

About the ABI

The Association of British Insurers (ABI) is the voice of the UK insurance industry, representing general insurance, investment and long-term savings. The ABI has almost 300 members who account for around 90% of UK insurance premiums.

The ABI launched its new website in May - www.abi.org.uk. It has all the latest news, views and key information about insurance and the ABI's work on behalf of the industry. Detailed statistics on the industry are also available, which are free to members and can be purchased by others for a small fee.

Contents

- 1 Introduction
- 2 Insurance and the economy
- 5 General insurance and its customers
- 10 Long-term savings and life insurance and its customers
- 13 How consumers purchase insurance
- 15 Insurers as investors
- 16 Contacts at the ABI

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 £1.8 trillion (equivalent to 25% of the UK's total net worth) and contributing over £10 billion in taxes to the Government. It employs around 320,000 people in the UK alone; the insurance industry is also one of this country's major exporters, with 26% of its net premium income coming from overseas business.

On behalf of its members, the ABI works with the government, political parties and regulators in the UK, the EU and consumer groups. The ABI listens to the media and the general public, to ensure the insurance industry in the UK meets the highest standards, providing high quality products and services to customers, while continuing to be a global leader and serve the UK economy.

Each year the ABI publishes a summary booklet of the UK insurance industry. This booklet provides 2012 facts and figures (unless otherwise stated and where available) about UK insurance and its significant contribution both to the economy and society.

Insurance and the economy

UK insurance industry numbers at a glance

1st

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

22%

The UK insurance industry generates 22% of total EU premium income.¹

£1.8trn

The UK insurance sector is responsible for investments of £1.8 trillion, equivalent to 25% of the UK's total net worth.²

Breakdown of worldwide premium income by country, 2012³



Total Premium income, \$bn, 2012

1. United States	1,271
2. Japan	654
3. United Kingdom	311
4. China	246
5. France	242

¹Source: Insurance Europe

²Source: ONS, The Blue Book, 2013 edition

³Source: Swiss Re, Sigma No 3/2013

Close to a third of all financial services jobs are in the insurance industry. Twice as many people are employed in the insurance industry as in the combined electricity, gas and water supply sectors.

976⁴

The number of firms authorised to sell general insurance in the UK was 976, with 548 passporting in under the 3rd Non-Life Directive.

285⁵

The number of firms authorised to write long term savings, pension and protection products was 285 with 176 passporting in under the 3rd Life Directive.

320,000

The insurance industry employs around 320,000 people.⁶

The insurance industry is a major contributor to the UK's tax take. In the 2010/11 tax year ABI members contributed £10.4 billion in taxes, equivalent to 1.9% of total Government tax receipts. Of this £3.2 billion relates to income tax on employment income and annuities, £2.7 billion of Corporation Tax and £1.6 billion of Insurance Premium Tax⁷.

⁴Source: FSA Annual Report 2012/13 – Appendix 6

⁵Source: FSA Annual Report 2012/13 – Appendix 6

⁶Source: TheCityUK

⁷Source: ABI Research Paper No. 29, 2011 - Total Tax Contribution conducted by PwC for the ABI

In 2011 the insurance industry contributed £25bn⁸ to UK GDP in terms of Total UK Gross Value Added

£196.2bn

UK long-term savings and life insurance companies received worldwide premiums of £164.7 billion and paid out benefits of £196.2 billion in 2012.

£30.6bn

UK general insurance companies received worldwide net premiums of £46.8 billion and paid out net claims of £30.6 billion in 2012. Further outgoings, including commission and expenses, contributed to an underwriting profit of £760 million in 2012.

26%

The UK insurance industry is a major exporter – about 26% of its net premium income comes from overseas business.

Of the 26.4⁹ million households in the UK, it is estimated that 90% have at least one insurance product.

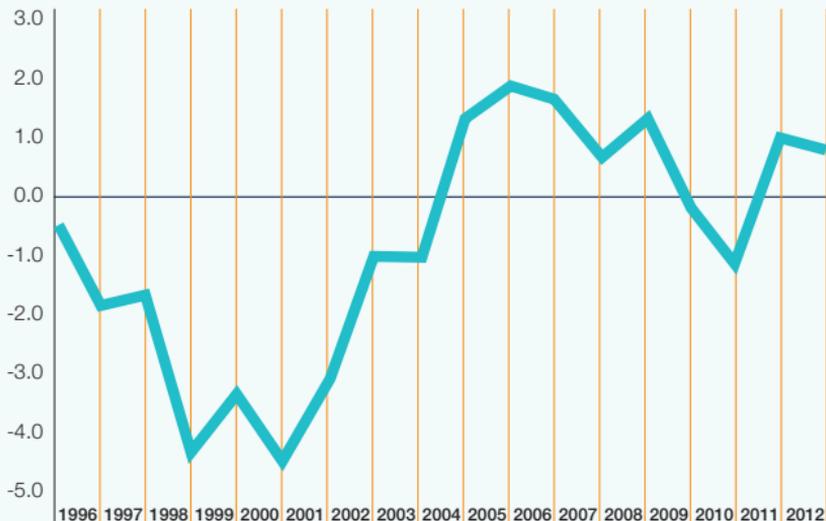
⁸ONS Blue Book 2012

⁹Source: ONS Families and Households, 2001 to 2012

General Insurance and its customers

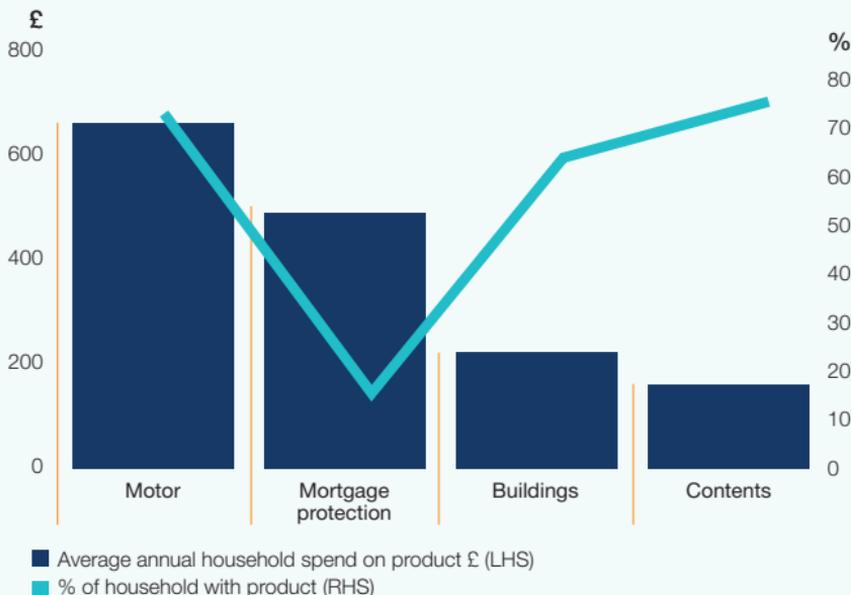
General (or non-life) insurance includes motor, property, accident and health, liability insurance, pet insurance and others. These play an important part in UK society, with more than three-quarters of households having home contents insurance. The tough economic environment has placed an extra importance on consumers and businesses ensuring that they have adequate insurance in place.

Worldwide underwriting result for all lines of general insurance, £bn



The chart below shows, for 2011, the percentage of households with different types of selected general insurance products, and the average annual expenditure on those products¹⁰.

Households buying selected general insurance products and the annual amount paid, 2011¹¹



Of the 26.4 million households in the UK in 2012, an estimated 20.2 million households have contents insurance, 19.6 million have motor insurance, 17.0 million have buildings insurance, 3.6 million have mortgage protection and 1.7 million have medical insurance.

¹⁰National Statistics © Crown Copyright 2011. The Expenditure and Food Survey is Crown Copyright. Figures relate to 2011, the latest available.

¹¹This does not include insurance provided by employers (eg medical cover)

MOTOR INSURANCE

23.3m

There were 23.3 million private cars, 0.6 million motorcycles and 3.7 million commercial vehicles insured in 2012.¹²

-£286m

The underwriting loss to the motor insurance industry was £286 million. The industry has not made an underwriting profit since 1994.

£19.1m

There were 2.9 million claims notified for private cars for which insurers paid out an average of £19.1 million in claims every day.

The average motor claim cost was £2,509 excluding windscreen only claims.

Cost breakdown for the average UK motor premium



Note: Percentages relate to the amount paid out by insurers relative to an average motor premium.

Source: ABI (2013) "Lifting the bonnet on car insurance - what are the real costs?"

¹²Exposure used as a proxy for number of vehicles insured.

PROPERTY INSURANCE

£12.5m

Insurers paid out £12.5 million every day in property claims, of which £9.1 million were domestic and £3.4 million were commercial.

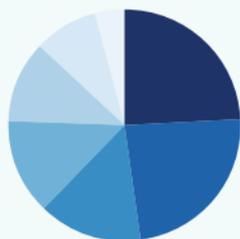
£1.19bn

The industry paid out £1.19 billion in domestic and commercial claims in 2012 as a result of flood and storm damage.

£242m

The property insurance industry made an underwriting profit of £242m in 2012 and an underwriting profit in eight of the last ten years.

Domestic property claims by type of claim, 2012



■ Escape Of Water 24%	■ Other Domestic Claims 12%
■ Weather 24%	■ Accidental Damage 9%
■ Theft 14%	■ Subsidence 4%
■ Fire 13%	

ACCIDENT & HEALTH INSURANCE

£8.4m

Every day insurers paid out £8.4 million in health claims.

5.6m

5.6 million people were covered for private healthcare.

£1.1m

Every day insurers paid out £1.1 million in accident claims.

£1m+

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

£70m

The health insurance industry made an underwriting profit of £70 million in 2012 and an underwriting profit in each of the last ten years.

£89m

The accident insurance industry made an underwriting profit of £89 million in 2012 and an underwriting profit in seven of the last ten years.

LIABILITY INSURANCE

£7.0m

Insurers paid out an average of £7.0 million a day in liability claims of which £2.7 million is employers' liability.

-£525m

The liability insurance industry made an underwriting loss of £525 million in 2012 and made an underwriting loss in seven of the last ten years.

PET INSURANCE

2.7m+

More than 2.7 million consumers have insurance for their cats and dogs.

£1.2m

Every day pet insurers pay out £1.2 million in claims for cats and dogs.

FRAUD

£1.1bn

Insurers detected over 124,000 cases of general insurance fraud in 2012, saving £1.1 billion, the highest amount ever recorded.

Fraud was most likely to be detected in liability insurance.

EXAMPLES OF INSURANCE CHEATS EXPOSED INCLUDE:

A man was caught on camera playing rugby while trying to claim nearly £1 million in damages for a workplace accident. He was jailed for eight months for exaggerating his injury.

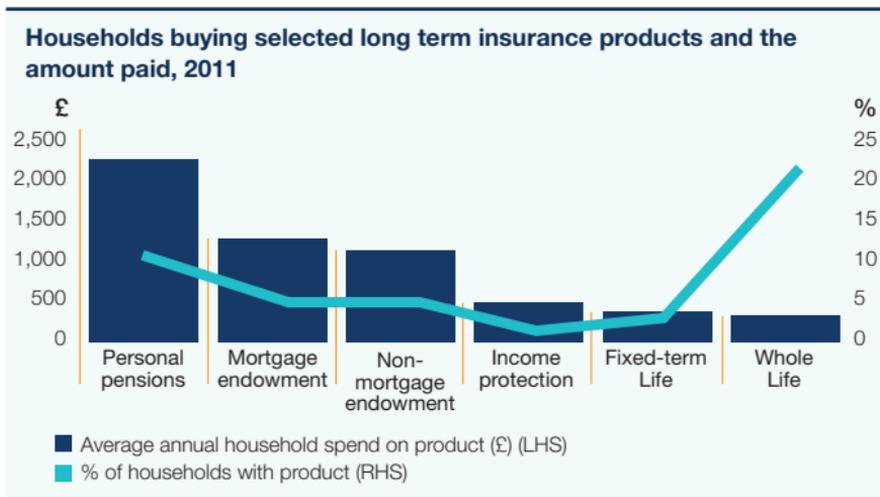
Following an accident involving a bus, 34 passengers made personal injury claims – more than the maximum number of people the bus could carry. It was discovered that one of the passengers worked for a claims management company who had persuaded passengers to falsify their injuries.

Long-term savings and life insurance and its customers

Long-term savings and life insurance includes pensions, annuities, investments and savings and protection policies.

In 2012 a total of £164.7 billion was paid in premiums for long term insurance products and £196.2 billion was paid in claims and benefits.

The chart below shows, for 2011, the percentage of households with different types of long-term insurance products, and the average annual expenditure on those products.¹³



¹³National Statistics © Crown Copyright 2011. The Expenditure and Food Survey is Crown Copyright. Figures relate to 2011, the latest available.

Of the 26.4¹⁴ million households in the UK in 2012, 5.3 million had whole of life assurance, 2.7 million had a personal pension, 1.1 million had mortgage endowments, 0.5 million had fixed-term life assurance and 180,000 had income protection.

PENSIONS

47%

47% of the working population contribute to a pension policy.¹⁵

20.7m

Of the 20.7 million individual pension policies in force, two-thirds were linked¹⁶ policies.

8.8m

There were 8.8 million individual pension policies receiving regular premium income.

2.6m

There were 2.6 million members of trust-based occupational schemes, with an average regular contribution per year of £5,152.

2.5m

There were 2.5 million new pension policies taken out.

ANNUITIES

A pension annuity provides an annual income to the policy holder post-retirement. In 2012, 400,000 new annuities were taken out.

£37.1m

On average customers received annuity payments of £37.1 million every day.

48%

In 2012, 48% of annuities were purchased through a different provider than the customer's existing pension provider, compared with 35% in 2002.

6.3m

There were 6.3 million pension annuity policies in payment.

¹⁴Source: ONS Families and Households, 2001 to 2012

¹⁵Source: ONS, Pension Trends, Chapter 6; Labour Market Statistics, July 2013

¹⁶The value of a linked policy is not fixed in monetary terms but is derived from the value of units in a separate fund.

PROTECTION

Protection products include term and whole of life assurance, critical illness, income protection and long term care.

2.8m

Around 2.8 million new protection products were taken out in 2012.

29.0m

There were 29.0 million protection, term and whole life policies in force.

£36.1m

Holders of protection policies received benefits of around £36.1 million per day, of which £32.8 million was from pure life policies.

INVESTMENT AND SAVINGS

Investment and savings includes investment bonds and endowments.

223,000

There were 223,000 new investment and savings policies taken out in 2012 (excluding UK distributed offshore business).

7.9m

There were 7.9 million investment and savings policies in force in 2012.

£57.5m

Investment and savings policies paid out on average benefits of £57.5 million per day.

FRAUD

£26.4m

Long-term savings, pensions and protection detected fraud was £26.4 million in 2012, with 72% in life assurance.

How consumers purchase insurance

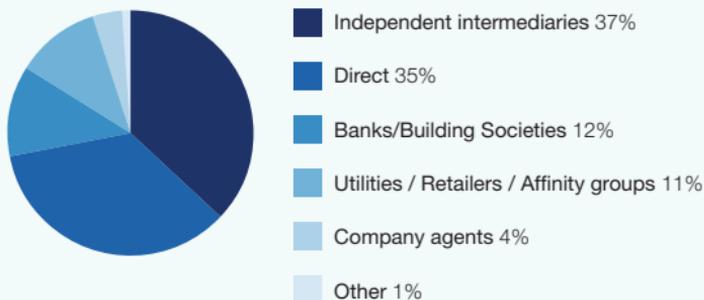
Insurance can be purchased directly from a provider or indirectly through intermediaries, banks and building societies, employers and other channels. Long-term savings and life insurance products are more likely to be taken out with advice due to their complexity. More than one-third of consumers purchased general insurance products directly whereas 81% of businesses used a broker in 2012.

76%

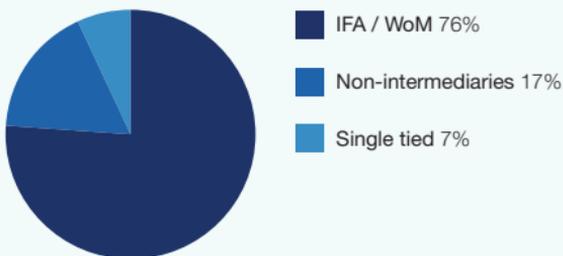
Independent Financial Advisers or Whole of Market providers were the primary vehicle through which long-term insurance is sold with 76% of the market.

More than half of all personal and commercial general insurance business comes from the broker channel

Distribution of personal lines general insurance, 2012



Distribution of long-term savings, pensions and protection, 2012



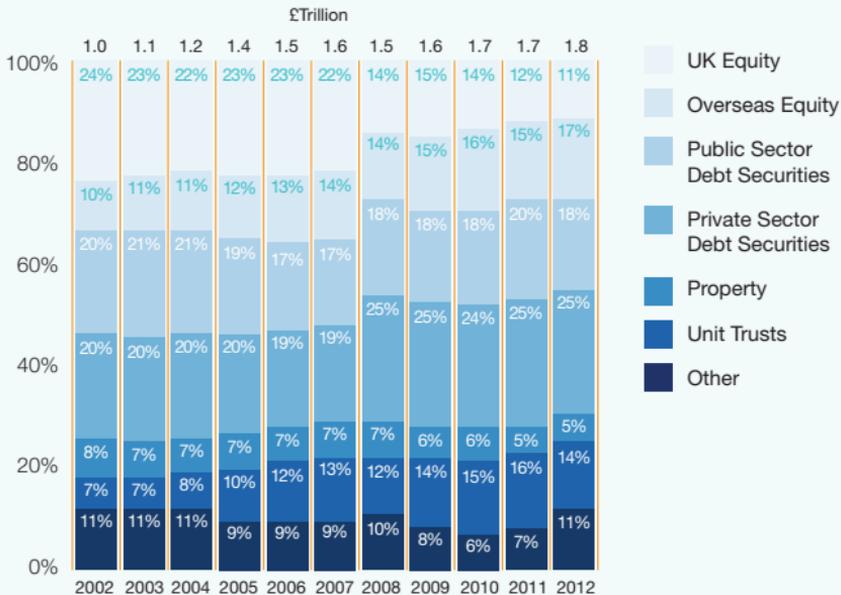
Note: 3% of all new business was through Bancassurance

Insurers as investors

The ABI places great importance on shareholder stewardship, by encouraging institutional investors to actively engage in the decisions taken by company boards for the good of both the consumer and the company itself.

Over the past decade insurers have shifted holdings of assets away from UK equities towards overseas equities, unit trusts and private sector debt securities.

Invested funds by asset class, 2002 - 2012



Contacts at the ABI

Otto Thoresen

Director General

Otto.Thoresen@abi.org.uk
020 7216 7300

Shaun Flanagan

Head of Statistics

Shaun.Flanagan@abi.org.uk
020 7216 7380

Rod Logan

Statistical Analyst

Rod.Logan@abi.org.uk
020 7216 7385

ABI Statistics Helpdesk

ABlstats@abi.org.uk
020 7216 7390



Join the debate

The ABI special report '*Identifying the Challenges of a Changing World*', which sets out the key challenges facing insurers over the next decade and beyond, can be downloaded for free from the ABI website.



For more information

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

020 7600 3333

info@abi.org.uk



Association of British Insurers

abi.org.uk

[@BritishInsurers](https://twitter.com/BritishInsurers)

[Linked !\[\]\(2e39534fa484c54b999a1fc9c8a46d5a_img.jpg\)](https://www.linkedin.com/company/abi)