



Association of British Insurers

**UK Insurance &  
Long Term Savings  
Key Facts  
2015**

The UK insurance and long term savings industry is the third largest in the world. It plays an essential part in the UK's economic strength, managing investments of £1.9 trn (equivalent to 25% of the UK's total net worth) and paying nearly £12bn in taxes to the Government. It employs around 334,000 individuals, of which around a third are employed directly by providers with the remainder in auxiliary services such as broking.

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# Top 10 Key Facts

1



The UK is the 3rd largest insurance & long term savings industry in the world and largest in the EU

2

## £29bn

UK insurers contribute £29bn to UK GDP

3

## £1.9trn

UK Insurers held £1.9trn Invested assets

4

## 334,000

There are 334,000 people employed in the UK insurance industry

5

## £40m

£40m was paid out each day in motor and property claims

6



Travel insurers paid out £370m in claims to travellers who needed help

7



£2.5bn withdrawn from pensions in first three months following April reforms

8

## 50%

50% of workers pay into a workplace pension

9



98% of protection claims were paid out

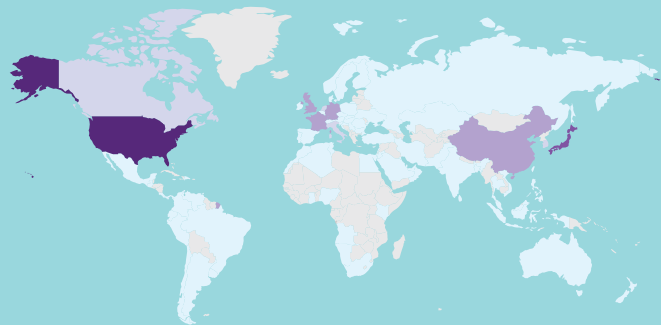
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## £1.3bn

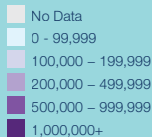
£1.3bn in detected fraudulent claims

# Insurance & long term savings: a UK success story

Breakdown of worldwide premium income by country, 2014



**Total premiums 2014**  
(USD millions)



## 1st

The UK has the largest insurance and long term savings industry in Europe and the third largest in the world.<sup>2</sup>

## 24%

The UK insurance and long term savings industry generates almost a quarter of total EU premium income.<sup>3</sup>

<sup>2</sup> Source: Swiss Re, Sigma No 3/2014

<sup>3</sup> Source: Insurance Europe

**Total Premium Income, \$bn, 2014**

United States	1,280
Japan	480
United Kingdom	351
PR China	328
France	270

**379<sup>4</sup>**

Number of authorised life insurance companies in the UK, of which 200 are UK authorised and 179 are headquartered in another European country and passport in under the EU Third Life Directive.

**903<sup>4</sup>**

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 the EU Third Non-Life Directive.

**£29bn<sup>5</sup>**

The UK insurance industry contributed £29bn to UK GDP in 2012, which equates to more than a fifth of the total gross value added for the financial services industry.

**£11.8bn<sup>6</sup> 334,000<sup>7</sup>**

The UK insurance industry contributed nearly £12bn in taxes to the UK Government in 2014.

The number of people employed by the insurance industry in the UK, of which 114,300 are directly employed by insurance companies and 219,700 are employed in auxiliary services to insurance and pension funding; such as broking, & third party services.

<sup>4</sup> Bank of England, July 2015

<sup>5</sup> Blue Book 2014, Office for National Statistics

<sup>6</sup> PWC, Total Tax Contribution of the UK Insurance Industry, 2014

<sup>7</sup> 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 2013:

- 🏠 20.4 million had contents insurance
- 🏠 20.1 million had motor insurance
- 🏠 17 million had buildings insurance
- 🏠 1.9 million had private medical insurance

## And for long term savings products:

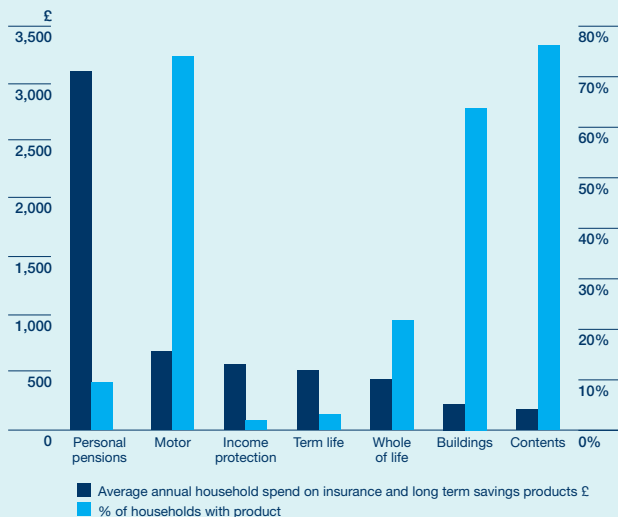
- 🏠 5.7 million had whole of life assurance
- 🏠 2.3 million had a personal pension
- 🏠 0.6 million had term life assurance
- 🏠 0.3 million had income protection<sup>B</sup>



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<sup>B</sup> Source: ONS Living Cost & Food survey, 2013

### Household holdings of, and annual expenditure on insurance and long term savings products, 2013



## MOTOR INSURANCE

# £27m

Motor insurers paid out £27m per day in motor claims, of which £19.7m was domestic and £7.3m was commercial.

# £1.1bn

Since April 2013, when the reforms to the civil justice system were introduced, insurers have passed on savings of £1.1bn through lower premiums.

# £367

The average annual motor premium for private motor vehicles has continued on a downward trajectory since collection of the data began, falling by 12% between Q1 2012 and Q2 2015, to stand at £367.

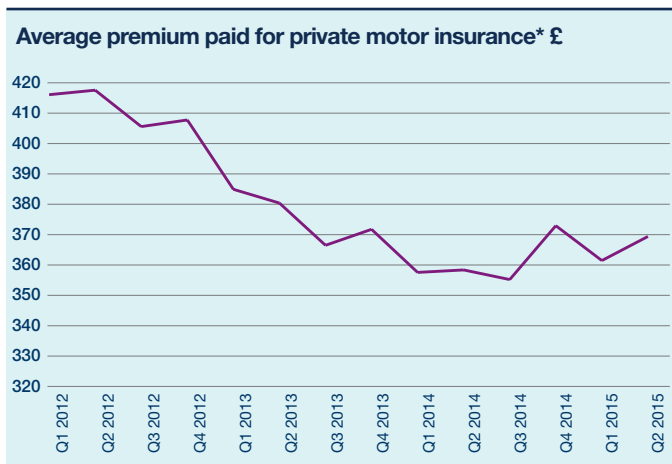
# £10,680

The average cost of a bodily injury claim was £10,680, although the overall average for all types of claims was £2,649. Bodily Injury claims make up 9% of the total number of claims, yet are 51% of the total value of claims.



The UK motor insurance market made a £31m underwriting loss in 2014. The motor insurance industry last made an underwriting profit in 1994.





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

## PROPERTY INSURANCE

# £643m

The UK property insurance market made an underwriting profit of £643m in 2014.

# £12.9m

Insurers paid out £12.9m per day in property claims, of which £8.2m was domestic and £4.7m was commercial.

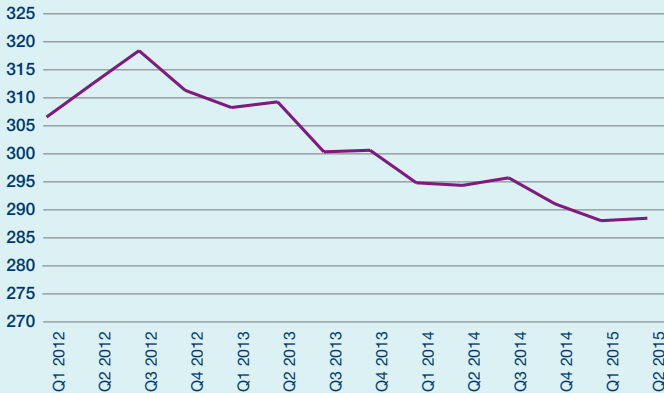
# £288

A new property insurance premium tracker was launched in 2014 by the ABI, collecting data back to 2012. By Q2 2015 the average premium paid was £288.

# 9%

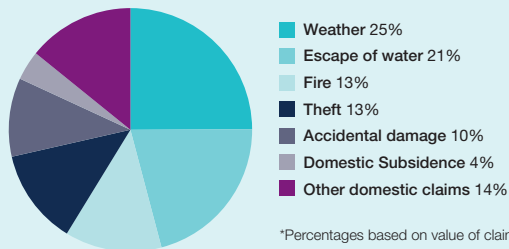
Between Q3 2012 and Q2 2015 property insurance premiums have fallen by 9%.

Average premium paid for domestic property insurance\* £



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

### Domestic Property Insurance Claims, by type of Claim



### TRADE CREDIT

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

**£315bn**      **10,600**

Businesses insured turnover worth £315bn in 2014. Up from £296bn the year before.

Almost 10,600 insurance policies were taken out by businesses to protect themselves.

## ACCIDENT INSURANCE (INCLUDING TRAVEL)

# £72m

Accident insurance made an underwriting profit of £72m in the UK.

# £370m

Travel insurers paid out £370m in 581,000 claims to travellers who needed help.

# £4m

£206m was paid out to cover the cost of emergency medical treatment, which is equivalent to £4m a week.



**HEALTH  
INSURANCE****5.1m**

5.1m people in the UK have private medical insurance, with £7.4m paid out in claims every day.

**£247m**

Health insurance made an underwriting profit of £247m in the UK.

**LIABILITY  
INSURANCE****-£527m**

The liability insurance market made an underwriting loss of £527m in 2014.

**£8.9m**

Every day, liability insurers paid out claims of £8.9m, of which £2.9m was for employers' liability.

**PET  
INSURANCE****3m**

3m consumers have their pets insured, with around 95% of insurance being for cats and dogs.

**£1.6m**

Pet insurers paid out more than £1.6m per day in claims.

**£679**

The average pet insurance claim is £679.



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

## Home

Peter makes sure their house and contents are protected by taking out property insurance at an average cost of **£288 a year.**

Property insurers pay out on average of **£12.9m per day** to repair homes and replace contents.



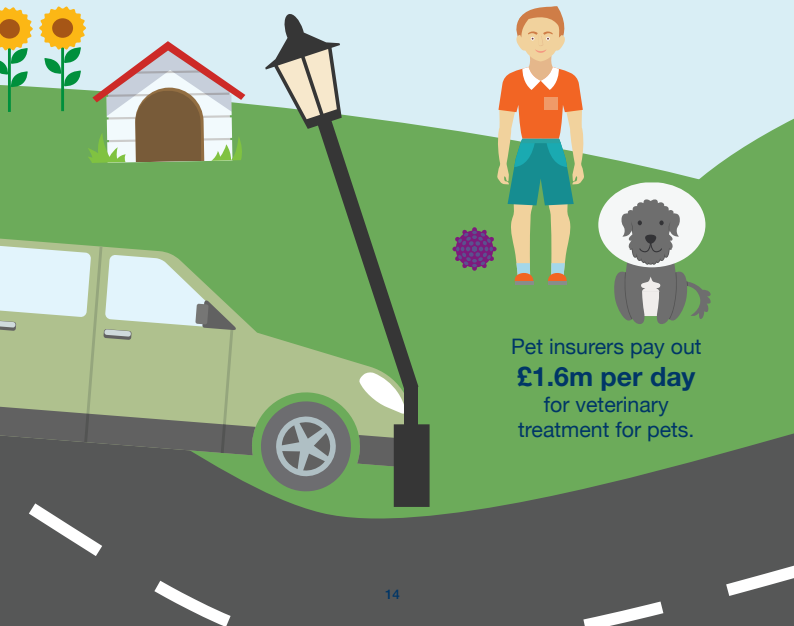
## Motor

Susie renewed her car insurance policy last week. Motor insurance costs an average of **£367 a year.**

The average bodily injury claim following an accident costs **£10,680.**

## Pet

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



Pet insurers pay out **£1.6m per day** for veterinary treatment for pets.





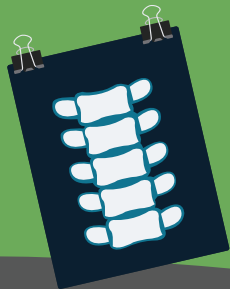
## Travel

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 **£4m a week** 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 20.8m individual pension policies in force and people save for an average pension pot of **£43,300**.

## 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 **£8.9m 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 **£9.4m every day** for protection policies, including income protection, critical illness and life insurance.





## PENSIONS

# 20.8m

There are 20.8m individual pension policies in force, of which more than a quarter were work place.

# 50%<sup>11</sup>

50% of the working population contribute to a workplace pension. 33% contribute to a private pension.

## PENSION AUTO ENROLMENT

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

# 5.3m

By the end of June 2015 5.3m<sup>11A</sup> employees had been automatically enrolled in a workplace pension. Around 30,000 schemes are administered by ABI data providers.

# 4.1m

Just over 4m new pension policies began in 2014. This was just higher than the 4m started in 2013.

<sup>11</sup> ONS Pension Trends, Chapter 7, 2014

<sup>11A</sup> Pensions Regulator, July 2015

\*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.

# £2.5bn

In the first three months since pension reforms were introduced in April 2015, £2.5bn was withdrawn from pension pots; £1.3bn in lump sums & £1.1bn worth of payments from income drawdown.

# £2.3bn

More than £2.3bn was used in the first three months to buy regular income products, either annuities or income drawdown products.



## ANNUITIES

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

**£990m**

In Q2 2015 £990m was invested in annuities, a 44% decrease from the £1.8bn invested in Q2 2014.

**£54,500**

The average pot size used to purchase an annuity in Q2 2015 was £54,500, a 42% increase from Q2 2014 when it was £38,400.

**18,200**

In the three months since the reforms came in 18,200 annuities have been purchased. A 61% decrease from Q2 2014 when 46,700 were purchased.

## INCOME DRAWDOWN

Income Drawdown can be used to take an adjustable income from a pension while the rest remains invested

**£1.3bn**

In the first three months since the reforms came in £1.3bn has been invested in Income Drawdown Products. Compared to £767m sold in Q2 2014, a 70% increase.

**£69,200**

The average fund invested in Income Drawdown Products during Q2 2015 was £69,000. A decrease of 14% from Q2 2014 when the average pot was £80,800.

**18,800**

Customers have invested in 18,800 new Income Drawdown Products in Q2 2015. Almost double the 9,500 taken out in Q2 2014.

## INVESTMENT AND SAVINGS

Investment and savings products include investment bonds and endowments.

# 6.2m

There were 6.2m investment and savings policies in force.

# £40.1m

Investment and savings policies paid out £40.1m per day.

# 121,000

Insurers sold almost 121,000 new savings and investment policies in 2014.

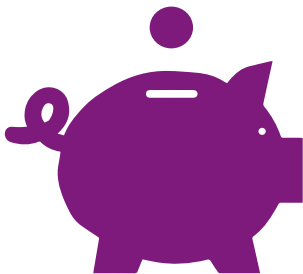
## LONG-TERM CARE

# 22,000

In 2014, there were 22,000 long-term care policies in force.

# £115,000

The average purchase price of an Immediate Needs Annuity was £115,000.



## 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.

# 28.6m

There were 26.9m individual term, whole of life, income protection and critical illness insurance policies in force, in 2014. In addition, there were 1.7m collective life policies.

# 2.3m

Around 2.3m new individual and group protection products were taken out in 2014.

# £3.4bn

£3.4 billion was paid to 128,500 customers or families as a result of claims on protection insurance policies<sup>12</sup>, an average of £9.4m each day.

# 12m

There were 12m members of death in service, group income protection and group critical illness schemes, of which 9.4m were life cover. Group cover is provided by employers for the benefit of their employees.

# 98%

98% of protection claims were paid out<sup>12</sup>, including 99% of term life insurance claims and 92% of critical illness claims.

<sup>12</sup> Excludes Group Income Protection



# Insurance Fraud

## £1.3bn

There were almost 130,000 cases of detected claims fraud in 2014 totalling over £1.3bn, a 4% increase in value compared to 2013. In addition there were 212,000 cases of application fraud.

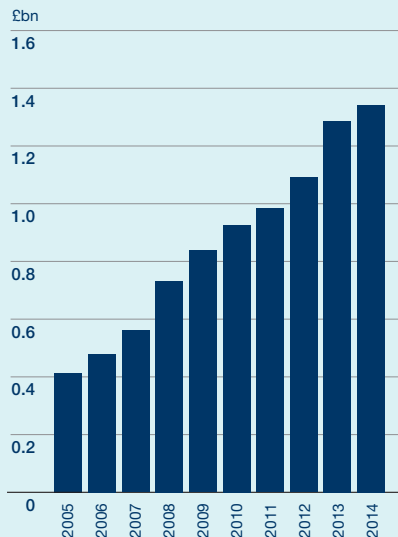
## £837m

Detected fraudulent motor claims were the most common, 67,000 in the year, and valued at £837m.

## £343m

Up 25% since 2013, 19,800 liability claims were detected as fraudulent, and valued at £343m.

Value of Detected Fraud, £bn



# How Customers Purchase Products

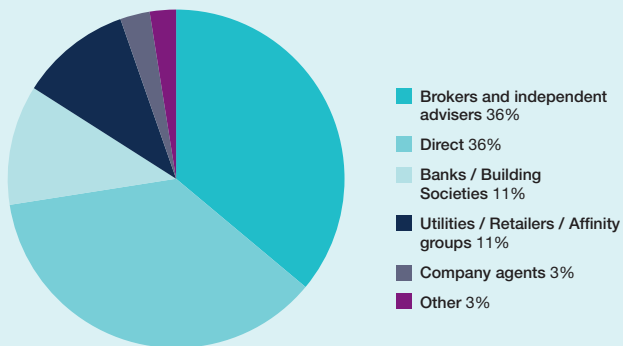
The relative simplicity of some household insurance products means that consumers are more likely to purchase them directly, than long term savings products. Over half of motor insurance (52%), and a fifth of property insurance (24%) is purchased directly by consumers, including sales via a price comparison website.

Long term savings & retirement 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.

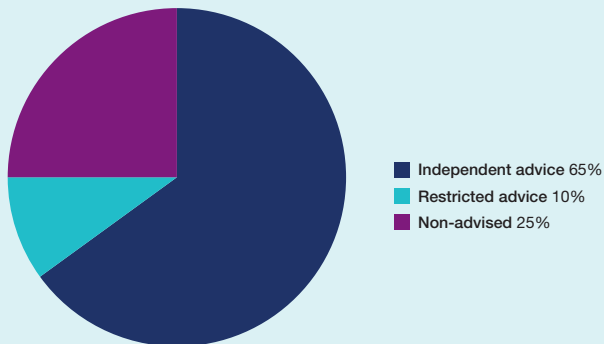
Independent advice was taken by 66% of consumers in selecting a pension product. For protection products it was 61%.



### Distribution of personal lines, general insurance



### Distribution channel of long-term savings, pensions, annuities and protection new business

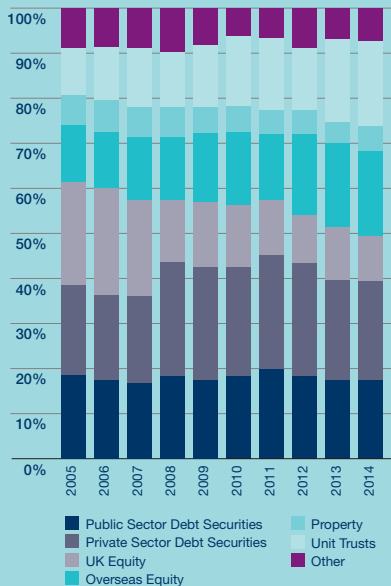


# Insurance & long term savings: Important role as investors

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 2014, insurers held £1.9trn of assets, of which £1.8trn was held by long term savings providers.

UK equity holdings have decreased by 12 percentage points over the past 10 years. Unit Trust holdings have increased by 11 percentage points.

Funds managed by insurance & long term savings providers, by asset class



# Glossary

<https://www.abi.org.uk/Glossary>

## **Collective life**

Life insurance that covers a group of people in a common group.

## **Endowment**

An endowment is an investment product, which will pay out a cash lump sum on a fixed date in the future. The product also provides life cover and will pay out if you die before your policy matures. These products can also include critical illness cover.

## **General Insurance**

General insurance is non-life insurance cover for damage or loss. It includes products such as motor, travel, pet, health and home insurance.

## **Immediate Needs Annuity**

Pays out a guaranteed income for life to cover the cost of care fees, in exchange for a one off lump sum payment.

## **Long term savings**

Includes savings for retirement, investments and bonds, as well as life, critical illness, and income protection products.

## **Relevant life**

A single life insurance policy offered by employers which provides a sum of money on the death of an employee, outside of a registered group life scheme.

## **Term insurance**

A life insurance policy that provides coverage for a set amount of time.

## **Underwriting loss**

Loss generated by an insurer's underwriting activity. An underwriting loss occurs when expenses incurred and claims paid out exceed premiums collected on insurance policies by the insurer.

## **Whole of life**

Life insurance policy that stays in place for insured's entire life and provides a sum of money to the insured's family or estate when the insured dies.

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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 £1.9trillion.

[www.abi.org.uk](http://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 regular detailed statistics on the industry, which are free to members and can be purchased by others for a small fee.



Association of British Insurers

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