



Association of British Insurers

UK Insurance – Key Facts

September 2009



The UK insurance industry is an important contributor to the economy, a major employer and a significant source of overseas earnings. It is the largest in Europe and the third largest in the world. 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.

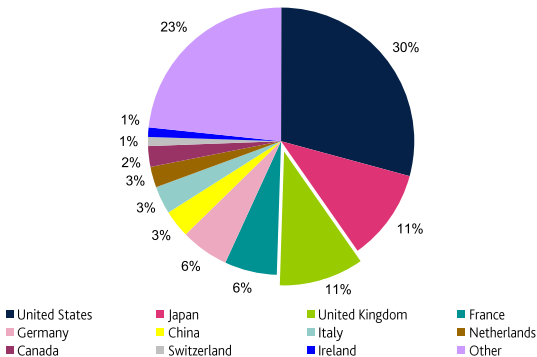
This booklet gives some key facts about UK insurance and its contribution both to the economy and society. Unless otherwise specified, figures relate to 2008 (the latest available at the time of printing).

Insurance in the economy

The UK insurance industry:

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

Breakdown of worldwide premium income by country, 2008¹



- employs 313,000 people.² This is almost a third of all financial services jobs, and twice as many as are employed in both motor vehicle manufacturing and in the combined electricity, gas and water supply sectors
- is responsible for investments of £1.5 trillion, equivalent to 21% of the UK's total net worth³

¹ Source: Swiss Re. Sigma No 3/2008. 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

² Source: ONS, Economic and Labour Market Review, December 2008

³ Source: ONS, The Blue Book, 2009 edition

- controlled 15% of investments in the London stock market in 2006.⁴ This compares to 13% held by company pension funds, 3% by banks, 2% by unit trusts, and 10% by other financial institutions
- is a major contributor to the UK's tax take. In the 2006/07 tax year the industry contributed £9.7 billion in taxes, of which £2.9 billion was Corporation Tax and £2.3 billion was Insurance Premium Tax.⁵ Insurance Premium Tax in the 2008/09 tax year also amounted to £2.3 billion⁶
- is a major exporter. One-fifth of its net premium income comes from overseas business. Premium income from overseas is £54 billion, of which £38 billion is long-term business and £16 billion is general business

Insurance and its customers

In 2008, the UK insurance industry paid out:

- £239 million per day in pension and life insurance benefits. This includes:
 - £219 million to pensioners and long term savers
 - £20 million in death and disability benefits
- £57 million per day in general insurance claims. This includes:
 - £18.4 million in private motor car claims - more than one in six private car drivers make a claim each year

⁴ Source: ONS, Share Ownership 2006. Latest information available at time of going to print

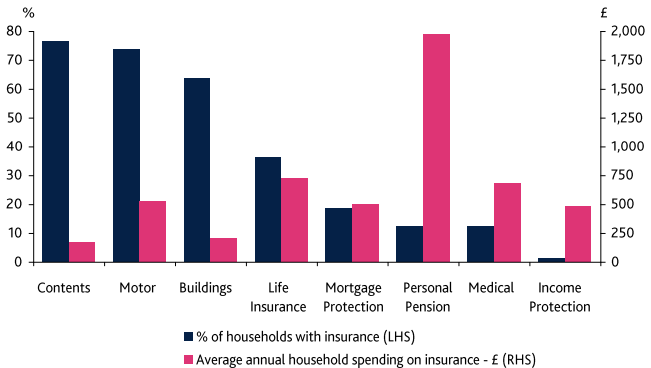
⁵ Source: 2007 Total Tax Contribution Survey conducted by PwC for the ABI

⁶ Source: ONS, Insurance Premium Tax Bulletin June 2009

- £9.0 million to householders for property damage or the loss of possessions - one in ten householders make a claim each year
- £4.3 million to businesses on property damage
- £7.5 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 the percentage of households with different types of insurance products, and the average annual expenditure on insurance products by those households.⁷

Households buying products and the price they pay each year⁸



⁷ Source: National Statistics © Crown Copyright 2008. The Expenditure and Food Survey is Crown Copyright. Figures relate to 2007, the latest available.

⁸ This does not include insurance provided by employers (eg medical cover).

The UK insurance market

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

- 735 carry out general business only (such as motor, household, health and commercial insurance)
- 193 carry out long-term business only (such as life insurance and pensions)
- 44 carry out both general and long-term business

The ABI represents around 90% of insurance companies operating in the UK. Many companies are owned by larger insurance or financial services groups. The top 10 general insurance groups account for 70% of the business written, while the top 10 life and pensions insurance groups account for 80% of the business written.

Premiums and claims

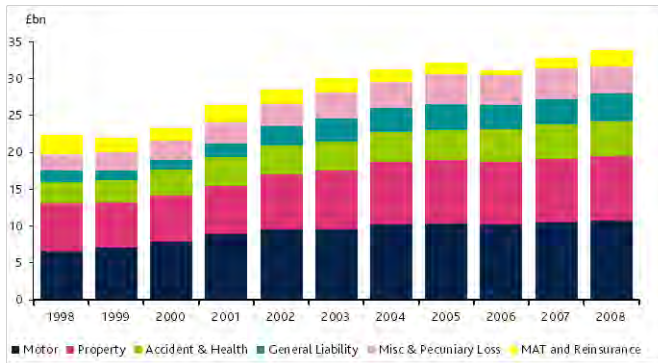
General Insurance Business

In 2008, total net premiums (written premium less reinsurance premiums paid by the insurer) amounted to £33.8 billion. This breaks down as follows:

- Motor: £10.7 billion
- Property: £8.8 billion
- Accident & Health (Personal Accident and Private Medical Insurance): £4.6 billion

- General Liability: £3.8 billion
- Miscellaneous & Pecuniary Loss (e.g. Payment Protection, Legal Expenses, other financial loss): £3.7 billion
- Marine, Aviation & Transport (MAT) and Reinsurance: £2.1 billion

Total premium by type of insurance, 1998-2008, nominal values



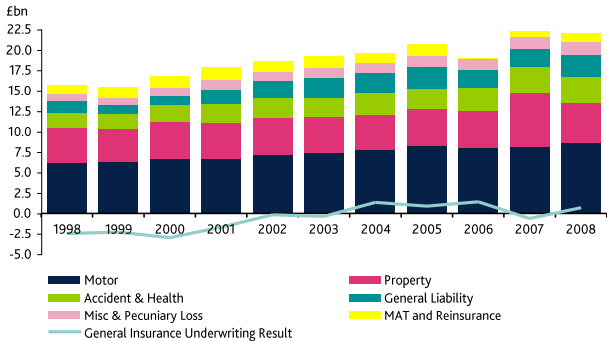
Between 1998 and 2008, claims paid have increased by 41%, from £15.6 billion in 1998 to £22.0 billion in 2008.

In 2008, claims broke down as follows:

- Motor: £8.7 billion
- Property: £4.8 billion
- Accident & Health: £3.2 billion
- General Liability: £2.7 billion
- Miscellaneous & Pecuniary Loss: £1.5 billion

- Marine, Aviation & Transport (MAT) and Reinsurance: £1.1 billion

Claims by insurance type, and underwriting result, 1998-2008, nominal values

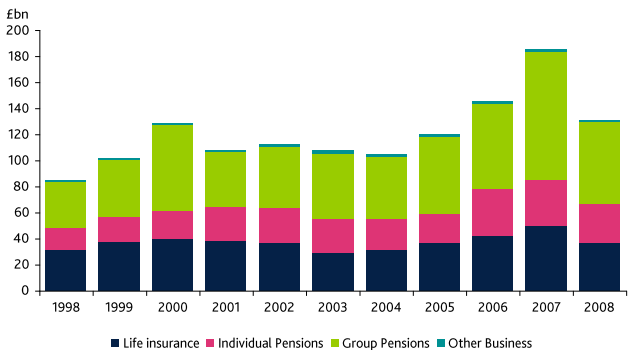


The insurance model relies on claims being predictable. Major events such as the floods of summer 2007 cause variability in claims and underwriting results.

Long-Term Insurance Business

Premiums for life and pensions business were £131 billion for ABI members in 2008, a 29% decrease over 2007. Life premiums decreased by 27% and pension premiums by 30%.

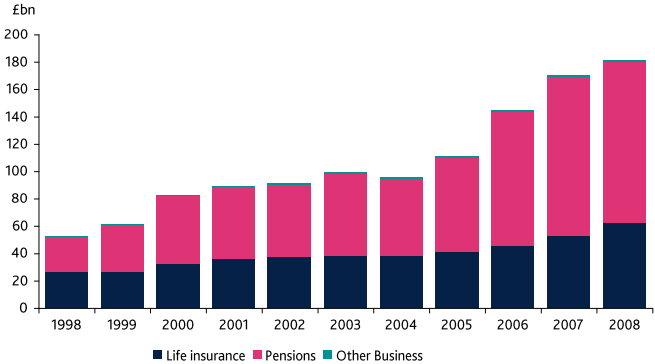
Total premium by type of insurance, 1998-2008, nominal values



Payments to policyholders in 2008 amounted to £181 billion, a 6% increase on 2007. This includes:

- Around £87 billion – or £239 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

Payments to policyholders, 1998-2008, nominal values



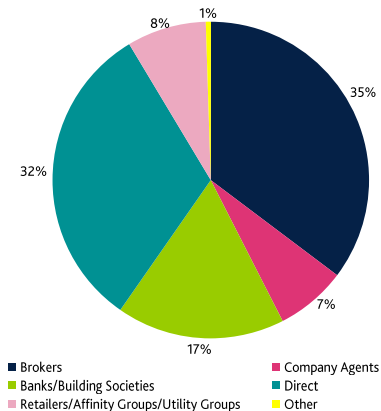
How people buy insurance

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

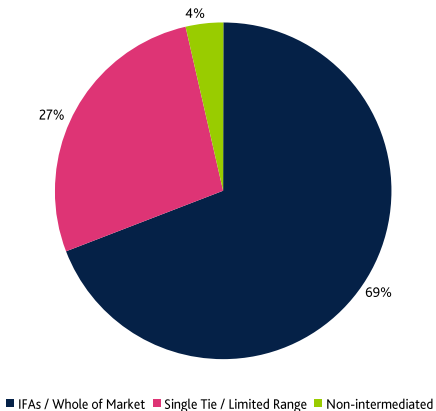
In general insurance, the change is most clear for retail sales: the proportion of people buying insurance through brokers has fallen from 54% in 1998 to 35% in 2008. In contrast, 17% is now sold by banks and building societies – 10 years ago the figure was less than 5%.

69% of life and pensions business was sold through Independent Financial Advisers in 2008, compared to 58% sold in this way in 1998.

General Insurance Retail Sales, 2008



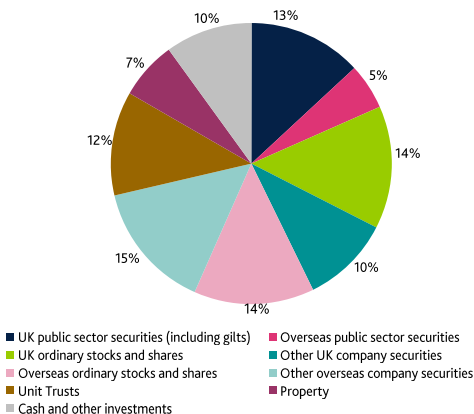
Long Term Insurance Sales, 2008



Investment holdings

As at 31 December 2008, the insurance industry had £1,496 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 £112 billion, while long-term investments were £1,384 billion.

Invested funds by asset class, 2008



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. Despite the exceptional challenges since the start of the financial crisis, the UK insurance sector has largely weathered the storm and provided a safety net for the millions of individuals, families and businesses affected by the recession. While the stock market turmoil has hit many people due to retire imminently, the financial crisis has also reinforced the importance of saving both as a safety net and for the good of the economy as a whole.

On behalf of our members, the ABI works with Government, Opposition, regulators, the media and general public to ensure the British insurance industry goes from strength to strength, providing high quality products and services to customers, while continuing to be a global leader and serve the UK economy.

Recent and ongoing areas of work are:

- Reaching agreement with the Department of Health to ensure speedy travel insurance claims for swine flu sufferers.
- Ensuring the draft Floods and Water Management Bill and new Environment Agency flood maps tackle rising flood risk.
- Securing significant increases in ISA limits after a prolonged ABI campaign.
- Securing agreement in the Budget on foreign profits taxation, ensuring UK insurance companies with foreign operations remain competitive.

- Playing a leading role in helping form and support FSA reforms of the sale of retail investment products.
- Achieving a significant speeding up of annuity transfers for customers approaching retirement, and new guidance for pension providers to provide jargon-free pensions advice.
- Leading thinking on issues such as macro-prudential supervision, competitiveness, remuneration and regulatory architecture.
- Driving key policy thinking on supporting radical reform of long-term care.
- Pioneering the 'Customer Impact' scheme for the life, pension and investment industry, improving customer experiences through a survey of 20,000 people.
- Helping drive key Government reforms to the personal injury compensation scheme to help road traffic accident victims.
- Providing leadership in corporate governance, through advice to institutional investors from the ABI IVIS advisory system.
- Working closely with comparison websites to ensure they offer a positive and accurate service to customers.

Contacts at the ABI

Stephen Haddrill, Director General (until 13.11.09)

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

Maggie Craig, Director Life & Savings, Consumer Strategy and Scotland

Margaret.Craig@abi.org.uk 020 7216 7690

Rebecca Driver, Director of Research & Chief Economist

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

Huw Evans, Director of Corporate Affairs

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

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

www.abi.org.uk



Elemental Chlorine Free



Totally Chlorine Free



ISO 14001
Produced at a mill that holds
ISO 14001 certification

