUTO-ENROLMENT

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

9.7m

auto-enrolled

By the end of August 2016, 9.7m¹⁰ employees had been automatically enrolled in a work place pension.

4.6m

policies sold

⁹ ONS - Annual Survey of Hours and Earnings (ASHE)

¹⁰ Pensions Regulator, August 2016

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

RETIREMENT INCOME

Pension reforms announced in the 2014 Budget allowed people to take their pension pots in cash rather than having to buy an annuity.

£8.2bn

withdrawn

In the first year since pension reforms introduced in April 2015, £8.2bn was withdrawn from pension pots; £4.3bn in lump sums & £3.9bn worth of payments from income drawdown.



INCOME DRAWDOWN

Income drawdown contracts allow you to take an income from your pension pot while the rest remains invested.

£6.1bn

invested in drawdown

In the first year since the reforms came in, £6.1bn was invested in Income Drawdown products.

This compares to £3.2bn sold over the same period prior to the reforms, an 89% rise.

ANNUITIES

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

6.2m

pension annuities

In 2015, £14bn in payments were made.

82,000

annuity sales

Annuity sales have fallen by more than half from 189,000, with a total value of £7bn in the year 2014, to 82,000, with a total value of £4.2bn in the year 2015.

58.5%

bought from existing provider

INVESTMENT AND SAVINGS

Investment and savings products include investment bonds and endowments.

5.8m
policies in force

£36.7m
paid per day

112,000
new policies in 2015

LONG-TERM CARE

21,000
policies in force



PROTECTION

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

26.9m

policies in force

There were 26.9m individual term, whole of life, income protection and critical illness insurance policies in force. In addition, there were 646,000 collective life policies.

2.1m

new policies

Around 2.1m new individual and group protection products were taken out in 2015.

£9.9m

paid per day

£3.6 billion was paid to 129,000 customers or families as a result of claims on protection insurance policies, an average of £9.9m each day.

10.8m

members

There were 10.8m members of group life cover, group income protection and group critical illness schemes, of which 8.1m were life cover. Group cover is provided by employers for the benefit of their employees.

97%

claims acceptance

97% of protection claims were paid out¹¹, including 98% of term life insurance claims and 93% of critical illness claims.

¹¹ Excludes Group Income Protection

How Customers Purchase Insurance Products

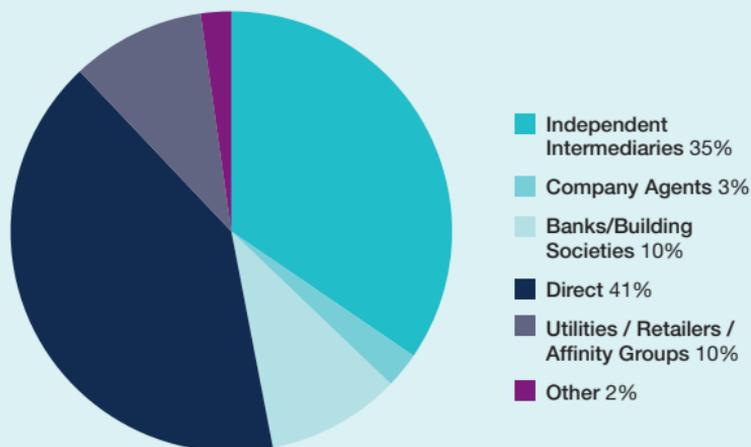
The relative simplicity of some household insurance products means that consumers are more likely to purchase them directly than they are longer-term insurance products. Over half of personal motor insurance (56%) and a quarter of personal property insurance (27%) is purchased directly by consumers, which includes sales via a price comparison website.

Long-term savings and investment products tend to be taken out with advice. Three-quarters (75%) 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.

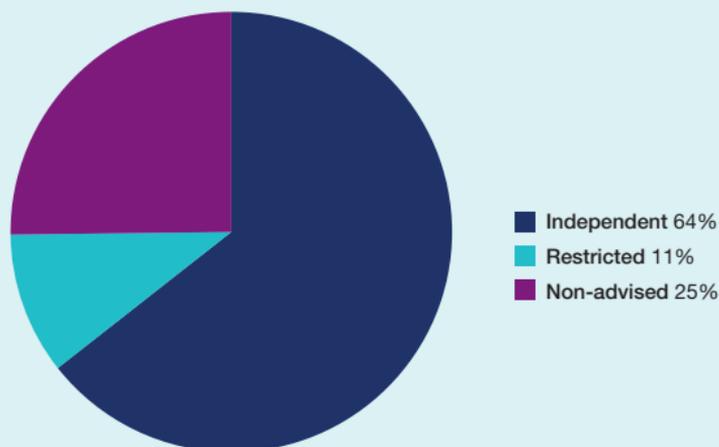
Independent advice was taken by 63% of consumers in selecting a pension product. For protection products it was 71%.



Distribution of personal lines, general insurance



Distribution of long-term products, by advice channel



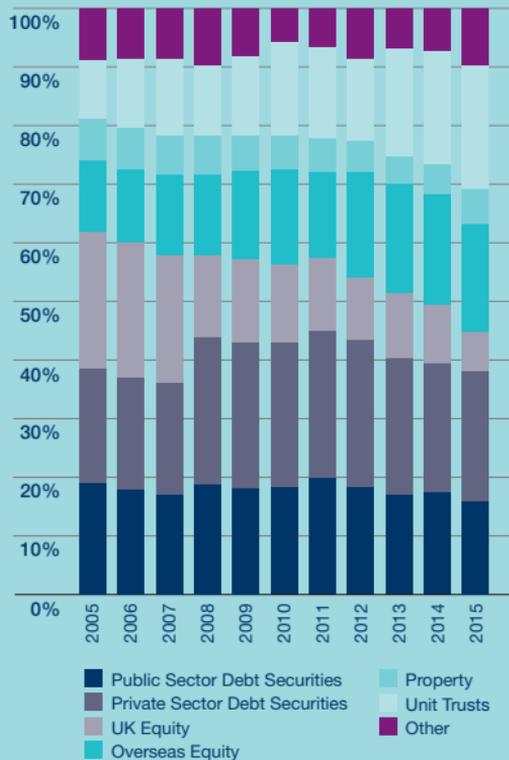
Insurance & long-term savings: Important role as investors

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 2015, ABI members held £1.57trn of assets, of which £1.44trn was held by life insurance companies.

UK Equity holdings have decreased by 16 percentage points since 2005, whilst Overseas Equity holdings have risen by 6 percentage points. Over the same period, Unit Trust holdings have increased by 11 percentage points.

Chart of invested assets by asset class



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About the ABI

The Association of British Insurers is the leading trade association for insurers and providers of long-term savings. Our 250 members include most household names and specialist providers who contribute £12bn in taxes and manage investments of £1.6trillion.

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.



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