



Northern Ireland  
Assembly

## Research and Information Service Briefing Paper

---

Paper 13/24

14 May 2024

NIAR 81-24

# Motor insurance premiums in the United Kingdom

**Aidan Stennett**

This Briefing Paper, requested by the Committee for Infrastructure, provides background information and data on motor insurance premiums across the United Kingdom and in Northern Ireland.

This information is provided to Members of the Legislative Assembly (MLAs) in support of their duties, and is not intended to address the specific circumstances of any particular individual. It should not be relied upon as professional legal advice, or as a substitute for it.

## Key Points

- This Briefing Paper was requested by the Committee for Infrastructure. It provides background information and data on motor insurance premiums in the United Kingdom and Northern Ireland.
- In the United Kingdom, the motor insurance industry is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). The PRA promotes the safety and soundness of insurers as well as the protection of policy holders. The FCA is responsible for insurance firm behaviour, including setting the regulatory environment within which prices are set.
- Insurance premiums are calculated by insurance companies based on an assessment of risk. The data and methodology used vary from company to company.
- Office for National Statistics (ONS) data on Consumer Price Inflation (CPI) show that between January 2023 and March 2024, across the United Kingdom all insurance premiums rose 19%, whilst motor insurance premiums rose by 40%.
- Data from the Association of British Insurers (ABI) show that across the United Kingdom the average cost of total and renewal premiums has trended upwards from quarter 1 (Q1) 2022. The average cost of new premiums has also risen, with the trend starting earlier in Q4 2021. The ABI data show that the rate of growth slowed in Q1 2024.
- ABI data also show that that when adjusted for inflation, motor insurance premiums were 1.3% higher in Q1 2024, when compared to their previous peak recorded in Q4 2017.
- Data from Confused.com show that average price quote received by Northern Ireland consumers was the sixth highest of United Kingdom regions in Q1 2024. The Confused.com data show in Q4 2024, Northern Ireland had the second lowest annual growth and the greatest quarterly decrease in the quoted price of all United Kingdom regions.
- As of 2022, industry data show that ten companies accounted for 70% the United Kingdom motor insurance industry. Industry data from 2018

also show that in Northern Ireland, nine companies accounted 75% of market share.

- The FCA has argued that motor insurance premium increases have been driven by the increased cost of car repairs, energy and used cars. The ABI has noted that in addition to those costs, global factors and the insurance premium tax has also increased premiums.
- Consumer groups have noted the interest rates on monthly insurance payments and the variance in rates of insurance premiums by postcode across the United Kingdom.
- The ABI identified unique reasons for price increases in Northern Ireland, those included: a higher rate of death and serious injury; higher compensation for bodily injury; the lowers rate of Personal Injury Discount in the United Kingdom; and, lower levels of competition.

## Introduction

This Briefing Paper was requested by the Committee for Infrastructure in the Northern Ireland Assembly (Assembly). Its purpose is to highlight key governmental and industry data reporting on motor insurance premiums in the United Kingdom. The Paper also provides background information on how the United Kingdom motor insurance market is regulated and how insurance premiums are calculated, as well as setting out regulator, industry and consumer group commentary on motor insurance premium increases.

The Paper is presented as follows:

- Section 1 – The regulation of motor insurance premiums in the United Kingdom
- Section 2 – How are motor insurance premiums calculated?
- Section 3 – Data on motor insurance premiums and market share
- Section 4 – Data on motor insurance market share
- Section 5 – Why have motor insurance premiums increased?
- Section 6 – Key takeaways

## 1 The regulation of motor insurance in the United Kingdom

The [Financial Services Markets Act 2000](#), as amended, set out the regulatory framework for insurers in the United Kingdom. Since 2013, insurers have been “dual regulated firms”. Insurance firms are authorised and regulated from a standards and policies perspective by the Prudential Regulation Authority (PRA). From a conduct perspective they are regulated by the Financial Conduct Authority (FCA). Specifically, the:

- PRA is part of the Bank of England and promotes the safety and soundness of insurers as well as the protection of policy holders
- FCA regulates how insurance firms behave, as well as the integrity of the United Kingdom’s financial market

Insurers are subject to rules and guidance set out in the FCA Handbook and PRA Rulebook. Given the focus of this Paper, the price that insurers charge consumers for premiums, the key regulator is the FCA. In January 2024, the FCA explained to the House of Commons Treasury Select Committee that it did not “control or set prices”. The FCA sets the rules within which firms set prices. The most recent updates to those rules, were introduced in May 2021 and August 2022. Those updates included new rules to ensure “renewing home and motor consumers are quoted prices that are no more than they would be quoted as a new customer”.<sup>1</sup>

Additionally, in July 2022, the FCA introduced a new Consumer Duty that requires regulated firms to:

- act to deliver good outcomes for retail customers
- act in good faith towards retail customers
- avoid causing foreseeable harm to retail customers
- enable and support retail customer to pursue their financial objectives<sup>2</sup>

The Consumer Duty is intended to bring about the following outcomes:

- consumers access to products and service which offer fair value
- consumers understand the information they are given and can make timely and informed decisions
- consumers are provided with support that meet their needs<sup>3</sup>

## 2 How are motor insurance premiums calculated?

Drivers are legally required to hold at least Third-Party motor insurance to drive on United Kingdom roads. Insurers calculate individual insurance premiums

---

<sup>1</sup> FCA, PS21/11: General insurance pricing practices – amendments (2 December 2022) <https://www.fca.org.uk/publications/policy-statements/ps21-11-general-insurance-pricing-practices-amendments>

<sup>2</sup> The FCA, Financial Guidance FG22/5 Final non-Handbook Guidance for firms on the Consumer Duty (July 2022) <https://www.fca.org.uk/publication/finalised-guidance/fg22-5.pdf>

<sup>3</sup> FCA, Consumer Duty implementation: good practice and areas for improvement (22 February 2024) <https://www.fca.org.uk/publications/good-and-poor-practice/consumer-duty-implementation-good-practice-and-areas-improvement#f-chapter-id-consumer-support>

based on an assessment of risks. In this context, risk refers to the chances that a vehicle may be involved in a collision, or be stolen or damaged. Different insurers may use different data in their calculations. The ABI explains:

*How insurers calculate customer risk differs between companies and is an important and sensitive part of their business...*

*...Not unlike food manufacturers, insurers might list the data they use (ingredients) but not how they blend and combine them to calculate risk. That is their 'secret recipe' and valuable to that company. If every detail of how insurers calculate prices was made transparent to competitor, it wouldn't be a fair market. Keeping insurers in healthy competition means they price as competitively as they can, which is ultimately better for consumers.<sup>4</sup>*

In addition to risk factors noted above, insurers will also factor in the cost of doing business to premiums. Those costs include things like operational costs and marketing. Premiums also include an insurance premium tax. That is set at a 12% standard rate and a higher rate of 20%.

Additionally, insurers make profit on their products. According to the ABI:

*...the average profit margin in motor insurance is fairly small (single digits %). Many insurers operate at a loss on motor cover to keep that customer, so they can offer the customers other products like home, pet or travel insurance. Alternatively, an insurer can run at a loss on motor cover but recoup this through investment returns or policy add-ons.<sup>5</sup>*

---

<sup>4</sup> ABI, insurance pricing, Frequently asked questions (accessed 13 May 2024) <https://www.abi.org.uk/products-and-issues/choosing-the-right-insurance/motor-insurance/insurance-pricing-faqs/>

<sup>5</sup> As cited immediately above

### 3 Data on motor insurance premiums

The following subsection uses a mixture of official governmental data and industry data to provide an overview of motor insurance premiums in the United Kingdom – that is, England, Scotland, Wales and Northern Ireland.

#### 3.1 Office for National Statistics

The Office for National Statistics (ONS) examines motor insurance premiums in two ways. It tracks insurance premium prices as part of its general calculation of inflation and it examines how much households spend on motor insurance as part of its “Family spending in the United Kingdom” dataset. The following subsections provide an overview of the latest data from each ONS dataset – namely Consumer Price Inflation, and Family Spending in the United Kingdom.

##### 3.1.1 Consumer Price Inflation – Motor vehicle insurance

Consumer Price Inflation (CPI) is the rate at which the prices of goods and services rise and fall. The ONS calculates overall inflation by tracking the changes in the price of a selection of goods and services that are representative of household purchases. That selection is known as the “inflation basket”. The inflation basket contains approximately 700 goods and services, including motor insurance, with each specific category’s contribution to overall inflation weighted to reflect the relative amounts households spend on them.

The ONS also publishes data on price movements for individual goods and services from the inflation basket. Those data have been used to compile Figure 1, below, which compares the CPI for insurance and motor insurance between December 2022 and March 2024. In both cases, prices are indexed to 2015, which means changes in the prices are relative to the price charged in 2015.

The ONS notes:

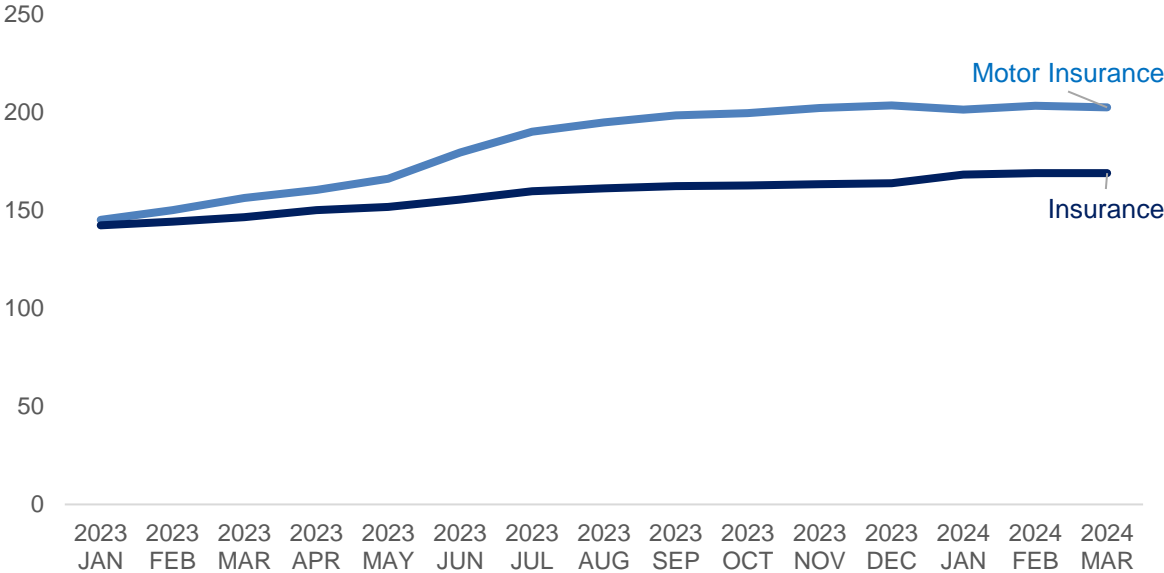
*The ONS insurance inflation is based on quotes. The international guidance explains that it would be ideal for transacted prices to be used while acknowledging that this is not always possible, meaning that using*

*the advertised prices of products offered for sale is often admissible. As such, it is not uncommon for the ONS to collect advertised prices, in fact we use prices listed on shop shelves, websites or quoted in a call for a wide array of goods and services. The use of price quotes should only distort measures of inflation if the relationship between quotes and prices changes significantly; even if quotes are typically higher or lower than final prices paid, there would be no effect on inflation as long as that level difference was consistent over time. We are not aware of any evidence that the relationship between quotes and prices has changed.<sup>6</sup>*

As can be seen from Figure 1 over the period January 2023 to March 2024:

- the CPI of motor insurance increased from 145 to 202.3, an increase of 40%
- the CPI of insurance increased from 142.2 to 168.8, an increase of 19%:

**Figure 1: CPI Index: Motor insurance and insurance, December 2022 to March 2024 (2015 = 100)**



Sources: ONS ([April 2024](#) and [April 2024](#))

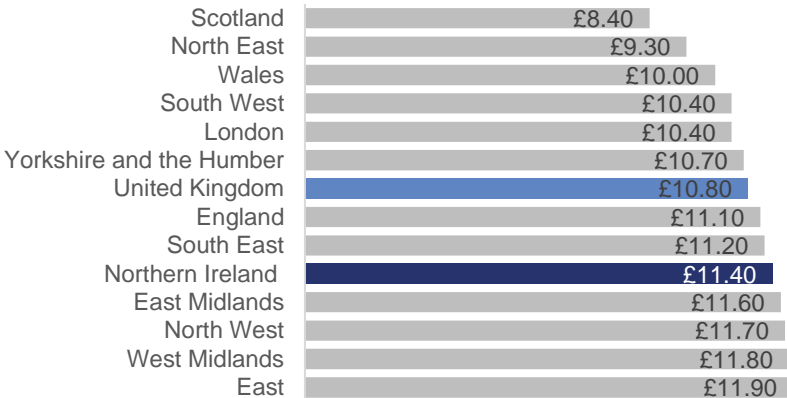
<sup>6</sup> Office for National Statistics correspondence to the Treasury Select Committee on insurance industry inflation (16 June 2023) <https://uksa.statisticsauthority.gov.uk/submission/office-for-national-statistics-correspondence-to-the-treasury-select-committee-on-insurance-industry-inflation/>



**3.1.2 Average weekly household expenditure on motor vehicle insurance**

The ONS “Family spending in the United Kingdom” dataset provide a regional breakdown of weekly household expenditure on a range of goods and services. The last edition of that dataset was published in May 2023 and covers the period April 2021 to March 2023. Figure 2, below, provides a comparison of weekly household expenditure on motor insurance (note: includes boat insurance) across the United Kingdom. As can be seen from that Figure, Northern Ireland households spent £11.40 on motor insurance per week on average in 2021/22. That was higher the United Kingdom average (£10.80). Northern Ireland weekly household expenditure was the fifth highest of the regions examined:

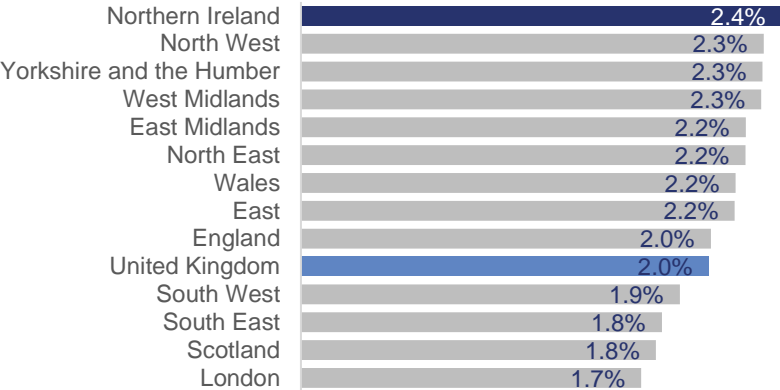
**Figure 2: Average weekly household expenditure on motor insurance (£) (2021/22)**



Source: ONS ([2023](#))

Figure 3, below, provides a regional breakdown of average weekly household expenditure on motor insurance and a proportion of total average weekly expenditure in the United Kingdom. As can be seen from that Figure, Northern Ireland spent the largest proportion of total expenditure on motor insurance in 2021/22 – 2.4%. Overall, however, there were only small variations between the regions. Households in all regions spending close to 2% of total expenditure on motor insurance:

**Figure 3: Average household expenditure on motor insurance as a proportion of total household expenditure (2021/22)**



Source: ONS ([2023](#))

**3.2 Association of British Insurers – Motor Insurance Premium Tracker**

The Association of British Insurer (ABI) is the trade association for insurers in the United Kingdom. It compiles a Motor Insurance Premium Tracker (MIPT) that tracks average prices paid by customers for insurance and is based on approximately 28 million policy sold per year. The MIPT does not provide data on sub-national basis and is available at United Kingdom level only.

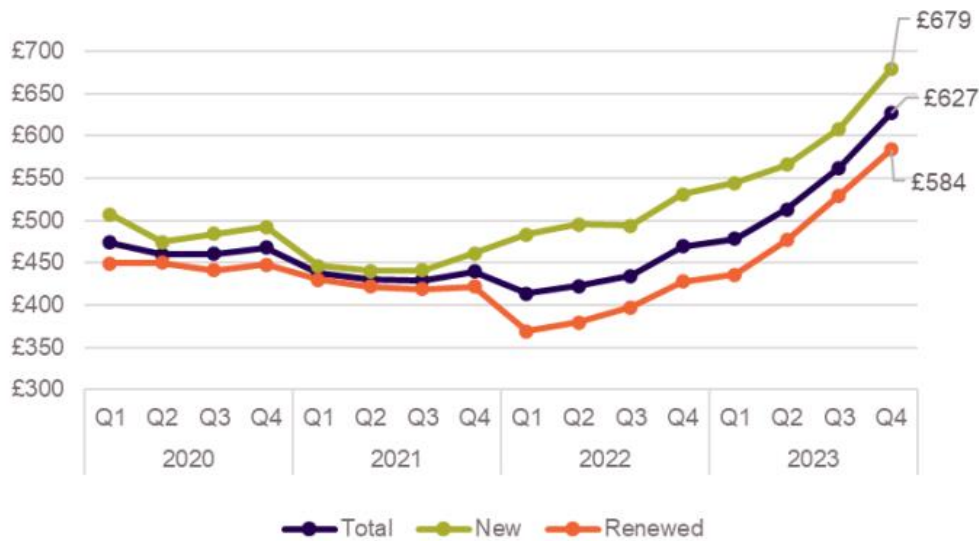
Figure 4, below, which has been provided by ABI<sup>7</sup>, shows the average domestic motor insurance premium paid by quarter from the beginning of 2020 to the end of 2023. The data show that the average total and renewal premiums trended upwards from quarter 1 (Q1) 2022. The average cost of new premiums has also risen, with the trend starting earlier in Q4 2021.

More recent data from the ABI, not pictured in Figure 4, show that in Q1 2024 average United Kingdom motor insurance premiums rose by 1%, on the previous quarter, to £635. The ABI states this indicates “an easing of the rises seen in 2023”:<sup>8</sup>

<sup>7</sup> ABI, the motor insurance market in Northern Ireland (provided to RaISe 8 May 2024)

<sup>8</sup> As cited immediately above

**Figure 4 Average domestic motor premium paid by type of business Q1 2020 to Q4 2023<sup>9</sup>**



Source: ABI (2024)

The ABI analysis argues that when adjusted for inflation, motor insurance premiums were 1.3% higher in Q1 2024, when compared to their previous peak recorded in Q4 2017.

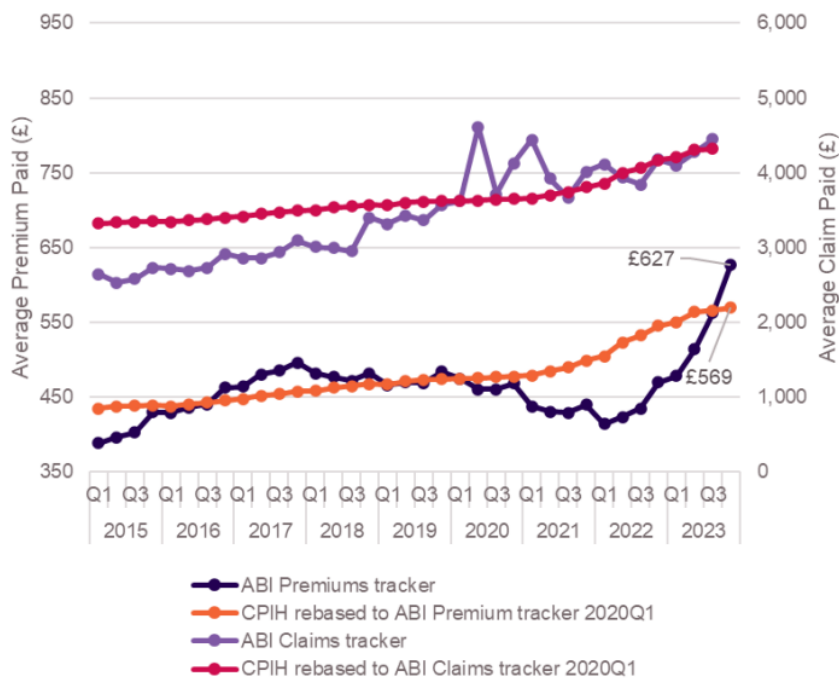
Figure 5, below, which is again sourced from ABI analysis, compares actual premium prices, and claims costs between Q1 2015 and Q4 2023 with their estimated cost if inflation had been tracked. Based on this analysis, the ABI has stated:

*Q4 2023 was the first quarter where premium prices surpassed where they would have been had the tracked the rate of inflation since the start of 2020. In contrast, average motor insurance claim costs were spiking significantly above the rate of inflation from early 2020 and have remained on the increase.<sup>10</sup>*

<sup>9</sup> ABI, the motor insurance market in Northern Ireland (provided to RaISe 8 May 2024)

<sup>10</sup> As cited immediately above

**Figure 5: ABI MIPT and claim tracker compared to rebased Consumer Price Index including owner occupier’s household costs Q1 2015 to Q4 2023 (Premium Q1 2020 = £474, average claim settle = £3,622)<sup>11</sup>**



Source: ABI (2024)

The ABI notes that the cost of motor insurance claims is one of the key factors impacting premium prices in the United Kingdom. Those factors are explored in greater detail in Section 5 of this Paper.

### 3.3 Confused.com Car Insurance Price Index

The Confused.com Car Insurance Price Index<sup>12</sup> is a quarterly tracker of motor insurance prices in the United Kingdom; published by the insurance comparison site Confused.com and insurance broker Willis Towers Watson. That Index is “compiled from anonymous data and uses the average of the five cheapest quotes received in response to all enquires on Confused.com”.

<sup>11</sup> ABI, the motor insurance market in Northern Ireland (provided to RaISe 8 May 2024)

<sup>12</sup> Confused.com, Consumer Insurance Price Index (accessed 13 May 2024) <https://www.confused.com/car-insurance/price-index>

Moreover, the Confused.com Car Insurance Price Index is often cited in the United Kingdom press<sup>13</sup> and offers an alternative measure of motor insurance premiums to that of the ABI, as presented above. It provides a sub-regional breakdown of insurance premiums in the United Kingdom, allowing for comparisons between Northern Ireland and other regions.

In August 2023, commenting on quote-based trackers, the ABI noted that whilst its tracker compared prices paid by motorists for insurance:

*Other trackers cover prices quoted. Quoted prices may be rising at a faster rate than the prices actually paid, or customers may be changing the coverage purchased or their insurer, which is why headline figures from our Trackers may be lower than from others.*<sup>14</sup>

ABI added:

*Quote-based trackers necessarily define a set of customer profiles - for example the age of a driver, the insurer used, the size of their voluntary excess - which in some cases will be kept constant over time. If customers across the market alter the level of coverage they buy, or shop around and obtain a cheaper policy from a different insurer, quote based trackers will not necessarily capture this change*<sup>15</sup>

With those caveats in mind, Figure 6, below, provides the Confused.com index data on the average price quoted for insurance between Quarter 2 (Q2) 2020 and Q1 2024. The Figure shows that in the year between Q1 2023, to Q1 2024, the average quoted motor insurance premium in the United Kingdom increased by 43% from £657 to £941. Despite that annual increase, the average quoted insurance premium in Q1 2024, was 5.4% lower than in Q4 2023:

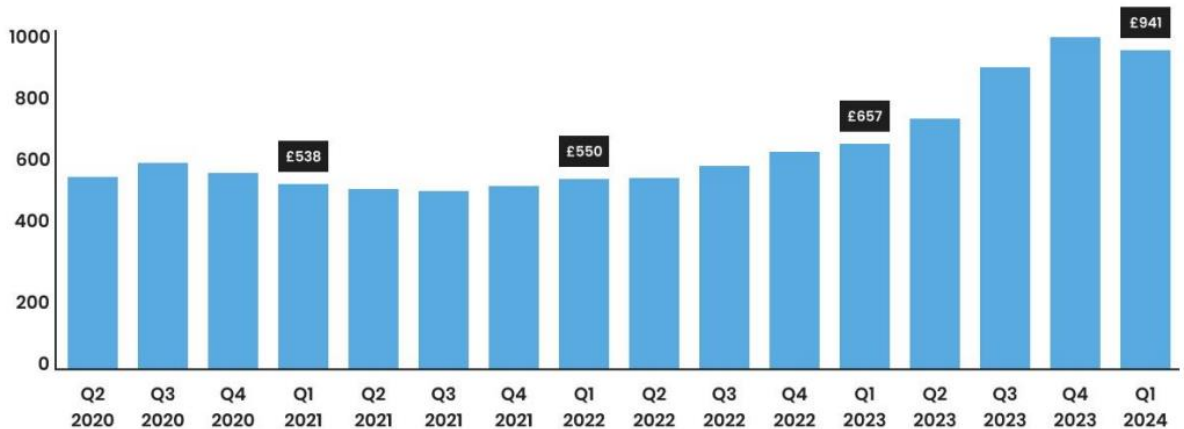
---

<sup>13</sup> See for example: the Financial Times, UK car insurance prices fall for first time in two years (18 April 2024) <https://www.ft.com/content/b151f15f-cc9c-43f0-a228-1fce3e4248a1>

<sup>14</sup> ABI, Tracking the trackers (15 August 2023) <https://www.abi.org.uk/news/blog-articles/2023/8/tracking-the-trackers/>

<sup>15</sup> As cited immediately above

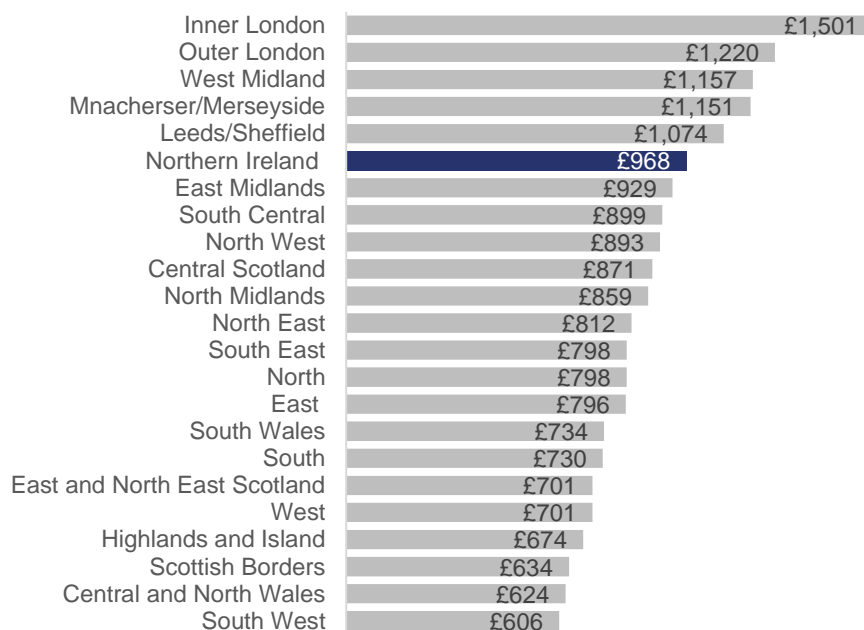
**Figure 6: Average quoted motor insurance premium, Q2 2020 to Q1 2024**



Source:Confused.com/WTW ([2024](#))

Figure 7, below, uses the Confused.com index to compare the average quoted motor insurance premium by region in Q1 2024. The Figure shows that Inner and Outer London had the highest quoted average premiums in Q1 2024. Northern Ireland had the sixth highest average premium, with consumers quoted an average premium of £968:

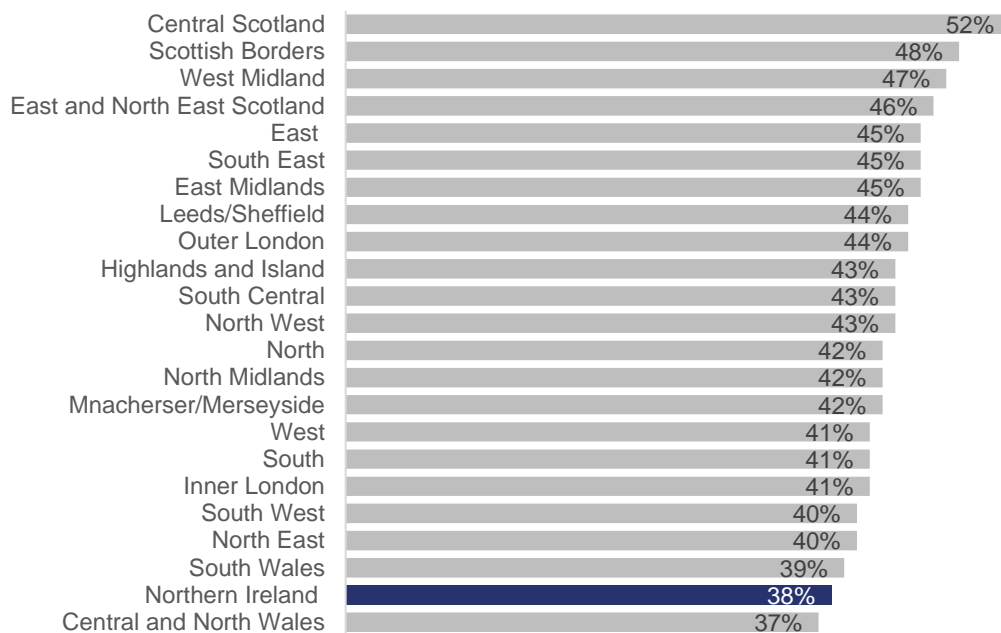
**Figure 7: Average quoted motor insurance premium, by region, Q1 2024 (£)**



Source:Confused.com/WTW ([2024](#))

Despite having comparatively high average quoted premiums compared to other United Kingdom regions, Northern Ireland experienced the second lowest growth in quoted motor insurance premiums in the year Q1 2023 to Q1 2024 - see Figure 9, below. Over that period, the average quoted insurance premium in Northern Ireland rose by 38%. That compared to 52% in Central Scotland, as illustrated here:

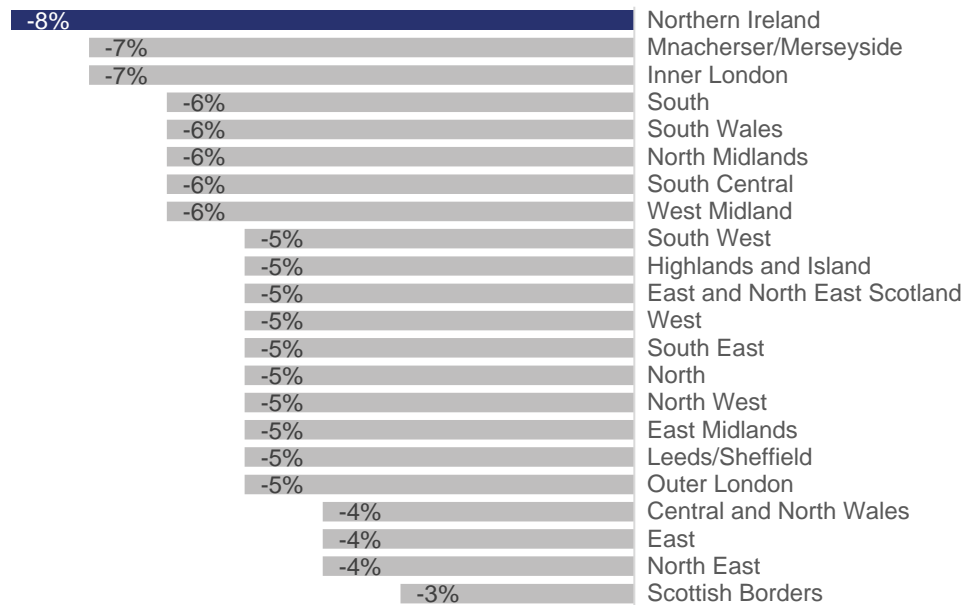
**Figure 9: Annual change in premium (%) – Q1 2023 to Q1 2024**



Source: Confused.com/WTW ([2024](#))

Figure 10, below, shows that, according to the Confused.com data, Northern Ireland saw the largest quarterly decrease (-8%) of any of the United Kingdom regions examined between Q4 2023 and Q1 2024. The Figure also shows that all regions examined experienced a decrease in the average quoted motor insurance premium over this period:

**Figure 10: Quarterly change in premium (%) – Q4 2023 to Q1 2024**



Source: Confusted.com/WTW ([2024](#))

## 4 Data on motor insurance market share

Official governmental data on motor insurance market share is not available in the United Kingdom. This section relies on industry data to provide an overview of motor insurance market share in across the whole of the United Kingdom and Northern Ireland.

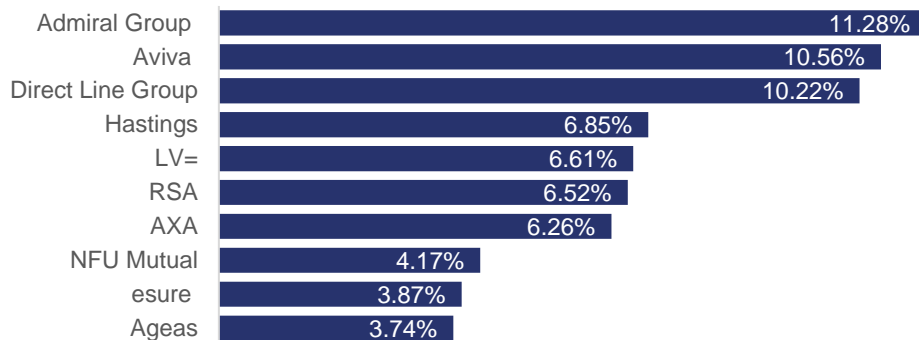
### 4.1 United Kingdom market share

As of 2022, 126 companies offered motor insurance in across the whole of the United Kingdom. Figure 11, below, compares the top ten companies by market share in 2023. Combined, those ten companies account for approximately 70% of the total market. As can be seen from the Figure, the companies with the largest market share as of 2023 were:

- Admiral Group -11.28%
- Aviva – 10.56%
- Direct Line Group – 10.22%:



**Figure 11: Market share of the “top ten” United Kingdom motor insurance provider, 2023**



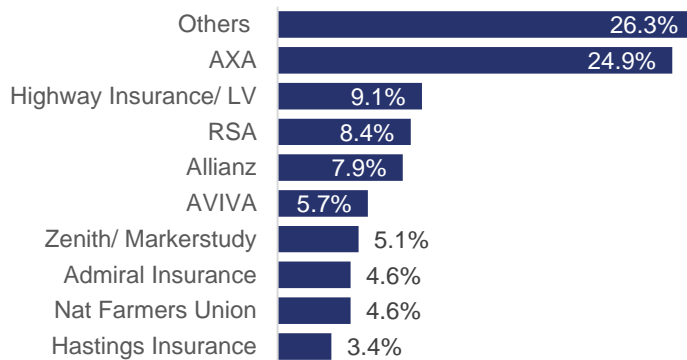
Source: Forbes ([2024](#))

## 4.2 Northern Ireland market share

Up to date data on motor insurance market share in Northern Ireland are not available. In 2014, the Competition and Markets Authority examined the market share of 11 providers in Northern Ireland and found that Axa was the largest provider with 34% of market share. The next largest provider at that time was Allianz, with 13% market share.<sup>16</sup> More recently, in 2018, the accident management company Crash published figures on market share. Those figures were based on the company’s internal data and are presented in Figure 12, below. As can be seen from that Figure, Axa remained the largest provider in 2018, but its market share had fallen to 25% based on the Crash data. The Crash data show that nine firms accounted for 74% of Northern Ireland market share, with a remaining 90 companies (others in Figure 4) accounting for 26%:<sup>17</sup>

<sup>16</sup> Consumer Council, a summary of evidence to the Northern Ireland Assembly’s All Party Group on Motor Insurance (March 2016)  
[https://www.consumercouncil.org.uk/sites/default/files/original/APG\\_on\\_Motor\\_Insurance.pdf](https://www.consumercouncil.org.uk/sites/default/files/original/APG_on_Motor_Insurance.pdf)

<sup>17</sup> Crash, Northern Ireland Motor Insurance market dominated by just four companies (27 March 2019)  
<https://www.crashservices.com/ni-private-motor-insurance-market-dominated-by-just-four-companies/>

**Figure 12: Motor insurance providers in Northern Ireland, 2018**

Source: Crash ([2019](#))

## 5 Why have motor insurance premiums risen?

The following section uses evidence presented to the House of Commons Treasury Select Committee and from the ABI, to set out the regulator and industry rationale for recent motor insurance increases. It also provides consumer group commentary on the nature and effect of those increases.

### 5.1 House of Commons Treasury Select Committee

Throughout 2024, the House of Commons Treasury Select Committee (the Treasury Committee) received evidence from the FCA, the insurance industry and consumer bodies, on the United Kingdom motor insurance pricing.

#### 5.1.1 The Financial Conduct Authority

Commenting on increased premiums in a letter to the Committee, dated 24 January 2024, the FCA stated:

*We are aware of the growing concern about the cost of renewing insurance, particularly for homes and cars, and we are monitoring the situation closely. Coming after a period where these products have been loss-making or marginally profitable for many insurers, increases were*

*expected, but we recognise they are particularly difficult for consumers experiencing cost-of-living pressures.*<sup>18</sup>

The FCA further explained that the increased premiums had been driven by a “range of factors”, including “the cost of car repairs, paint, labour and spare parts”, which had “risen considerably alongside a highly fluctuating cost of energy”. The FCA also noted that market price of used cars had increased. In the FCA’s analysis, taken together, those factors “led to a significant increase in the value of claims pay-outs year-on-year, which has impacted premium levels”.

### **5.1.2 The insurance industry**

The FCA’s explanation of price rises was reflected in the evidence the Treasury Committee received from the insurance industry. For example, in oral evidence, presented on the 17 April 2024, the CEO of Allianz Holdings United Kingdom argued that increased motor insurance premiums had been driven by increased vehicle repair costs, including a rise in the cost of labour, and the increased cost of car hire.<sup>19</sup> Similar arguments were made to the Treasury Committee in written evidence from [Admiral](#), [Aviva](#), [AXA](#) and the [Direct Line Group](#). All four insurance groups cited increased motor repair costs, labour costs and the increased costs of vehicles as key drivers of rising motor insurance premiums.

### **5.1.3 Consumer Groups<sup>20</sup>**

The consumer groups “Citizens Advice” and “Which?” presented evidence to the Treasury Committee on 17 April 2024. In that evidence, Citizens Advice argued that motor insurance was an “essential” and that in the cost of living crisis “more and more people” were being “priced out of essential markets”. Which? argued that some of the rises to premiums were “difficult to justify”. Which? also highlighted the rate of interest paid by consumer who paid for their

---

<sup>18</sup> The Financial Conduct Authority letter to the Treasury Committee, re: Follow-up question to the 12 December 2023 evidence session on the work of the Financial Conduct Authority (24 January 2024) <https://committees.parliament.uk/publications/43122/documents/214540/default/>

<sup>19</sup> Treasury Committee, Oral evidence: Insurance, HC 228 (17 April 2024) <https://committees.parliament.uk/oralevidence/14653/html/>

<sup>20</sup> As cited immediately above

insurance on a monthly basis, noting that it was high as 39% APR in some cases.

Commenting on monthly payments, the ABI told the Treasury Committee that it was “important that there is a monthly facility”. They noted that there were extra “costs to monthly payments” and that the ABI had been discussing “as an industry what the right sort approach” to monthly payments should be. They stated that they had considered a voluntary cap on monthly payments, but argued that there were “very good competition reasons why you cannot do those sorts of things”.

Citizens Advice also commented on the process used by motor insurance to calculate premiums, as outlined in section 2 of this Paper. It stated premiums were not based on individual behaviour, but instead “based largely on their [the individual’s] postcode”. Citizens Advice stated they did not understand “what it is about those postcodes that is driving higher premiums”. The consumer group argued that this approach was resulting in “winners and losers” and that the:

*...the losers, time and time again, are the people on low incomes and people of colour. Potentially, this is why we are seeing much higher prices for these groups. That is what really needs looking into, not just whether we have lots of competition in the market.<sup>21</sup>*

Commenting on the effect of postcodes, the ABI told the Treasury Committee:

*We do not collect ethnicity data ourselves or through any of our data providers. We just do not. With regards to why postcode is important, you are looking at population density, vulnerable road users, the nature of the streets and the number of accidents that take place within that postcode of the probability of criminality within that area.<sup>22</sup>*

---

<sup>21</sup> Treasury Committee, Oral evidence: Insurance, HC 228 (17 April 2024) <https://committees.parliament.uk/oralevidence/14653/html/>

<sup>22</sup> As cited immediately above

## 5.2 Association of British Insurers

In May 2024, the ABI submitted written evidence to the Assembly Committee for the Economy<sup>23</sup>. That evidence provided the industry view on motor insurance premium increases. It looked at the rationale for premium increase in the United Kingdom in general and outlined some Northern Ireland specific factors. The evidence submitted by the ABI is summarised below.

### 5.2.1 Premium rises in the United Kingdom<sup>24</sup>

The ABI's explanation of recent premium rises reflects the evidence received by the Treasury Committee, as outlined above. In its submission to the Northern Ireland Assembly Committee for the Economy (May 2024), the trade body stated that increases in the costs of motor insurance claims have driven the increase in premiums.

The ABI explains that the rise in premiums was in turn driven by increases to the cost of both vehicle repairs (driven by increased to part costs) and replacements between 2017 and 2024. In addition, ABI noted that more complex vehicle technology was also leading to upward pressure on repair costs.

The ABI has also explained that global factors have had an impact on prices. The COVID-19 pandemic, for example, put pressure on supply chains, while geopolitical conflict has affected the transportation and availability of parts.

The ABI also cited the impact of the insurance premium tax, as outlined in section 2 above. It noted that the tax adds £67 in the average motor insurance premium. The ABI has previously argued that the Chancellor of the Exchequer cut the rate of insurance premium tax.

---

<sup>23</sup> ABI, the motor insurance market in Northern Ireland (provided to RaISe 8 May 2024)

<sup>24</sup> As cited immediately above

### 5.2.2 Premium rises in Northern Ireland<sup>25</sup>

In addition to the general driver of premium increases outlined above, the ABI submission to the Committee for the Economy highlighted some Northern Ireland specific factors that have led to average claim costs in the region (estimated by ABI to be £5,700 in 2023) being greater than the United Kingdom average (estimated to be £4,300 in the same year). Those reasons included:

- As of 2023, the cost of compensation for bodily injury in Northern Ireland (£20,100) was 40% higher than the United Kingdom average.
- Northern Ireland has a higher rate of deaths and serious injuries from road collision than the rest of the United Kingdom. In 2022, younger drivers in 16-24-year-old grouping accounted for 20.3% of those killed or seriously injured on the Northern Ireland roads, driving up premiums for this group of drivers.
- The Personal Injury Discount Rate, which was devolved to Northern Ireland by the Damages (Return on Investment) Act (Northern Ireland) 2022, was set at -1.5% in 2022. That was the lowest rate in the United Kingdom; and has resulted in higher compensation claims for bodily injury in Northern Ireland than other parts of the United Kingdom.
- Northern Ireland has a higher proportion of Claims Management Companies compared to the rest of the United Kingdom. The ABI has stated that such companies “actively pursue customers” who have had a collision to offer advice on compensation claims; and has argued that their involvement “can add between 15 and 30% to the total cost of a claim”.
- Northern Ireland has a less competitive garage network and motor insurance market than the rest of the United Kingdom.<sup>26</sup>

---

<sup>25</sup> ABI, the motor insurance market in Northern Ireland (provided to RaISe 8 May 2024)

<sup>26</sup> As cited immediately above

## 6 Key takeaways

Across the whole of the United Kingdom, motor insurance is regulated by the PRA and FCA. The PRA promotes the safety and soundness of insurers as well as the protection of policy holders. The FCA is responsible for insurance firm behaviour. The FCA does not set or control insurance premiums, but it does affect the regulatory environment within which prices are set. Most recently, the FCA amended rules around the prices companies can offer existing customers and introduced a new Consumer Duty.

Drivers are required to have Third-Party motor insurance to drive on United Kingdom roads. Insurance company premiums are calculated based on an assessment risk. The data used and methodology vary from company to company. Insurers also factor in the cost of doing business, the insurance premium tax and profit.

ONS data on consumer price inflation show that between January 2023 and March 2024, all insurance premiums rose 19%, whilst motor insurance premiums rose by 42%.

ONS data also show that Northern Ireland households paid £11.40 on motor insurance per week on average in 2021/22. That was above the United Kingdom average of £10.80. Examining it as a proportion of total weekly expenditure shows that households in all regions spent close to 2% of total expenditure on motor insurance in 2021/22.

Data from the ABI show that the average cost of total and renewal premiums trended upwards from quarter 1 (Q1) 2022. The average cost of new premiums has also risen, with the trend starting earlier in Q4 2021. ABI data show that premiums rose by 1%, on the previous quarter, indicating an ease of previous rises.

ABI data also show that that when adjusted for inflation motor insurance premiums were 1.3% higher in than Q1 2024, when compared to their previous peak recorded in Q4 2017.

Data from Confused.com show that average price quote received by Northern Ireland consumers was the sixth highest of United Kingdom regions in Q1 2024.

The data also show that, as of the same quarter, Northern Ireland experienced the second lowest annual growth and the greatest quarterly decrease in quoted price of all United Kingdom regions.

As of 2022, industry data show that ten companies accounted for 70% the United Kingdom motor insurance industry. Industry from 2018 also show that in Northern Ireland, nine companies accounted 75% of market share.

The FCA has argued that motor insurance premium increases have been driven by the increased costs of car repairs, energy, and used cars. Similar explanations have been provided by the motor insurance industry. The ABI has noted that in addition to those costs, global factors have put pressures on supply chains and the transportation of parts. The ABI has also argued that insurance premium tax adds £67 to the average premium.

In addition to the views of the regulator and the industry, consumer groups have noted the interest rates on monthly insurance payments and the variance in rates of insurance premiums by postcode across the United Kingdom.

Moreover, the ABI has noted Northern Ireland specific reasons for price increase, including:

- higher compensation for bodily injury
- a higher rate of deaths and serious injury in Northern Ireland
- the lowest rate of Personal Injury Discount in the United Kingdom
- a higher proportion of Claims Management Companies than the rest of the United Kingdom
- less competition in Northern Ireland