

# ABI written evidence for the Committee for Finance Inquiry into the Northern Ireland Banking and Financial Services Landscape

May 2025

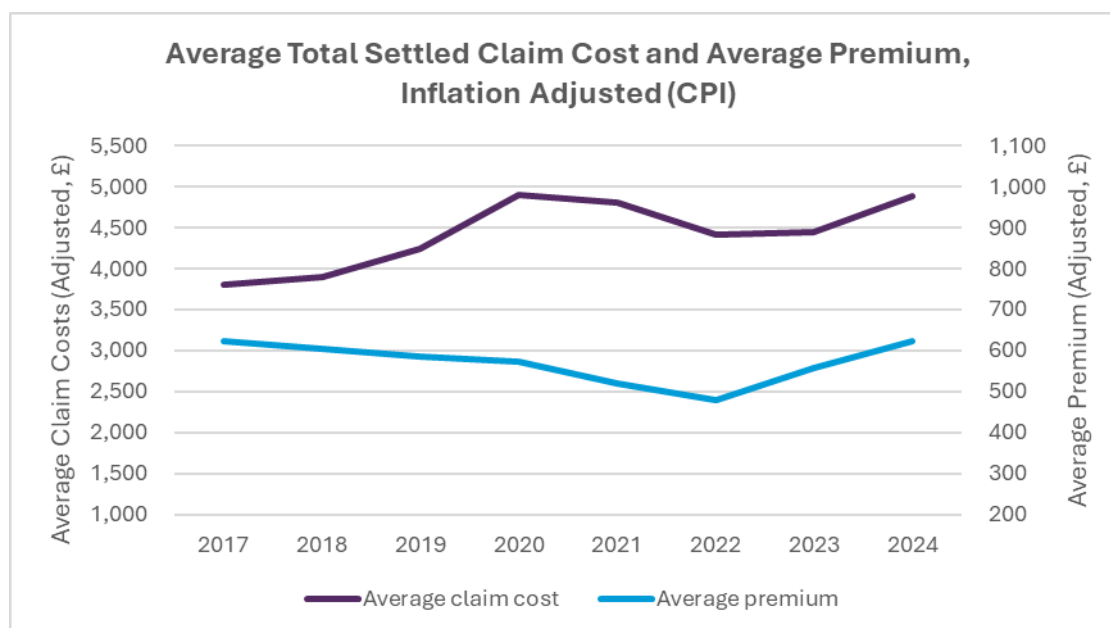
## Introduction

As the voice of the UK's world-leading insurance and long-term savings industry, the Association of British Insurers (The ABI) welcomes the opportunity to contribute to the Committee for Finance inquiry into the Northern Ireland Banking and Financial Services Landscape and help assist the Committee's understanding of the insurance market in Northern Ireland.

Costs facing the insurance sector have meant several challenging years and we recognise the concerns Committee members have expressed about motor and home insurance affordability. As an industry, the ABI and our member firms continue to work to support customers. However, many of the pressures are beyond insurers' control and we need to work with the UK Government, the Northern Ireland Executive, the Financial Conduct Authority and other relevant stakeholders to address these challenges. We are therefore grateful for the opportunity to submit this written evidence and appear before the Committee on 7 May to discuss what measures can reasonably be taken.

This written submission begins by outlining the state of the UK and Northern Ireland motor and home insurance market, before discussing some Northern Ireland-specific challenges and then highlighting the steps our sector is taking to help ensure that customers can continue to access products that allow them to build their financial resilience.

## The UK motor insurance landscape



### Premiums

The [average UK fully comprehensive motor premium](#) (private car) in 2024 was £622, a [15%](#) increase on the average in 2023. This increase was driven largely by increases in the cost of repairs, thefts and replacement vehicles, which contributed to insurers [paying out a record](#) £11.7 billion in car insurance claims across 2024 - 17% higher than the previous year.

Over the long-term, motor insurance premiums have tracked very close to inflation. In real terms, the average premium in 2024 was £1 more than the average in 2017 when it last peaked. This is in part because prices fell significantly during the pandemic to reflect a lower volume of car accidents and therefore claims. The rises in 2022 and 2023 therefore came from a particularly low base. We have also seen average motor insurance premiums decline throughout 2024, falling from their peak in Q1 2024 (£635) to £621 in Q4 2024.

The ABI's Motor Insurance Premium Tracker analyses nearly 28 million policies sold a year, and is the only one that is based on the actual price paid. Other trackers exist, but are primarily based on a snapshot of quotes received, rather than premiums paid. Quote-based trackers tend to result in higher average figures. Price comparison website data also does not cover renewals or customers who go direct to an insurer or source their insurance through a broker. We explain the differences between different motor insurance price trackers and some of the constraints of quote-based trackers in more detail on our website, [here](#).

We do not currently publish ABI average premium data broken down by UK nation or region, so we do not have an average motor premium for Northern Ireland. Some price comparison websites do collect quote data by UK region. [CompareNI data](#) from January to December 2024 found that the average car insurance quote in Northern Ireland was the third-lowest of the 12 UK regions compared at £671, while the highest average quotes were found in London. It also found Northern Ireland to have the [cheapest quotes](#) for young drivers aged between 17 and 24 compared to the other regions.

In advance of this evidence session, Comparethemarket provided the ABI with a regional breakdown of the average cost of private comprehensive motor insurance from their data for March 2025<sup>1</sup>.

Region	March '25 Average Quote
East Anglia	£604.67
East Midlands	£623.62
East of England	£687.86
Greater London	£1,058.81
London	£1,098.61
North East	£581.04
North West	£733.35
Northern Ireland	£650.93
Scotland	£566.96
South East	£577.33
South West	£499.82
Wales	£532.44
West Midlands	£790.40
Yorkshire and the Humber	£1,356.73

\*Source comparethemarket, fully comprehensive private car.

Comparethemarket data provided to the ABI also shows that the average quote for a fully comprehensive motor insurance policy in Northern Ireland (private car) has fallen from £767.09 in November 2024 to £650.93 in March 2025.

### Claims

While premium increases have tracked fairly closely to inflation if we look back to 2017, claims costs for insurers have risen at rates significantly higher than average inflation, increasing by 27% in real terms between the end of 2017 and the end of 2024. The average inflation-adjusted cost of a motor insurance claim in the UK in Q4 2017 was £4,000, rising to £5,251 in Q4 2024.

Insurers have experienced considerable inflationary pressures in their repair and supply chains, including in the cost of paint (up by 16%), spare parts (up by 11%), and the cost of replacement cars (up by 47%). Global factors have had an impact, with the after-effects of supply chain disruption following the Covid-19 pandemic and geopolitical conflicts around the world affecting the availability and transport of replacement parts for repairs.

According to Thatcham Research, the average repair cost for a damaged vehicle stood at £3,304 in 2021 – a 64.7% increase on the average 2014 value of £2,005. This can also be explained by the increased complexity of vehicle technology such as more sophisticated sensors and assistive driving technology. Looking forward, this trend is likely to mean that repair costs continue to increase as new elements, such as diagnostics and recalibration add to the repair bill, as well as ongoing component shortages, inflation and a growing propensity of electric vehicles (with costly repairs if the battery is damaged).

These cost increases have brought significant challenges for the UK motor insurance market: [Figures from EY](#) showed that in 2023 insurers paid out £1.14 in claims and expenses for every £1 received in

<sup>1</sup> Comparethemarket use a 51% methodology, which lines up every annual quote in order of cheapest to most expensive and then picks out the quote that lands on the 51% mark in each segment.

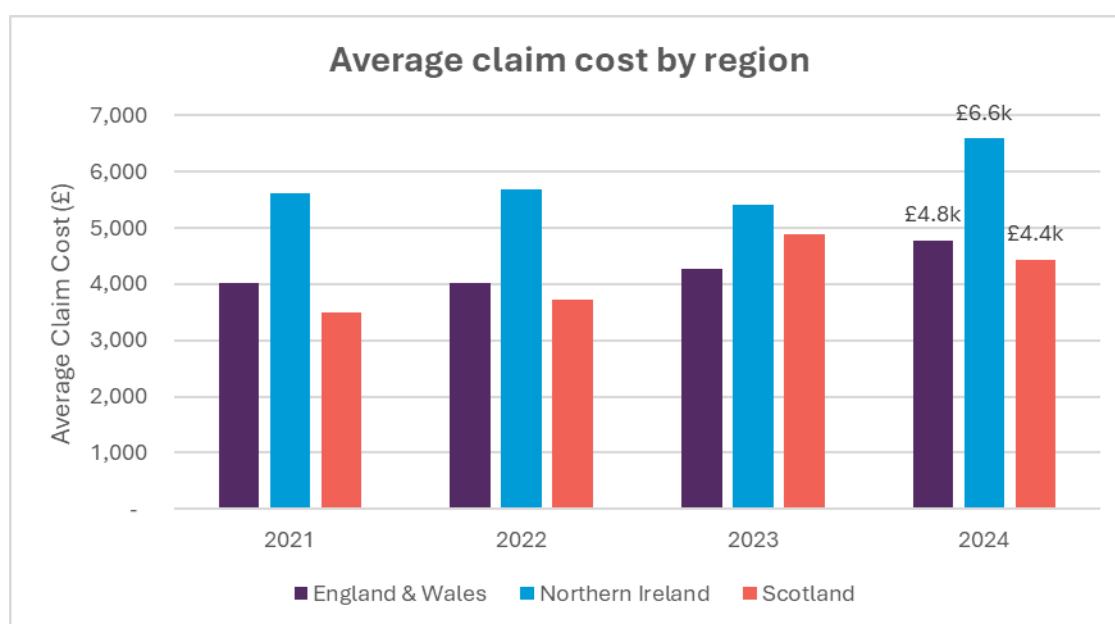
premiums. Our data shows that motor (private car) insurers in the UK have reported an underwriting profit in just three years out of the last ten, rising to four years when including commercial motor insurers.

### Northern-Ireland specific factors

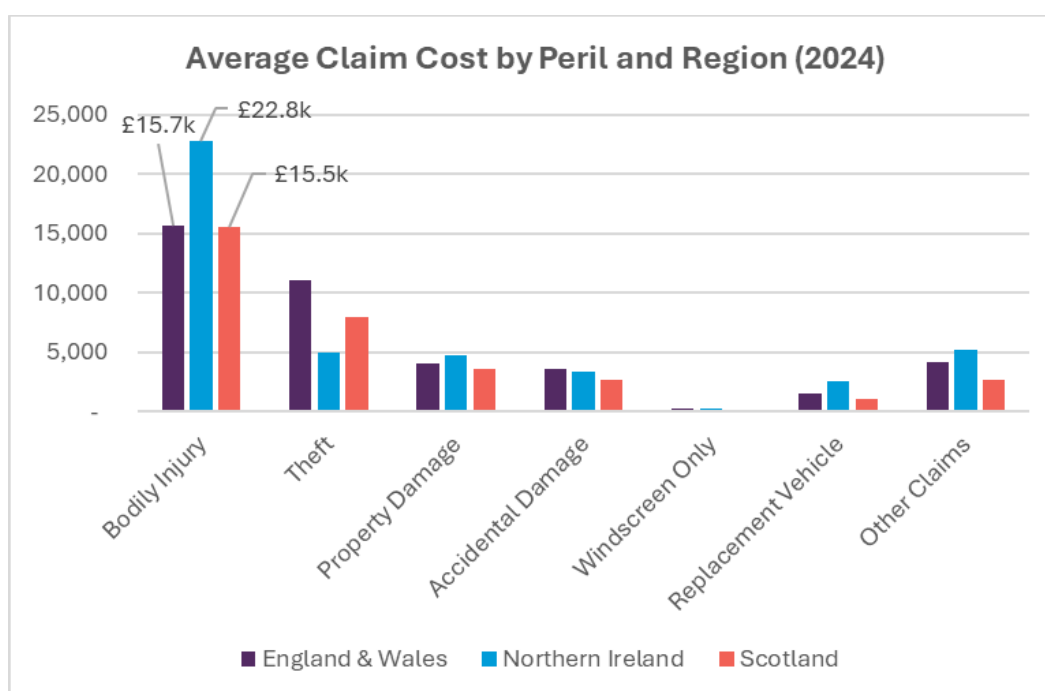
These factors that affect motor insurance premium and claims costs in the UK as a whole apply to Northern Ireland too, but there are also some other more local challenges.

The ABI collects a breakdown of quarterly motor claims data by type of claim from member firms. Since 2021, this data collection has been disaggregated into the legal jurisdictions for Northern Ireland, England & Wales, and Scotland.

Annual average claims costs incurred by insurers in Northern Ireland have tracked more than 30% higher than in England/Wales since we began collecting this data. While the average cost of a claim in England & Wales in 2024 was £4,782, it was £6,588 in Northern Ireland.



The higher cost of motor claims in Northern Ireland is predominantly due to the higher cost of compensation for bodily injury, which is estimated at about 40% higher for an average bodily injury claim compared to England/Wales. The cost of providing replacement vehicles in Northern Ireland is also higher than in England and Wales or in Scotland, while the costs of claims from theft tend to be lower on average than elsewhere in the UK.



**Higher compensation for bodily injury** to other drivers, passengers, pedestrians or the driver themselves in Northern Ireland has a particularly significant impact because it is the costliest element of claims for motor insurance companies. This is because serious collisions can unfortunately lead to life-changing injuries, with compensation sometimes running into the multi-millions of pounds to pay, for example, loss of income and ongoing care costs.

The reasons for this discrepancy lie largely in Northern Ireland's legal system. Parts of this system operate independently in Northern Ireland, with guidance for personal injury damages and rules on legal costs in motor insurance litigation set by the Northern Ireland judiciary. Insurers have little control over these costs and are bound by the decisions of the court in personal injury awards. Motor insurers operating in Northern Ireland will therefore have to reserve or set aside higher levels of capital to meet future claims than might otherwise be the case. On 8 April 2024, the [latest version](#) of the new Guidelines for the Assessment of Damages in Personal Injury Cases in Northern Ireland was published with average increases in awards for various injuries of between 25-30% and guidelines for minor neck injuries seeing increases of up to 67%. Moreover, the 'Green Book' also notes the incentive for fraudulent claims as whiplash allegations are easily made and not easily disproved.

These general damages awards for personal injury in Northern Ireland are significantly higher than in the rest of the UK: minor whiplash injuries awards in Northern Ireland are around four times greater than the highest potential tariff award in England and Wales, while guidelines for wrist injuries (typically suffered in slips and falls) are between 38% and 117% greater and those for very severe, life-changing injuries are more than 50% greater. In an attempt to combat the cost of road traffic accident whiplash claims, England and Wales enacted the Civil Liability Act in 2021 to introduce fixed compensation amounts (tariffs) for whiplash. Northern Ireland does not have fixed tariffs for road traffic-related whiplash claims.

In addition to any compensation awards, **insurers in Northern Ireland must also pay the plaintiff's solicitor costs**, as well as the costs of any medical or other expert witnesses and, in some cases, the cost of senior counsel. This is because under the current system small claims for damage and/or injury such as whiplash go to the county courts, whereas in England and Wales they can go through the Small

Claims Court with no recoverable legal representation costs. This means that costs run at a much higher rate than in England and Wales, especially for lower value road traffic accident claims.

We would support the introduction of legislation that seeks to tackle both the higher damages awards in Northern Ireland and increased legal costs, and support a system that provides fair and proportionate damages for the injuries suffered.

Northern Ireland also has a **poorer road safety** track record than the rest of the UK, with a higher rate of deaths and serious injuries from road collisions. [Police Service of Northern Ireland figures](#) show that Northern Ireland recorded 1,008 killed or seriously injured casualties resulting from road traffic collisions in 2024 – higher than at any other time since 2015. By comparison, Great Britain saw a decline in road collisions and the number of casualties.

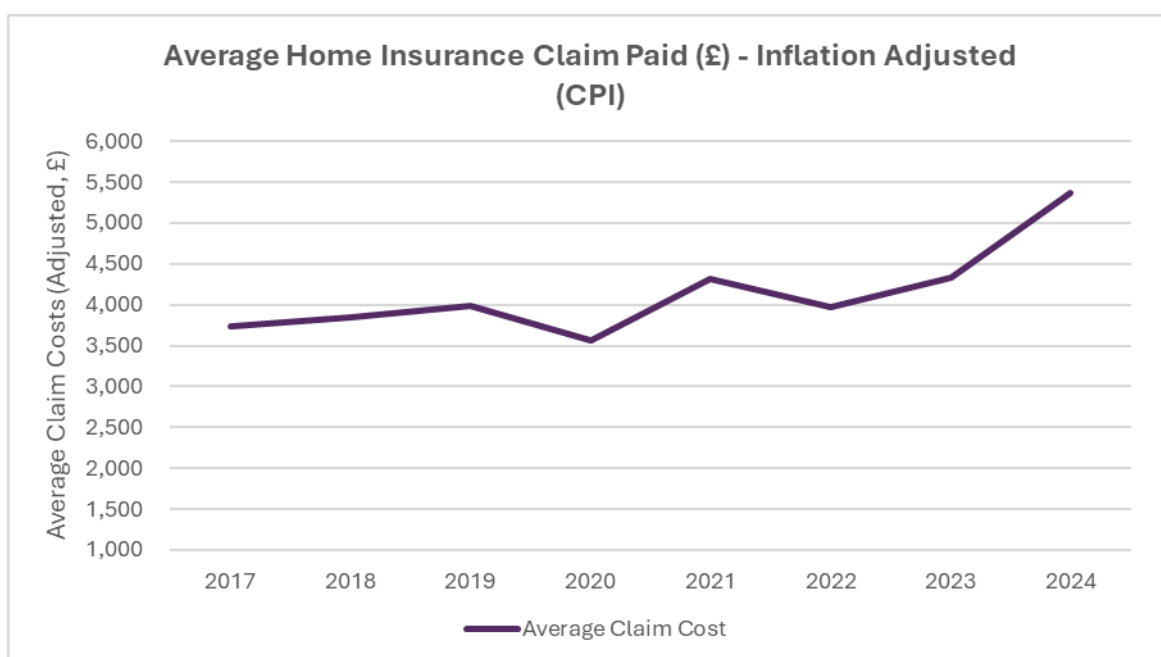
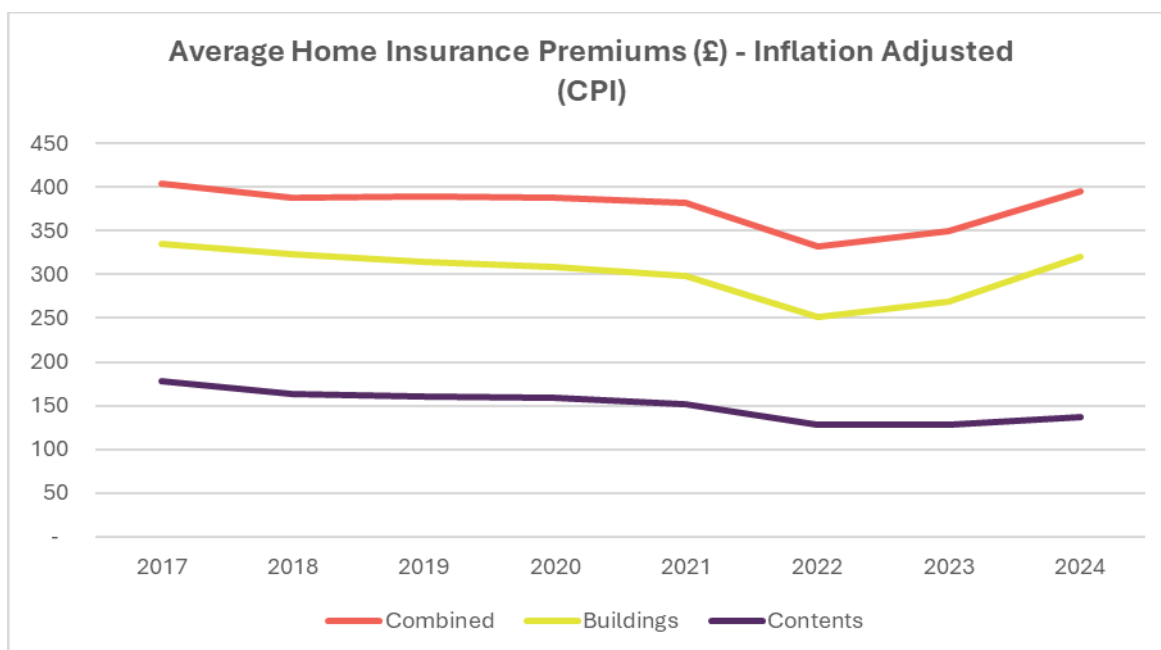
There is a larger **Claims Management Company (CMC) presence** per head of population in Northern Ireland compared to the rest of the UK. CMCs actively pursue customers post-collision to offer advice or services on making claims for compensation, restitution or repayment and can add additional costs between 15% and 30% of a total claim by taking a percentage cut of the compensation payment that does not reach claimants.

There is a consumer protection gap in Northern Ireland where Claims Management Companies are not regulated by the Financial Conduct Authority as they are in England, Wales and Scotland. Consumers are therefore left at a disadvantage in terms of protection from CMCs and cold-calling. We would welcome the Committee's support for action by the UK Government to close this gap, by extending the regulatory perimeter of the FCA for CMCs to include Northern Ireland.

The **cost of repair** can also be higher in Northern Ireland than in some other parts of the UK, due in part to less competition in the garage network. MOT tests operate differently in Northern Ireland and there has been a significant backlog in tests since late 2019. Our members have been supporting motorists during the backlog, but have warned that there may be road safety consequences, which could ultimately lead to higher insurance premiums, if vehicles are not properly maintained in a roadworthy condition.

## **The UK home insurance landscape**

The ABI publishes quarterly premium and claims trackers for home insurance in the UK as a whole. This data differentiates between buildings insurance, contents insurance and combined (buildings and contents) policies, but we do not currently publish a breakdown of average premiums specifically for Northern Ireland.



The annual average premium for combined building and contents home insurance in the UK in 2024 was £395, £55 (16%) higher than the average in 2023. In real terms, average premiums for combined policies are lower than between 2013 and 2017, where inflation adjusted premiums were consistently above £405.

As with motor insurance, increasing claims costs have had an impact on home insurance premiums: adjusted for inflation the average premium paid has risen less than the average claim paid, with the average claim paid for home insurance in Q4 2024 51% more expensive than in Q4 2017.

The main driving factors behind the higher cost of claims are inflationary pressures increasing the cost of repairs in recent years as well as the **growing severity and frequency of extreme weather events**. We've seen several difficult winters of successive named storms and extreme weather, with 12 named storms hitting in the 2023/2024 storm season - the most since 2015/2016. Claims costs for various weather-related perils saw double-digit increases in 2024, with total claims paid for damage to homes from windstorms, flooding and frozen pipes in 2024 28% higher than in 2023.

**The rising cost of raw materials** has seen the House Rebuilding Cost Index climbing by 40% since January 2020. Our members have also seen significant increases in the **costs of labour and energy**, which are vital to the repair process of damaged homes.

Rapid changes to both the cost of claims and operating expenses have been reflected in UK insurers' operating margins. EY figures show that in 2023, for every £1 property insurers received in home insurance premium, they paid out £1.18 in claims and expenses. This made it the fifth consecutive year that home insurers in the UK on average made an underwriting loss.

### Northern-Ireland specific factors

In addition to the general cost pressures in the home insurance market outlined above, Northern Ireland faces several challenges that exacerbate the situation locally.

While we don't currently publish ABI property claims data specific to Northern Ireland, many of our members have told us anecdotally that claims costs in Northern Ireland tend to be higher and that they have increased at a higher rate than in other parts of the UK.

As with motor insurance, the higher **prevalence of Claims Management Companies** (CMCs) and the lack of FCA regulation in Northern Ireland impacts property claims settlements, potentially by as much as 15% to 30%.

Another characteristic of the Northern Ireland market is the **higher cost of Escape of Water claims**. These are claims for water damage to a property caused by an internal leak, usually from a burst pipe or faulty pipework. This may be partly due to the construction of properties, which can make it harder to detect leaks early. Moreover, there is a higher prevalence of oil heating in Northern Ireland homes, leading to more frequent and costly **Escape of Oil claims**. These types of claims have a greater relative severity and are particularly difficult to manage. There is some indication that due to the specialist nature of these claims, trade and material shortages are especially pronounced.

### Capacity in the Northern Ireland market

Customers can choose from a wide range of insurance brands operating in the Northern Ireland market. Some of the larger ABI members offering motor or home insurance cover in Northern Ireland include Admiral, AXA, Direct Line Group, First Central, LV, NFU Mutual and Tesco Insurance. This is not an exhaustive list and the Northern Ireland specific price comparison website, [compareni.com](https://www.compareni.com) offers consumers the opportunity to compare "from over 80 providers of Northern Ireland insurance".<sup>2</sup>

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<sup>2</sup> [www.compareni.com](https://www.compareni.com)



There remains a competitive market for insurance in Northern Ireland with availability through brokers, direct channels and price comparison websites. [Consumer Insight Surveys](#) by the Northern Ireland Consumer Council shows that car insurance is the most common product people shop around for (64% in 2023 and higher than broadband and groceries), with home insurance coming in fourth at 51%. These are higher than goods or services like mobile phones, petrol, electricity, gas and loans/credit.

## **Actions our industry is taking to support customers**

### ***Motor Affordability Roadmap***

We launched a 10-point Motor Affordability Roadmap in February 2024 highlighting steps that industry, government, regulators, and other stakeholders could take to reduce the overall costs associated with providing vehicle insurance and potentially reducing claims frequency or severity in the long-term.

This year, we published our [update report](#), which sets out the progress made in key areas including tackling vehicle theft, cracking down on insurance fraud and uninsured driving, helping consumers make informed decisions, and reducing the impact of the Person Injury Discount Rate (PIDR).

As part of our work to help improve understanding and support to those who need it most to navigate the market, we have also published updated [motor insurance FAQs](#) on our website to help explain what goes into premium calculations and to highlight some of the cost pressures that the industry is facing. Our FAQ page includes some simple consumer guidance on how they can navigate the market and access a good deal on their motor insurance, including shopping around and not leaving renewal until the last minute.

We have also [highlighted](#) wider systemic trends that may have an impact on motor insurance premiums which may not abate as inflation reduces. Our members are committing to better explaining how insurance premiums are calculated and the steps customers can take to reduce costs. This includes more detailed explanations at renewal, but also throughout the purchasing process.

### ***Road safety***

Road safety has always been, and will continue to be, a priority for motor insurers. Our industry funds and supports Thatcham Research, the UK's only not for profit insurer funded research centre aiming to advance and maintain safety standards, and we are keen to support the targets in the Road Safety Strategy for Northern Ireland to 2030.

In Northern Ireland, 16-24 year olds [represented one-fifth](#) (20.5%) of those killed or seriously injured on the roads in 2024, despite only [accounting](#) for approximately 9% of its driver population. 207 people in this age group were killed or seriously injured last year, higher than at any time since 2016 and more than twice the 2030 target set in the Road Safety Strategy 2030. We believe Graduated Driver Licensing (GDL) - which was legislated for in the Road Traffic (Amendment) Act (Northern Ireland) 2016 - would be a significant step towards improving driver safety and we would urge the Minister for Infrastructure to progress implementation.

Nearly two-thirds of the larger motor insurers offer some kind of telematics or '[pay how you drive motor insurance](#)' product and, as a sector, we are supportive of the benefits that telematics devices and policies can bring. These types of policies tend to monitor driving behaviour and may often provide premium discounts for safer driving. Hence, they have certainly helped many safe young drivers to

access more affordable cover. However, policies will differ, so it is important that customers understand the policy terms in order to find one to suit their needs.

### **Motor insurance taskforce**

The UK Government launched its new cross-government Motor Insurance Taskforce in October 2024, with the ABI a member of the stakeholder panel. The taskforce's remit covers road safety and motor affordability and we are committed to continued engagement to support ways that will reduce the cost of claims.

### **Flood Re and Build Back Better**

Flood Re is an initiative designed, developed and implemented by the insurance industry alongside the UK Government in 2016 to ensure continued access to affordable home insurance for those at risk of flooding.

To date, Flood Re has helped over 500,000 households access insurance, with over 4,000 of these in Northern Ireland. Independent research shows that 98% of households with prior flood claims can now obtain quotes from five or more insurers when before the existence of Flood Re, none could get quotes from five or more insurers.

However, Flood Re has a statutory requirement to cease to exist by 2039 and so sufficient government investment to keep up with climate change, including in drainage systems and flood defence infrastructure, is essential if we are to move to an affordable risk-reflective market by the time Flood Re comes to and for homes to remain insurable. [Research carried out by the ABI, Flood Re and Flood specialists JBA](#) has highlighted that for every £1 spent on flood defence maintenance, £7 is saved in capital spend.

It is also important that Northern Ireland continues to ensure that new homes are not built in areas at risk of flooding: a recent [Research and Information Service Briefing Paper](#) for the Committee for Infrastructure found that 1% of all approved residential applications in Northern Ireland in 2023/24 were located in an area of flood risk. This is simply storing up problems for the future. We would also like to see building regulations strengthened with property flood resilience measures made mandatory in the construction of new build homes, particularly as surface water flood risk grows as a problem, meaning it is not only properties near rivers or the sea that are at significant risk.

In 2022 Flood Re launched its "Build Back Better" scheme. Insurers who are signatories of the scheme can offer householders the chance to install property flood resilience measures up to the value of £10,000 when repairing their properties after a flood, reducing the impact and cost of future flooding. The initiative now covers over 70% of the UK's residential property insurance market.

### **Financial inclusion**

Last year we published our [Financial Inclusion Strategy](#), which commits us over a two-year period to amplifying and progressing our work to support financial inclusion. It represents an industry-wide effort on four specific issues, one of which is improving the affordability of motor insurance.

In 2022 we established a Consumer Advisory Group made up of a number of consumer organisations, including the Consumer Council of Northern Ireland, which helps inform our approach with members on consumer issues.

We also work with several organisations to help promote financial inclusion. For example, in 2023 we worked with Fairer Finance to develop a ‘Guide to Clearer Communication’. We’re also an Advisory Partner of Plain Numbers, an organisation aimed at clear communication within financial services, to help raise awareness amongst our insurance and long-term savings members of how they can communicate numbers and their context to customers as clearly and as simply as possible.

ABI Director General Hannah Gurga has been invited to Chair the UK Government Sub-Committee on Access to Insurance, and we are currently working to finalise its programme of work, including by consulting with the Northern Ireland Executive and officials to ensure the sub-committee takes account of local variations.

## About us

The ABI is the voice of the UK’s world-leading insurance and long-term savings industry, which is the largest sector in Europe and the third largest in the world. We represent more than 300 firms within our membership, including most household names and specialist providers, providing peace of mind to customers across the UK.

We are a purpose-led organisation: Together, driving change to protect and build a thriving society. On behalf of our members, we work closely with the UK’s governments, HM Treasury, regulators, consumer organisations and NGOs, to help ensure that our industry is trusted by customers, is invested in people and planet, and can drive growth and innovation through an effective market.

A productive and inclusive sector, our industry supports towns and cities across Britain in building a balanced and innovative economy, employing over 300,000 individuals in high-skilled, lifelong careers, two-thirds of whom are outside of London. Our members manage investments of £1.4 trillion, contribute £18.5 billion in taxes to the Government and support communities and businesses across the UK.

In Northern Ireland, the insurance and long-term savings industry supports 5,000 full time equivalent jobs generating £241 million for the Northern Irish economy in Gross Value Added. Belfast and Londonderry are major centres of employment for our member companies, including AIG, Allianz, Aviva, AXA, NFU Mutual, QBE, RSA and Zurich.