THOMPSONS SOLICITORS
STANDING UP FOR YOU

TRACKER

Issue 3

Tracking the insurance industry

Insurers enjoy seven billion pound windfall from falling claims costs

Britain's car insurers have seen the cost of compensation claims fall by nearly a third in the last five years landing them a staggering windfall of almost seven billion pounds.

Data produced by the Association of British Insurers (ABI) - but not released to the media - shows the annual cost of motor claims has decreased by 29% since 2010.

The pay-out on claims by car insurers fell from £8.3 billion in 2010 to £5.89 billion last year, taking the cumulative reduction in claims costs in the four years since 2010 to £6.68 billion.

The ABI has been busily telling the media that insurers had 'passed on savings of £1.1 billion to motorists' since legal reforms limiting access to justice for accident victims were introduced in 2013.

Not only have motorists seen precious little evidence of these savings but industry figures for income from 'net written premiums' show the average in the last four years was £88 million a year higher than in 2010.

"Whilst they claim to be in crisis, beset with claims and fraud, what the data clearly shows is that the car insurers have had a double bonus since 2010 of increased income from premiums and much lower claims costs," said Tom Jones, head of policy at Thompsons.

"The insurance industry is very adept at churning out headline-grabbing figures as part of a never ending sob story, but the raw data produced for investors paints a different picture of increased premium income and reduced claim costs. Intriguingly the claims costs fell most sharply between 2010 and 2011 – two years before the reforms were introduced.

"The insurers have grossly exaggerated the problem of fraud and it's been a handy smokescreen for declining claims costs and increased premium revenue throughout the last four years.

"It's no wonder they have enjoyed a profits boom and been able to pay mouth-watering dividends and reward top executives with huge increases in salaries and bonuses."

Market leading car insurer Direct Line, which provides cover to 3.67m private motorists, has been at the forefront of the bonanza in profits, dividends and executive pay.

Since being spun out of taxpayer-owned Royal Bank of Scotland in 2012, it has paid more than £900m in dividends and seen its share price double.

In 2014, Direct Line's chief executive, Paul Geddes, was rewarded with a £4.62m salary, bonus and benefits package – an 82% increase on the £2.54m he was paid in 2013.

Despite the insurance industry's constant portrayal of itself as a victim of fraud, Direct Line's 2014 annual report admitted the company had benefited from '*continued* (our emphasis) favourable experience on bodily injury claims across recent accident years'.

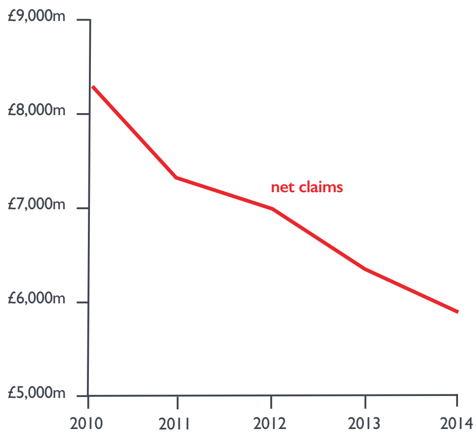
This was echoed by Admiral, which insures 3.15 million motorists, and declared a profit from the UK car market of £398 million in 2014. Its annual report said the profit figure was 'largely due to higher reserve releases that resulted from positive claims development, in particular from the 2011, 2012 and 2013 years'.

"The public is very poorly served by an unregulated car insurance market dominated by a handful of unaccountable financial giants," said Tom Jones.

"We can just about piece together some of what's going on from ABI data and the published accounts of Admiral and Direct Line. But many car insurers, such as Ageas, AXA and AVIVA, don't even report separate trading figures for UK car insurance.

"They have consistently refused to be transparent, and yet we are expected to swallow their relentless propaganda about 'fraud' and 'compensation culture'.

"Car insurance is a legal requirement and, like the energy and transport industries, it should be subject to a high level of scrutiny and public accountability."



Source: Association of British Insurers

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Car insurance firms charging 'startlingly expensive' administration fees

Motorists are being charged up to £75 to cancel their car insurance policies

Car insurance providers are charging 'startlingly expensive' administration fees, according to an investigation by consumer association, Which?.

The Which? investigation looked at 44 car insurer provider fees and found that one-off charges vary widely, with some providers charging more than double the average for some fees.

The investigation found that:

- Four insurers charge setup and renewal fees, including 1st Central which charges £50 for both and Hastings Direct which charges £20 on renewal
- Three insurers (Budget, Endsleigh and IGO4) charge a £75 cancellation fee, higher than the industry average of £49.95
- 30 insurance providers charge consumers cancellation fees during the 14 day cooling-off period
- Some insurers charge up to £35 for consumers to make adjustments to their policy, including a name or address change

As part of its 'Stop Sneaky Fees and Charges' campaign, Which? is calling for all administration fees linked to the setup, amendment or duplication of any type of insurance policy to be reasonable and no more than the cost to the insurance provider themselves.

Tom Jones, head of policy at Thompsons Solicitors, said: "This is yet another example of insurers looking at their bottom line before they look at their customer's best interests. Some of the charges are clearly outrageously high for the level of administration involved.

"Insurance fees need to reflect the cost to providers and should not be used as just another way of getting money out of people.

"This is happening against a backdrop where motorists are already being ripped off by insurers. Amid unsubstantiated allegations from insurers about fraudulent claims driving prices up, their profits are rising and they are paying out huge dividends to shareholders. As always it is motorists who pay the price."

The Winterbottom's Story

In 2012, Enid and Donald Winterbottom were badly injured in a car crash. Their legal expense insurer, Cogents, started a claim without consulting the couple, projecting that they would recover in 7 months. However, Cogents failed to take proper instruction, missed the long-term effects of Enid's injuries and were unhelpful in explaining the process to the couple.

Donald was made aware of Unite's Legal Service and Thompsons Solicitors, who pursued a claim of compensation on their behalf. Thompsons secured a settlement of £8,000 – four times the amount estimated by the other firm.

"We got better compensation, infinitely better service, and we can only say that our experience with Thompsons has restored our faith in human beings" – Enid Winterbottom.

DIRECT LINE AND **ADMIRAL**

HAVE PAID OUT **£1.65 BILLION** IN SHAREHOLDER DIVIDENDS IN THE LAST THREE YEARS – THAT'S **£241** FOR EVERY POLICYHOLDER

#CutPremiumsNow

Justice for motorists

We say:

- Car insurers should cut premiums now – or face a windfall tax on their profits
- This broken market should be reformed to protect consumers and stop profiteering
- Accident victims should be free to choose their own lawyer without insurers trying to influence their decision or make money from their choice.

www.youtube.com/watch?v=yGciDUxSkCs

Head of policy at Thompsons Solicitors, Tom Jones, explains more about the lucrative car insurance industry and Britain's so called 'compensation culture' in this brief three-minute video clip.

Contact us

Thompsons Solicitors has been standing up for the injured and mistreated since Harry Thompson founded the firm in 1921. The firm has fought for millions of people, won countless landmark cases and secured key legal reforms.

Thompsons has more experience of winning personal injury and employment claims than any other firm – and uses that experience solely for the injured and mistreated.

Thompsons refuses to represent insurance companies and employers, invests specialist expertise in each and every case and fights for the maximum compensation in the shortest possible time.

Visit us at
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The Thompsons Tracker is all about standing up for consumers and injured people and sets out to expose insurance industry double standards and false claims.