



Association of British Insurers

# UK Insurance – Key Facts

September 2008

The UK insurance industry is an important contributor to the economy, a major employer and a significant source of overseas earnings. Providing a wide range of services, from car and house insurance, to pensions, life cover and savings, the insurance industry helps individuals and businesses to manage their risks, and recover from losses.

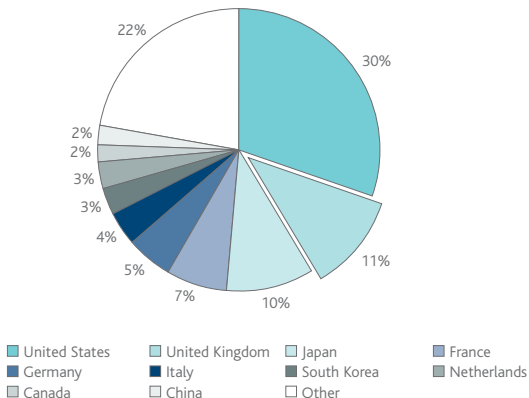
This booklet gives some key facts about UK insurance and its contribution both to the economy and society. Unless otherwise specified, figures relate to 2007 (the latest available at the time of printing).

# Insurance in the economy

The UK insurance industry:

- is the largest in Europe and now the second largest in the world, accounting for 11% of total worldwide premium income

Breakdown of worldwide premium income by country, 2007<sup>1</sup>



- employs 309,000 people. This is almost a third of all financial services jobs, and twice as many as employed in both motor vehicle manufacturing and in the electricity, gas and water supply sectors combined
- controlled 15% of investment in the London stock market in 2006. This compares to 13% held by company pension funds, 3% by banks, 2% by unit trusts, and 10% by other financial institutions

<sup>1</sup> Source: Swiss Re, *Sigma* No3/2008.

- is a major contributor to the UK's tax take. In the 2006/07 tax year the industry contributed £9.7 billion in taxes<sup>2</sup>, of which:
  - £2.9 billion was Corporation Tax
  - £2.3 billion was Insurance Premium Tax
- is a major exporter. One-fifth of its net premium income comes from overseas business. Premium income from overseas is £48 billion, of which long-term business accounts for £34 billion, and general business £14 billion

## Insurance and its customers

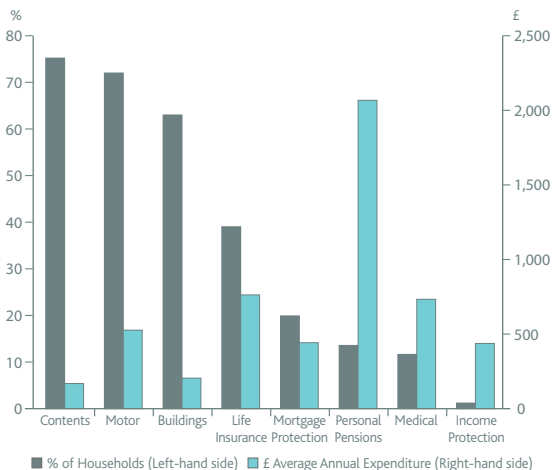
In 2007, the UK insurance industry paid out:

- £211 million per day in pension and life insurance benefits  
This includes:
  - £193 million to pensioners and long term savers
  - £18 million in death and disability benefits
- £59 million per day in general insurance claims  
This includes:
  - £17.1 million in private motor car claims (more than one in six private car drivers make a claim each year)
  - £12.4 million to householders for property damage or the loss of possessions

- £5.9 million to businesses for property damage
- £6.2 million in liability claims, such as for accidents at work, professional liability, and injuries to the public on commercial premises

Most people buy some kind of insurance. The chart below shows, for 2005/06, the percentage of households with different types of insurance products, and the average annual expenditure on insurance products by those households.<sup>3</sup>

Households buying products and the price they pay each year<sup>4</sup>



3 Source: National Statistics © Crown Copyright 2006. The Expenditure and Food Survey is Crown Copyright. Figures relate to 2005/2006, the latest available.

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

# The UK insurance market

1,017 companies are authorised by the FSA to carry out insurance business in the UK. Of these:

- 762 carry out general business only (e.g. motor, household and commercial insurance)
- 209 carry out long-term business only (such as life insurance and pensions)
- 46 carry out both general and long-term business

Many of these companies are owned by larger insurance or financial services groups. The top 10 general insurance groups account for 71% of the business written, while the top 10 life and pensions insurance groups account for 80% of the business written.

## Premiums and claims

### General insurance business

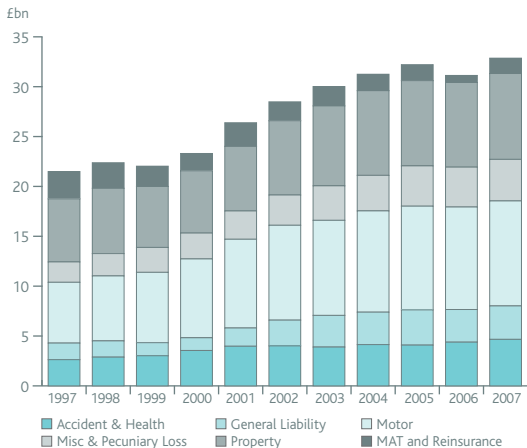
In 2007, total net premiums (written premium less reinsurance premiums paid by the insurer) amounted to £32.9 billion.

This breaks down as follows:

- Motor: £10.5 billion
- Property: £8.6 billion
- Accident & Health (i.e. Personal Accident and Private Medical Insurance): £4.6 billion

- Miscellaneous & Pecuniary Loss (e.g. Payment Protection, Legal Expenses, other financial loss): £4.2 billion
- General Liability: £3.4 billion
- Marine, Aviation & Transport (MAT) and Reinsurance: £1.5 billion

Total premium by type of insurance, 1997-2007

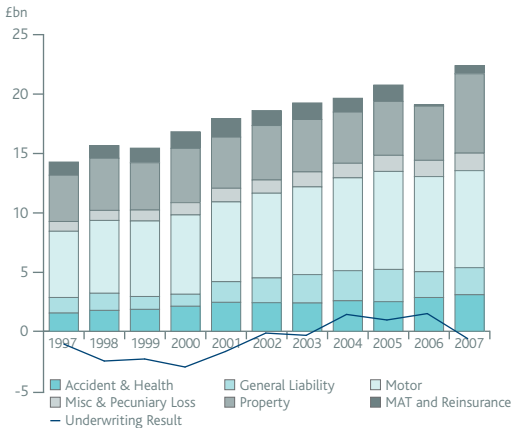


Between 1997 and 2007, claims paid have increased by 57%, from £14.2 billion in 1997 to £22.3 billion in 2007. There was a significant increase in claims paid on property insurance due to the summer floods in 2007, and underwriting results for most classes of business were lower than in 2006. This has led to the first recorded general insurance underwriting loss since 2003, of £644 million.

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- Property: £6.7 billion
- Accident & Health: £3.1 billion
- General Liability: £2.3 billion
- Miscellaneous & Pecuniary Loss: £1.5 billion
- Marine, Aviation & Transport (MAT) and Reinsurance: £0.7 billion

Claims by insurance type, and underwriting result, 1997-2007

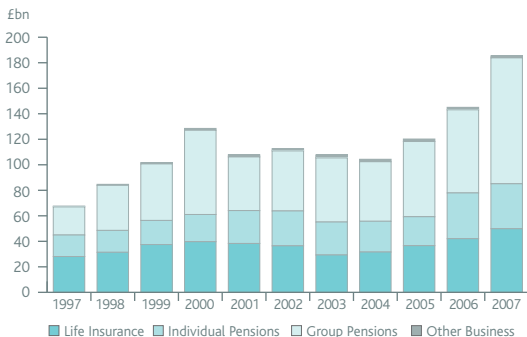




## Long-term insurance business

Premiums for life and pensions business were £185 billion for ABI members in 2007, a 28% increase over 2006. Life premiums rose by 19% and pension premiums by 33%.

Total premium by type of insurance, 1997-2007

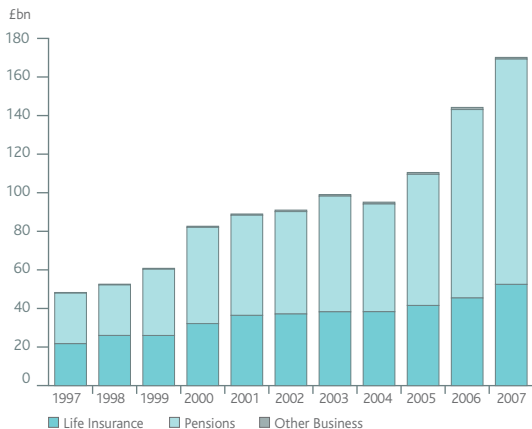


Payments to policyholders in 2007 amounted to £170 billion, an 18% increase on 2006. This includes:

- Around £77 billion – or £211 million per day – paid out in benefits to pensioners and long-term savers, or in death and disability benefits
- Around £93 billion of transfers of pension funds to other insurers or pension fund managers

Much of the increase in payments is due to the change in regulation surrounding Self-Invested Personal Pensions in April 2006.

## Payments to policyholders, 1997-2007



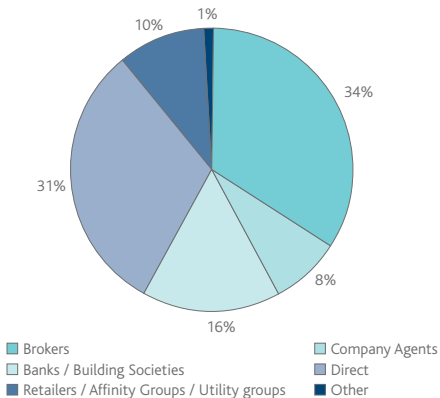
## How people buy insurance

There are many ways to buy insurance. People's buying habits have changed over the last ten years.

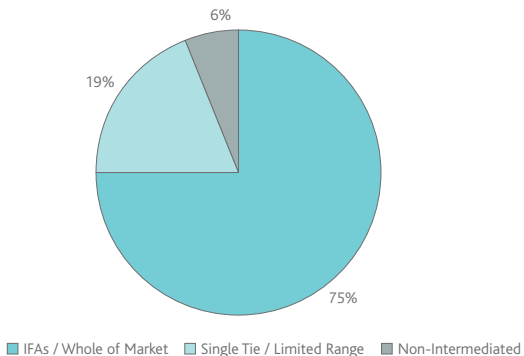
In general insurance, the change is most clear for retail sales: the proportion of people buying insurance through brokers has fallen from 55% in 1997 to 34% in 2007. In contrast, 16% is now sold by banks and building societies – 10 years ago the figure was less than 5%.

Within life and pensions, 75% of business was sold by Independent Financial Advisers in 2007. This compares with 59% sold in this way in 1997.

## General insurance retail sales, 2007



## Long-term insurance sales, 2007

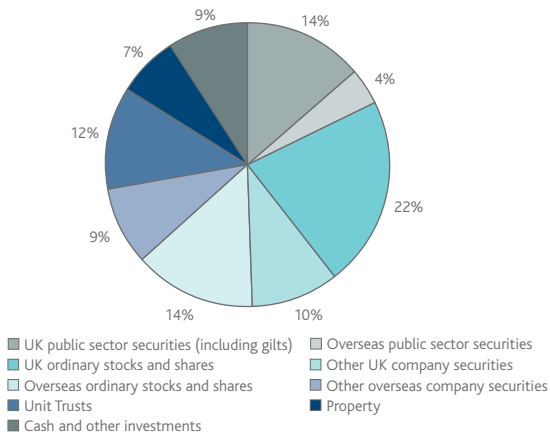


# Investment holdings

As at 31 December 2007, the insurance industry had £1,599 billion invested in company shares and other assets on behalf of millions of savers and general insurance customers in the UK and elsewhere. General insurance investments amounted to £121 billion, while long-term investments were £1,478 billion.

The majority of UK insurance companies' investments are in stocks and shares. Altogether, UK insurers controlled 15% of all UK company equity in 2006.

Invested funds by asset class, 2007



# Thinking for tomorrow

The insurance and savings industry plays an essential role in the lives of millions of people and the prosperity of the British economy. The ABI gives its 400 members an influential voice with Government, the European Union, the media, regulators and the general public.

The ABI's overriding objective is to ensure that the industry can serve its customers well and profitably. With rising expectations and new issues emerging all the time, this means serving both today's customers and those of tomorrow.

- The ABI has agreed a new partnership approach with Government to ensure as many homes and small businesses as possible can access affordable flood insurance in a vibrant property insurance market.
- The ABI has worked to persuade Government to reform the personal injury compensation system so that it delivers care and compensation to claimants more quickly and efficiently.
- The insurance industry is working to reduce the costs of fraud to honest policyholders by sharing intelligence through the Insurance Fraud Bureau and supporting the new National Fraud Strategic Authority.
- The ABI is working with the FSA and the industry to improve the way that retail investment products are sold. We are calling for financial advisers to meet higher professional standards and for an end to remuneration being set by product providers.
- The ABI is working with national and local Government, housing providers and consumer groups to address the barriers low-income consumers encounter in accessing insurance.

- The ABI is working with Government, and organisations representing employers and consumers, to support existing pension saving and create both more pension savers and more saving. We won an agreement from Government and the European Commission that employers and employees with existing contract-based workplace pensions can continue using these schemes to meet the new auto enrolment requirements from 2012.
- The ABI is working with Government and opposition parties on a new framework for those who need care in old age.
- The ABI has produced guidance for pension providers to ensure that customers approaching retirement receive clear, jargon-free facts about the options for turning their pension savings into retirement income. We are working with members to speed up the time it takes for pension payments to be made. These initiatives will improve customers' experience of securing retirement income.
- ABI members have agreed new guidance for long-term protection policies on treating customers fairly when non-disclosure is discovered at point of claim, to reduce the proportion of claims that are not accepted.
- The life, pension and investment industry's initiative to improve outcomes for customers, the Customer Impact Scheme, is now in its third year. Each year, around 20,000 of the industry's customers are asked for their views, and the results are used by the industry to develop good practice and to improve customers' experience.
- As representatives of major long-term investors, the ABI is working to promote efficient markets that will give confidence in the prospects for achievement of sustained value and returns over time. It is a leader on issues of corporate governance and financial reporting that are crucial for achieving this objective.

- The proposed Solvency II Directive introduces many bold reforms the ABI has argued for and should provide Europe with a world-leading regime for insurance supervision and capital assessment.

## Contacts at the ABI

**Stephen Haddrill**, Director General

Stephen.Haddrill@abi.org.uk 020 7216 7300

**Maggie Craig**, Director Life & Savings

Margaret.Craig@abi.org.uk 020 7216 7680

**Rebecca Driver**, Director of Research & Chief Economist

Rebecca.Driver@abi.org.uk 020 7216 7432

**Huw Evans**, Director of Corporate Affairs (from 3.11.08)

Huw.Evans@abi.org.uk 020 7216 7440

**Peter Montagnon**, Director of Investment Affairs

Peter.Montagnon@abi.org.uk 020 7216 7670

**Joanna Rose**, Assistant Director, Statistics

Joanna.Rose@abi.org.uk 020 7216 7380

**Hugh Savill**, Acting Director of Corporate Affairs (until 3.11.08)

Hugh.Savill@abi.org.uk 020 7216 7501

**Nick Starling**, Director of General Insurance & Health

Nick.Starling@abi.org.uk 020 7216 7500

**Peter Vipond**, Director of Financial Regulation & Taxation

Peter.Vipond@abi.org.uk 020 7216 7625

Statistics Helpdesk

Research@abi.org.uk 020 7216 7390

Association of British Insurers  
51 Gresham Street  
London EC2V 7HQ

Tel: 020 7600 3333

Fax: 020 7696 8999

Email: [info@abi.org.uk](mailto:info@abi.org.uk)

[www.abi.org.uk](http://www.abi.org.uk)



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