

ABI

Association of British Insurers

UK Insurance Key Facts

September 2012

R E F O R M **Z** **Z** **W** **X** **A** **C** **S** **M**
Z **M** **F** **L** **O** **O** **D** **I** **N** **G** **S** **V** **N** **T** **D**
T **Q** **R** **S** **D** **O** **N** **U** **Z** **Y** **P** **I** **O** **O** **R**
G **G** **U** **V** **S** **K** **V** **X** **R** **L** **Q** **N** **G** **M** **D**
P **R** **O** **T** **E** **C** **T** **I** **O** **N** **T** **G** **W** **E** **B**
E **O** **L** **T** **D** **J** **O** **M** **J** **G** **E** **S** **N** **R** **K**
M **O** **N** **L** **N** **R** **J** **Q** **S** **V** **M** **H** **T** **S** **O**
P **D** **C** **H** **N** **Y** **N** **T** **J** **L** **O** **Z** **I** **N** **F**
I **N** **S** **U** **R** **A** **N** **C** **E** **S** **T** **K** **O** **J** **R**
U **Y** **H** **H** **T** **B** **J** **G** **G** **N** **O** **P** **K** **Z** **A**
Z **H** **R** **D** **Z** **P** **M** **D** **G** **E** **R** **T** **J** **T** **U**
Y **Z** **E** **C** **O** **N** **O** **M** **Y** **Z** **G** **E** **F** **K** **D**

The UK insurance industry is the third largest in the world and the largest in Europe. It is an essential part of the UK's economic strength, managing investments amounting to 26% of the UK's total net worth and contributing £10.4 billion in taxes to the Government. Employing some 290,000 people in the UK alone, the insurance industry is also one of this country's major exporters, with almost 30% of its net premium income coming from overseas business.

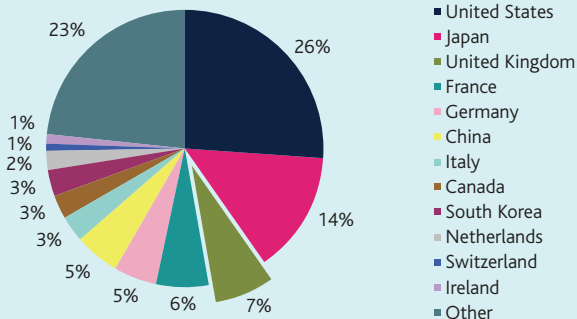
The ABI has almost 350 members which account for some 90% of insurance premiums in the UK. On behalf of our customers, the ABI works with a variety of stakeholders. These include the Government and political parties in the UK and EU, regulators, consumer groups, the media and the general public. The ABI aims to ensure the UK insurance industry goes from strength to strength by providing high quality products and services to customers whilst continuing to be a global leader and serve the UK economy.

This booklet, gives 2011 facts and figures about UK insurance and its contribution both to the economy and society.

Insurance and the economy

- The UK insurance industry is the largest in Europe and the third largest in the world, accounting for 7% of total worldwide premium income.

Breakdown of worldwide premium income by country, 2011.¹



¹ Source: Swiss Re. Sigma No 2/2010. Note that Switzerland and Ireland are not the next largest countries by premium income, but are included because, together with the Netherlands, they have more favourable tax regimes than the UK and as a result are attracting business away from the UK.

- It employs some 290,000 people.² This is more than a quarter of all financial services jobs, and twice as many as are employed in the combined electricity, gas and water supply sectors.
- It is highly competitive – over 1000 companies are authorised to write general insurance business in the UK, and a further 300 are authorised to write long term savings, pension and protection products.
- The insurance sector is responsible for investments of £1.8 trillion, equivalent to 26% of the UK's total net worth.³
- It is a major contributor to the UK's tax take. In the 2010/11 tax year the insurance industry contributed £10.4 billion in taxes, equivalent to 1.9% of total Government tax receipts. Of this, £2.7 billion was Corporation Tax and £1.6 billion was Insurance Premium Tax.⁴
- It is also a major exporter – about 30% of its net premium income comes from overseas business, most of which is long-term business (£46 billion).

² Source: ONS, Economic and Labour Market Review, April 2011 and ABI. End-year 2010. This figure includes an estimate of those in auxiliary businesses (brokers, actuarial consultants etc.) which is no longer available separately from all financial services.

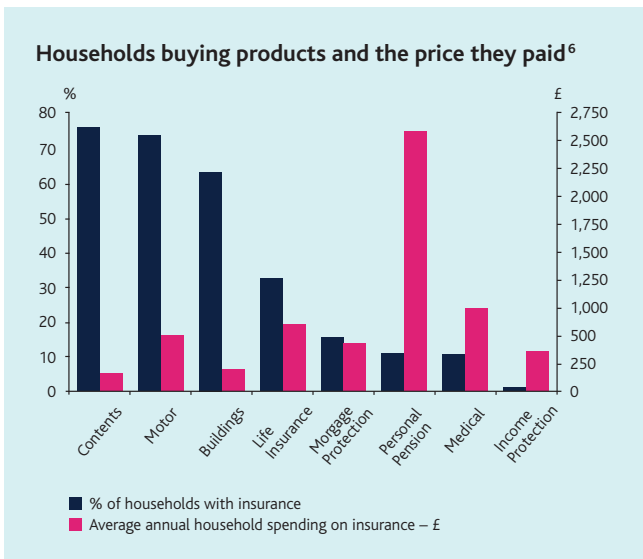
³ Source: ONS, Blue Book, 2012.

⁴ Source: ONS, The Blue Book, 2011 edition.

Insurance and its customers

Almost every adult and business in the UK has involvement with the insurance industry in some way.

The chart below shows, for 2010, the percentage of households with different types of insurance products, and the average annual expenditure on insurance products by those households.⁵



⁵ National Statistics © Crown Copyright 2010. The Expenditure and Food Survey is Crown Copyright. Figures relate to 2010, the latest available.

⁶ This does not include insurance provided by employers (e.g. medical cover).

- Of the 26.3 million households⁷ in the UK in 2011, an estimated 19.7 million households have contents insurance, and 16.6 million have buildings insurance from which 2.1 million claims were made with a total value of £3.3 billion, or the equivalent of £9.0 million per day.

The pay-out for an average household fire claim was £10,200, for a theft claim it was £1,500 and for a claim following a major flood it is estimated at £30,000.

- 23.8 million private vehicles were insured.
 - 3.2 million claims were notified in 2011 resulting in payments to customers of £19.4 million each day and costing a total of £7.1 billion.
- 4.6 million commercial vehicles were insured.
 - 792,000 claims were made in 2011, resulting in payments to customers of £2.2 billion.
- £3.7 million was paid each day to businesses on property damage, amounting to £1.4 billion in 2011.
- 5.7 million people are covered for private healthcare, and £2.6 billion was paid to reimburse the cost of private healthcare in 2011.
- £8.8 million was paid to customers each day for accident & health claims.
- £5.9 million was paid to customers each day for liability claims, such as for accidents at work, professional indemnity and injuries to the public on commercial premises, in total costing £2.2 billion in 2011.

⁷ Source: ONS Families and Households, 2001 to 2011.

- 26.2 million travel insurance policies were bought by consumers in 2011.
 - 0.7 million claims were made in 2011, resulting in £1.1 million paid to customers each day.

Customers paid an average of £24 for annual travel insurance and £35 for single trip cover. Customers making a travel insurance claim received on average £594 in 2011.

Approximately 8.5 million households benefit from a variety of long-term insurance products.

- 5.7 million pension annuity policies are in payment, with £33.1 million paid to customers each day.
- 49% of the working population contribute to a pension policy.⁸
 - 20.8 million individual pension policies are in force, of which 9.6 million receive regular premiums averaging £1,131 per annum.
 - 2.5 million people in occupational pension schemes contribute £4,236 per person on average.
- 28.4 million protection, term and whole life policies are in force.
 - customers received benefits of around £36.8 million per day.
- There are 9.6 million endowment policies and investment bonds in force.
 - investors received benefits from these policies amounting to £53.6 million per day.

⁸ ABI Quarterly Consumer Survey Q1 2011.

D N I X V P Y M Y U Q G V T H
V F M N R L K Z B P H Z P K C
F V V Q S R M **P E N S I O N S**
X J Q X T U F I P B T J G I N
U J K A B S R Z D D O H Y C X
E N O I S N E P E F O S X U J
R E F O R M R Z Z W X A C S M
Z M F L O O D I N G S V N T D
T Q R S D O N U Z Y P I O O R
G G U V S K V X R L Q N G M D
P R O T E C T I O N T G W E B
E O L T D J O M J G E S N R K
M O N L N R J Q S V M H T S O
P D C H N Y N T J L O Z I N F
I N S U R A N C E S T K O J R
U Y H H T B J G G N O P K Z A
Z H R D Z P M D G E R T J T U
Y Z E C O N O M Y Z G E F K D

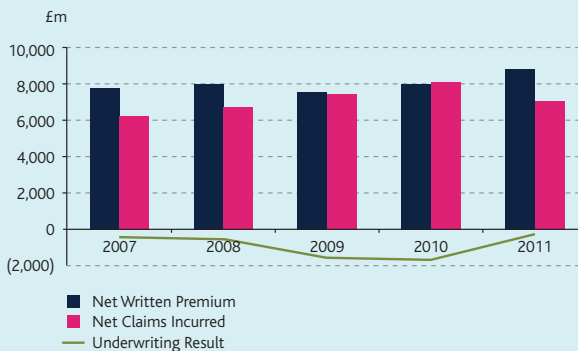
Key Issues and Statistics

While the ABI carries out work across the insurance industry it has identified some key priorities for action.

Motor Insurance

Insurers have made an underwriting loss on private motor insurance for seventeen successive years, paying out more in customer claims and expenses than they received from customer premiums. 2010 was the worst result on record. The number and cost of bodily injury claims have soared, and the ABI is working hard with Government on civil legal reform so that costs can be reduced and premiums for customers can come down.

Domestic motor insurance results, 2007-2011



- In 2011, insurers received £13.3 billion in UK motor premiums, ceded £1.7 billion in reinsurance and paid out £12.1 billion in motor claims and expenses.
- Insurers paid out £9.3 billion in motor claims in 2011.
- A motor claim was made for 14 in every 100 private cars insured and 1 in every 20 motorcycles insured in 2011.
- The average cost of motor claims made and paid in 2011 was £4,527.
- The average cost of a motor theft claim was £2,652 in 2011.

Fraud

In 2011, insurers detected an estimated £983 million in fraudulent general insurance claims. The ABI estimates that around £2 billion goes undetected each year, adding around £50 to the insurance premium costs of each UK household. Insurers prevented around £40 million in fraudulent long-term insurance claims.

To protect honest customers the industry has invested significant resources in deterring and detecting insurance fraud and will continue to do so. This includes:

- The Police Insurance Fraud Enforcement Department, a specialist police unit funded by insurers which is dedicated to tackling insurance fraud. It became operational in January 2012, and in the first seven months of operations it made 120 arrests and investigated more than £8 million of suspected insurance fraud.
-

- The Insurance Fraud Bureau, a not-for-profit organisation funded by the insurance industry which is specifically focused on detecting and preventing organised and cross-industry insurance fraud. The impact of the IFB has been very positive since its launch in July 2006 with numerous arrests and tens of millions of pounds of savings for insurers and their customers.
- The Insurance Fraud Register in 2012 – a cross-industry database funded by insurers which brings together all data on known fraudsters held across the industry, enabling insurers to weed out fraudsters who have committed fraud against other insurers in the past.
- Agreeing to fund a new database to be built by the DVLA which will make it much more difficult for potential fraudsters to give inaccurate information about driving entitlements and driving offences in order to get lower premiums. This is due to become operational in 2014.

- In 2011, insurers uncovered 138,814 fraudulent general insurance claims, or 2,670 every week.
 - In general insurance, liability insurance saw the highest level of detected fraud as a percentage of the value of total claims (10.4%).
 - The number of detected fraud cases in long-term insurance grew by 32% between 2010 and 2011.
-

Flooding

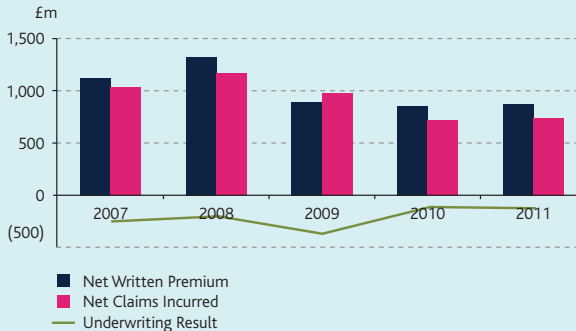
Over 5 million homes in England and Wales, or one in every six homes, are at risk of flooding, and the frequency and severity of flood events is rising. Insurers have paid approximately £5 billion to households and businesses affected by flooding since 2000. The Statement of Principles agreement, which safeguards this flood cover, but not the cost of premiums, expires in June 2013. Insurers are working closely with Government to try to ensure flood insurance remains widely available and affordable to consumers in the long term.

Asbestos

Asbestos-related industrial disease causes terrible suffering and processing insurance claims poses particular issues due to the long period between exposure and development of the disease. Insurers are working with Government to improve compensation processes and outcomes for all UK consumers making employers' liability claims. This has included establishing a support scheme to compensate people suffering from mesothelioma who are unable to trace their employer's insurer.

More generally, employers' liability insurance compensates employees for damage caused to them in the workplace. This covers both accidents at work and industrial diseases.

Employers' liability insurance results 2007-2011



Insurers have made a loss on employers liability insurance for six years, paying out more in customer claims and expenses than they received in premiums. In 2011, insurers received £882 million in Employers Liability net premium and paid out £1.0 billion in claims and other expenses.

In 2011, insurers paid out £744 million to compensate people who were injured at work.

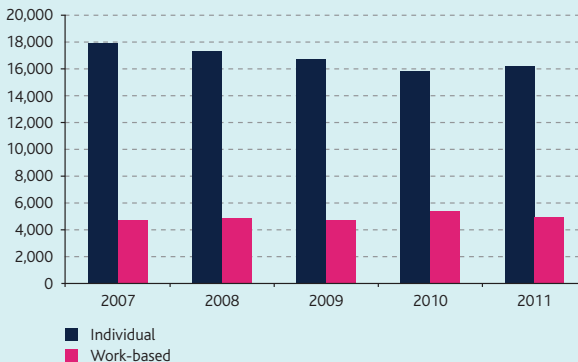
D N I X V P Y M Y U Q G V T H
V F M N R L K Z B P H Z P K C
F V E M P L O Y E R S S I O N
X J Q X T I F I P B T J G I N
U J K A B A R Z D D O H Y C X
E N O I S B E P E F O S X U J
R E F O R I R Z Z W X A C S M
Z M F L O L D I N G S V N T D
T Q R S D I N U Z Y P I O O R
G G U V S T V X R L Q N G M D
P R O T E Y T I O N T G W E B
E O L T D J O M J G E S N R K
M O N L N R J Q S V M H T S O
P D C H N Y N T J L O Z I N F
I N S U R A N C E S T K O J R
U Y H H T B J G G N O P K Z A
Z H R D Z P M D G E R T J T U
Y Z E C O N O M Y Z G E F K D

Pension Reform and Savings

The ABI has worked to help build confidence in contract-based pensions ahead of the introduction of auto-enrolment from October 2012 onwards. The number of work-based policies fell by 7% while individual policies grew by 2% between 2010 and 2011.

Individual vs. work-based policies in force 2007-2011

Policies in force



We are a strong supporter of automatic enrolment into employer workplace pension schemes. Unless they actively opt out, employees who have previously not been saving for their retirement will start to build up pension savings to help ensure they can have a dignified retirement.

The ABI has worked hard with Government to ensure that the legal requirements on employers are not overly burdensome. Our members are supporting employers with their new duties, such as through web-based tools to establish the eligibility of workers for auto-enrolment.

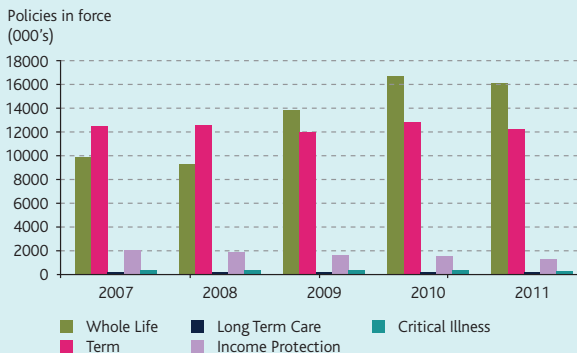
It is critical that we help people merge their small pension pots to help them avoid having to keep track of lots of small pension savings accounts and the challenges of bringing them all together to provide an income stream in retirement. We have strongly supported the Government's work in this area. We believe the best way to help people is by allowing people to take their small pension pots with them as they move from job to job and are pleased that the Government sees this as their preferred method.

The ABI has introduced a compulsory Code of Conduct from 2013 to help consumers make better retirement choices when they purchase an annuity to give them an income in retirement.

- 45.5% of new annuities were purchased through a different provider than the consumer's existing pension provider, in 2011.
 - The average "workplace" or "employer" personal pension annual management charge has fallen to 0.77%.
 - Auto-enrolment is estimated to bring up to 7 million new savers into pension saving by 2018.
-

Financially Resilient Society

Long-term policies in force, 2007-2011



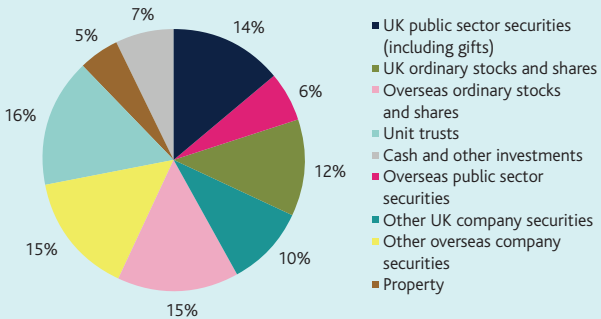
The ABI is working to encourage and support consumers to become financially resilient throughout their life. That is to manage their money to help them save and plan beyond the short term and to minimise the risk of serious financial problems.

It is developing a framework for meeting the costs of care needs in old age that promotes demand and overcomes barriers for insurance and savings products. It is working with Government and other stakeholders to build a financially resilient society by ensuring the right balance of protection between the state, insurers and individuals. The ABI continues to work on proposals that will encourage and help people to plan ahead regarding their long term care.

- Between 2007 and 2010 the number of long term care policies in force grew more than threefold from 14,000 to 45,000.
- Income protection policies in force saw the largest fall between 2007 and 2010, with a decline of 27%.

Insurers as Investors

Invested funds by asset class, 2011



The insurance industry plays a positive role as a responsible long-term investor and the ABI is working to establish this clearly in the minds of all industry stakeholders. UK insurers have placed 14% of all of their invested assets into UK equities.

The ABI aims to promote:

- The highest standards of corporate governance so that the long term value of companies is realised;
- Investment risk diversification opportunities;
- Transparent & effective capital markets.

In order to achieve sustained growth, the ABI is looking to promote:

- Developments in law, regulation and market best practice to achieve sustained growth;
 - Widening the availability of appropriate asset classes to match liabilities;
 - The availability of finance for the real economy and economic growth.
-

D N I X V P Y M Y U Q G V T H
V F M N R L K Z B P H Z P K C
F V V Q S R M S P E N S I O N
X J Q X T U F I P B **C** J G I N
U J K A B S R Z D D **O** H Y C X
E N O I S N E P E F **R** S X U J
R E F O R M R Z Z W **P** O C S M
Z M F L O O D I N G **O** L N T D
T Q R S D O N U Z Y **R** V O O R
G G U V S K V X R L **A** E G M D
P R O T E C T I O N **T** N W E B
E **G O V E R N A N C E** C N R K
M O N L N R J Q S V M Y T S O
P D C H N Y N T J L O I I N F
I N S U R A N C E S T I O J R
U Y H H T B J G G N O P K Z A
Z H R D Z P M D G E R T J T U
Y Z E C O N O M Y Z G E F K D

Consumer Policy

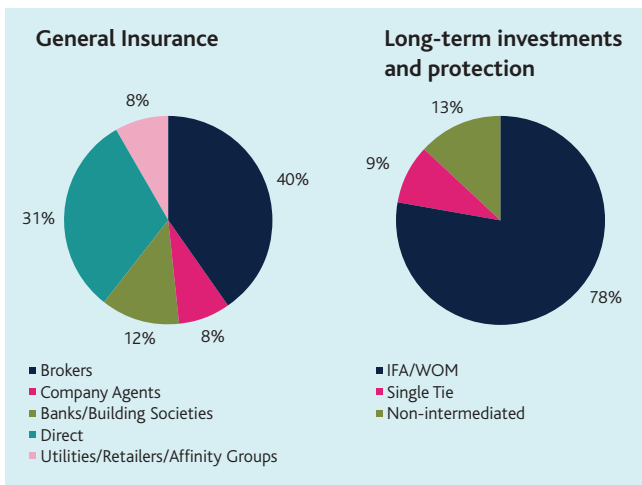
The ABI places improved consumer outcomes at the heart of its work. It is working to promote progress in and awareness of industry initiatives that improve experiences and outcomes for consumers using our industry's products. The ABI is identifying developments in reputation and consumer detriment risks and promoting solutions. We have taken an active role in the development and implementation of the Consumer Insurance Act 2012.

The ABI has sought to build productive relationships with key industry and consumers bodies such as the Financial Services Authority (FSA) and Financial Ombudsman Service (FOS) to improve complaint handling and consistency of FOS decisions. We are also working with the Money Advice Service to support them in their work to increase consumer engagement.

The ABI has made good progress in developing proposals for simple life assurance and savings products as a member of the Simple Products Steering Group. We are working towards proposals for simple income replacement products.

Conduct Regulation & Distribution

How customers buy their insurance



The ABI is working alongside the new Financial Conduct Authority as it delivers on its strategic objective to make markets work well for consumers. We are working hard to help ensure that the Retail Distribution Review (RDR) is implemented smoothly and delivers the intended benefits for consumers.

The ABI is also carrying out work based on the Insurance Mediation Directive II, which will lead to tighter regulation for loss adjustors, claims management companies and aggregators within the general insurance market.

- The broker channel is the dominant channel in general insurance, with 40% of business coming through it.
- IFAs or Whole of Market providers are the dominant channel among long-term insurance with 78% of the market.

Solvency II

Agreeing on capital management and risk framework for insurers across the EU single market is the most business-critical issue facing UK insurers. The ABI aims to ensure a balanced outcome delivering an updated capital model for insurers which does not damage insurers' role as long term investors, or the UK's distinctive annuity market.

This involves:

- Calibration set at a level that keeps insurance products at affordable prices.
 - A smooth implementation that minimises the impact on consumers.
 - A timetable and conditions for third party equivalence that maintain a viable capital treatment for European insurers' US subsidiaries
 - A workable capital framework for annuities
 - A workable reporting framework.
-

D N I X V P Y M Y U Q G V T H
V F M N R L K Z B P H Z P K C
F V V Q S R M S P E N S I O N
X J Q X T U F I P B T J G I N
U J K A B S R Z D D O H Y C X
E N O I S N E P E F O S X U J
R E F O R M R Z Z W X O C S M
Z M F L O O D I N G S L N T D
T Q R S D O N U Z Y P V O O R
G G U V S K V X R L Q E G M D
P R O T E C T I O N T N W E B
E O L T D J O M J G E C N R K
M O N L N R J Q S V M Y T S O
P D C H N Y N T J L O I I N F
I N S U R A N C E S T I O J R
U Y H H T B J G G N O P K Z A
Z H R D Z P M D G E R T J T U
Y Z E C O N O M Y Z G E F K D

Contacts at the ABI

Otto Thoresen

Director General

Otto.Thoresen@abi.org.uk

020 7216 7300

Kelly O'Brien

Statistical Analyst

Kelly.O'Brien@abi.org.uk

020 7216 7388

Shaun Flanagan

Head of Statistics

(from 28/11/2012)

Shaun.Flanagan@abi.org.uk

Seth Williams

Head of Public Affairs & Events

Seth.Williams@abi.org.uk

020 7216 7354

ABI Statistics Helpdesk

ABlstats@abi.org.uk

020 7216 7390

ABI Website

The ABI website – www.abi.org.uk – is the primary means of communication between the ABI, its members and the wider community. It contains all the latest news, facts, figures and policy responses from the ABI.

There is a dedicated area for ABI members where meeting papers, staff contact details and information can be found. Detailed statistics are free to members and accessed by others through subscription. If you are a non-member and would like access to our statistics please visit the Facts and Figures section on the ABI website where you can purchase the subscription package that best suits your needs.

Everyone can access the latest responses to Government consultations, information for consumers, overview statistics and media stories.

Z N Y Z Y S F I O S F P X H M
S O C I E T Y Z U E L W O P K
J U G V U W B P S J Y L F O
Q R D T O E V G H T V H
W Q E H L O F N P O T M R W Y
A V D D W S I F G K R X S X C
U V R E S I L I E N T N E F P
T N J Z F D U N U D A S V U O
O R I F V U D R Z K Q K K U L
E F Z I W B C O N D U C T B I
N G O N B E S Y X V S V N S C
R K I A U C O N S U M E R O Y
O S L N D J D L F O D V E L W
L M A C C I N V E S T O R S S
M Y J I C Y L M O M K K H U T
E L W A K J R W K V H D N R X
N A J L L G E D G U S G W S A
T R S B R E G U L A T I O N H

For more information, contact:

Association of British Insurers,
51 Gresham Street,
London EC2V 7HQ

020 7600 3333

www.abi.org.uk