

UK car insurance: profits, costs, dividends and premiums

Business is booming for the top four car insurers – as you can see from their own financial reports, summarised here

Direct Line

In 2015, market leader Direct Line saw its operating profit from UK motor insurance increase by 14% to £338m (2014: £297m).

In the first six months of 2016, Direct Line's motor profits slipped back 7% to £169m, but this did not deter the company from increasing its half-year dividend by 6.5% and awarding a special dividend at a combined cost of £204m.

The company said claims had been "broadly in line with expectations" with some inflation "due to increased repair costs and the benefit to customers of investment in propositions, including guaranteed hire car".

No mention of fraud or whiplash.

Admiral

In 2015, Admiral increased its UK motor insurance profit before tax by 11% to £443m (2014: £398m).

In the first six-months of 2016 Admiral's profits from the UK motor market rose on the back of a substantial increase in market share. Compared to the same period in 2015, half-year profits rose 2% to £223m, while revenue and customer numbers were up 16% and 11% respectively. Admiral increased its half-year dividend by 23%, taking the pay out to £175m.

On claims, it said the UK had seen "positive claims cost development in the first half of 2016".

No mention of fraud or whiplash.

Aviva and **AXA** refuse to give separate trading figures for the UK motor market and instead bury their motor profits under the heading 'general insurance'. Nevertheless, they do have to give shareholders an indication of how different products are doing:

AVIVA

In 2015 Aviva's UK general insurance division, which encompasses property and motor, saw its operating profit fall to £368m (2014: £455 million). However, it said the decrease was due to provision for claims relating to the December 2015 floods and lower investment returns. The group as a whole increased its dividend 15% after operating profit rose 20% to £2.66bn.

In the first six months of 2016, AVIVA muddied the waters further by combining the UK and Ireland general insurance results and adding in healthcare. This 'segment' generated £231m, down only 3% on the first half of 2015, despite a £23m Flood Re levy and higher weather claims.

No mention of fraud or whiplash.

AXA

In 2015 Axa's UK and Ireland general insurance and healthcare increased revenue by 7% and produced a profit of £312m (up 25%).

In the first six months of 2016, AXA increased its general insurance and healthcare revenue in the UK and Ireland by 7% to £2.2bn and saw profits rise 8% to £138m, compared to the same period in 2015.

The French insurer's UK chief executive Amanda Blanc said that despite improved profitability "we are facing into some strong headwinds" among which were a "significant increase in motor repair costs, particularly at the higher end". She said this added "further pressure in a sector already blighted by compensation culture" and "spurious whiplash claims".

No specific mention of fraud.

**DIVIDENDS PAID BY DIRECT LINE
AND ADMIRAL IN FOUR YEARS
TOTAL £2.856 BILLION (EQUIVALENT TO
MORE THAN £350 PER POLICY HOLDER)**



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Big drop in claims costs

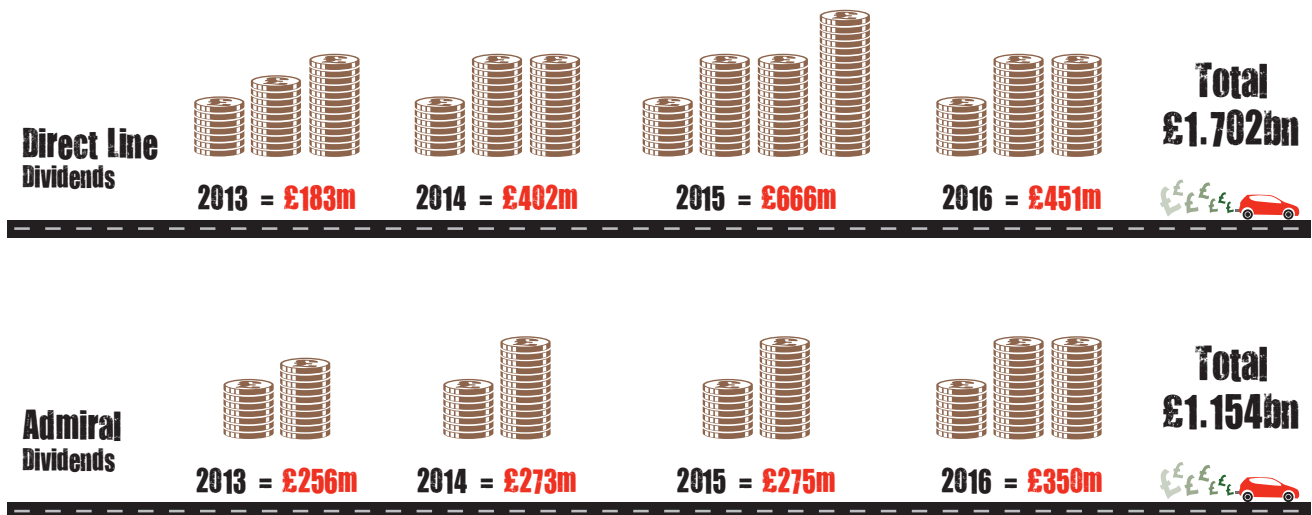
Industry data shows the net cost of claims incurred in the UK decreasing **29%** from £8.302bn in 2010 to £5.886bn in 2014. Over the same period, revenue from net written premiums fell by only **7.5%** from £8.344bn to £7.709bn.

Year	Net written premiums	Net claims incurred
2010	£8.344bn	£8.302bn
2011	£9.207bn	£7.316bn
2012	£8.589bn	£6.978bn
2013	£8.224bn	£6.351bn
2014	£7.709bn	£5.886bn

Source: ABI

Dividends pile up for shareholders

Given that Direct Line and Admiral are focused mainly on the UK motor market, their dividend pay-outs reflect how profitable that market is.



Source: annual and half-year reports of Direct Line and Admiral

Premiums rise for consumers

The cost of insurance for motorists has continued to increase – by **£84** (17.2%) to an average of **£485** in the 12 months to June 30, 2016.

Source: AA

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