

A Statistics Research Branch Publication

NORTHERN IRELAND BUSINESS INSURANCE SURVEY 2000-2003

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This is the second survey of businesses in Northern Ireland carried out by the Department of Enterprise Trade and Investment to assess the level and type of insurance premiums across all industry sectors and sizes. Data is now available over the 4-year period 2000 to 2003.

- In 2003 the average business insurance premium in NI was £46,624, up from £45,773 in 2002 and £25,938 in 2000.
- However, when the percentage increase for individual premiums is examined the average increase from 2002 to 2003 was found to be 33.4%. The equivalent increase in the previous year (2001 to 2002) was higher at 47.0%, indicating that the rate of increase of insurance premiums is beginning to fall.
- Over the period 2002/03 the largest increases in premiums were in the Construction (49.0%) and Service (37.1%) sectors. This has changed from 2001/02 when the Manufacturing and Construction sectors saw the largest increases of 55.0% and 51.5% respectively.
- Businesses of all sizes saw an increase in the costs of premiums in 2002/03. Larger businesses experienced a greater slowdown in cost increases compared to 2001/02. Businesses with 0-9 employees reported virtually no change in the increase in 2002/03 (33%) compared to 2001/02 (34%).
- The greatest increase in premiums over the period 2002 to 2003 occurred for businesses with 10 to 24 employees (37.2%).
- Employers liability insurance showed the most marked increase in 2003, up 42% compared to the previous year.

Northern Ireland Business Insurance Survey 2000-2003 Results

DETI Statistics Research Branch

27th February 2004

BACKGROUND

The Department of Enterprise Trade and Investment first undertook a survey of insurance premiums in 2002 to establish the cost of insurance premiums paid by businesses in Northern Ireland and how this had changed over recent years, to inform discussions on the nature and extent of difficulties experienced by businesses and how current problems might be mitigated.

In line with the Departments commitment to evidence based decision making a second survey of business insurance premiums has been carried out to establish the situation in 2002/03 and previous years. Information on the value and type of premium is also presented by industry sector and size of business. The survey also looked at whether the respondent changed insurer over the period or if they had been refused insurance cover within the last year.

Questionnaires were issued in November 2003 to 1,948 businesses of different sizes across all industrial sectors. A total of 1009 forms were returned, a response rate of 52%, which provided 1990 insurance premiums for analysis.

This report is also available on the DETI Statistics Research Branch web-site www.statistics.detini.gov.uk.

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Northern Ireland Business Insurance Survey Executive Summary

DETI Statistics Research Branch

27th February 2004

Introduction

This is the second survey of Northern Ireland Business Insurance, designed to collect information on the costs of different types of business insurance premiums over the 4 year period 2000-03, from a representative sample of businesses across Northern Ireland. The information collected updates the previous year's survey and allows changes in costs to be examined by business sector and size of company.

Average Premium Values

The average costs of business insurance premiums in 2003, for Northern Ireland businesses surveyed, was £46,624 up 2% from the previous year, but 38% higher than two years ago (£33,675). The fact that the rate of increase in average costs has slowed to 2% in the most recent year (2002-03) masks considerable variability in the percentage increase experienced by individual firms.

- In 2003 the average business insurance premium in NI was £46,624, up from £45,773 in 2002 and £25,938 in 2000.

Average costs can be dominated by high value insurance premiums paid by large firms, which may not have increased as much as relatively small value premiums. When the annual percentage change experienced by each firm is examined and an average taken of these a more differentiated picture emerges. Overall companies experienced a 33% increase in the value of their premium in the period 2002-03 (Table 1) compared to a 47%

annual increase in the previous year (2001-02).

Table 1:- Average Costs of Premiums and Annual Percentage Change

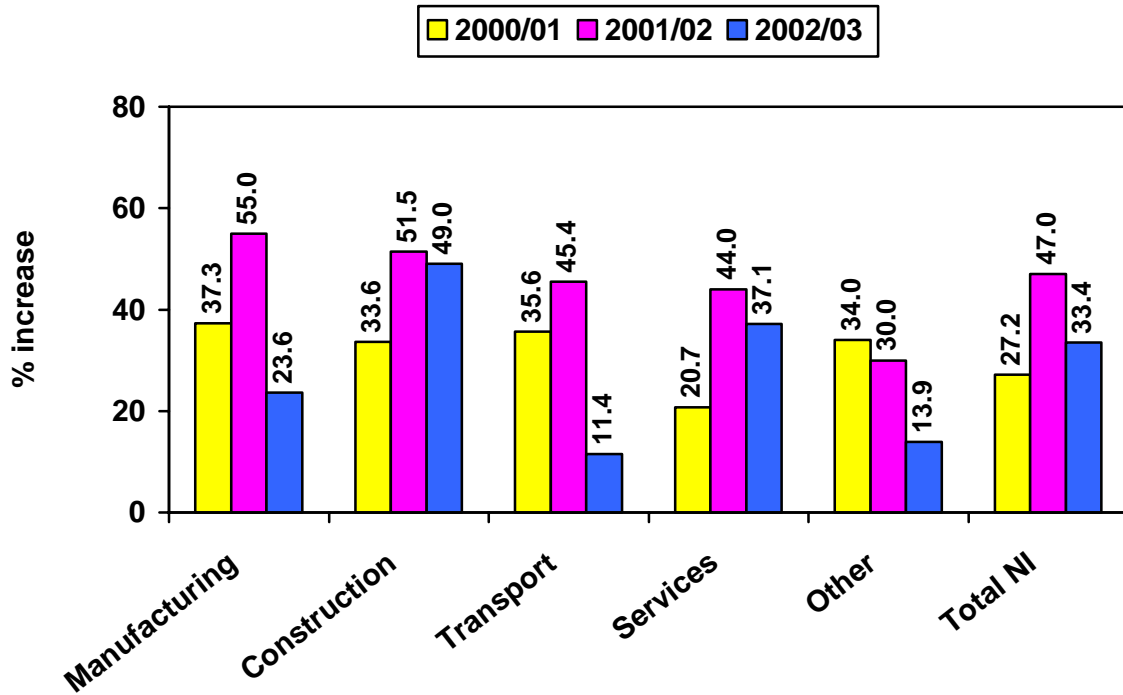
<i>Year</i>	<i>Average cost of Premium</i>	<i>Average of Individual Annual Percentage Changes</i>
2000	£25,938	
2001	£33,675	27%
2002	£45,773	47%
2003	£46,624	33%

- Overall the average increase in all types of premiums from 2002 to 2003 was 33.4%. The equivalent increase in the previous year (2001 to 2002) was higher at 47.0%.
- In 2003 half of NI business insurance premiums were greater than £12,600 – almost double the figure in 2000 (£6,465).

Premiums by Industry Sector

- Over the period 2002-2003 the largest increases in premiums were in the Construction (49.0%) and Service (37.1%) sectors. This has changed from 2001/02 when the manufacturing and construction sectors saw the largest increases of 55.0% and 51.5% respectively (Fig 1).

Figure 1:- Percentage Increases in Premiums by Industry Sector



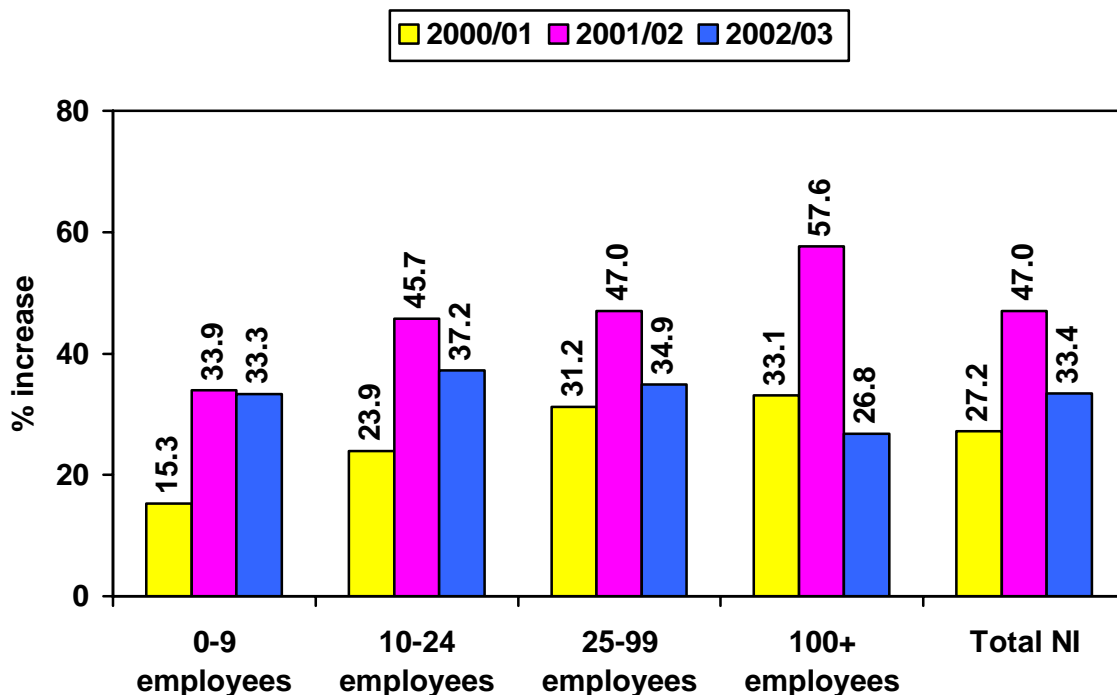
Premiums by Business Size

Premiums increased for all business sizes in the period 2002/03 (Figure 2). However, premium increases rose more slowly for larger businesses than for smaller businesses compared to the previous period. Thus, firms with 100 or more employees saw the rate of increase half in 2002/03 compared to the increase in 2001/02 (27% compared to 58%);

However for those in the smallest size band there was little change in the cost increase between 2001/02 and 2002/03.

- For those with single premiums, employers liability insurance increased most (42%) in 2002-03 and the rate of increase was higher than the previous year (41%).

Figure 2:- Percentage Increases in Premiums by Business size



NORTHERN IRELAND BUSINESS INSURANCE PREMIUMS SURVEY

INTRODUCTION

This report provides the results of a second survey of businesses carried out by the Department of Enterprise Trade and Investment, that is designed to provide estimates of the costs of insurance premiums to private sector businesses with employees in Northern Ireland. The survey provides information on the cost of premiums purchased and the cost of such premiums over the four-year period 2000 to 2003. It is also possible to assess the extent to which insurance costs vary by size of business and across different industrial sectors in Northern Ireland. The survey also looks at whether the respondent changed insurer over the period or if they had been refused insurance cover within the last year. Questionnaires were issued in November 2003 to 1,948 businesses of different sizes across all industrial sectors. A total of 1009 forms were returned, a response rate of 52%, which provided 1990 insurance premiums for analysis.

All percentage increases in premiums mentioned are the average percentage changes for individual case premiums.

AVERAGE PREMIUM VALUES

- In 2003 the average business insurance premium in NI was £46,624, up from £45,773 in 2002 and £25,938 in 2000 (table 1).
- In 2003 half of NI business insurance premiums were greater than £12,600 – almost double the figure in 2000 (£6,465).

Table 1 – Overall Annual Premiums

	2000	2001	2002	2003
Number of valid cases	1053	1631	1649	1349
Average premium	£25,938	£33,675	£45,773	£46,624
10% of premiums were below	£623	£666	£823	£957
25% of premiums were below	£1,837	£2,006	£2,500	£3,049
50% of premiums were below	£6,465	£7,300	£10,075	£12,600
75% of premiums were below	£20,169	£24,230	£33,941	£42,460
90% of premiums were below	£56,319	£70,542	£106,259	£120,000

OVERALL PREMIUM INCREASES

- While there is little apparent difference in the average premium between 2002 and 2003, percentage increases in individual premiums for smaller firms can be masked by very high premiums which may not have seen a large percentage increase between years. It is therefore more appropriate to look at the average of percentage changes across years to minimise this effect.
- Overall the average increase in all types of premiums from 2002 to 2003 was 33.4%. The equivalent increase in the previous year (2001 to 2002) was higher at 47.0% (table 2).

- In the period from 2002 to 2003, 25% of premiums increased by more than 39.0% as compared to 2001 to 2002 when 25% of premiums increased by more than 58.7%.
- From 2002 to 2003 average increases in premiums were more than 91.3% in 10% of cases, while 10% of cases experienced a decrease of 14.8% or less.

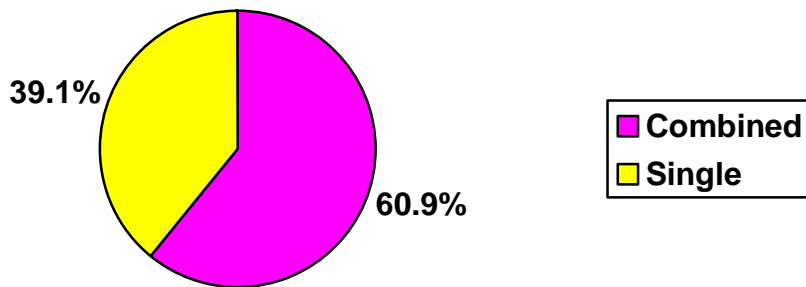
Table 2 – Overall Premium Increases

	2000/01	2001/02	2002/03
Number of valid cases	1053	1608	1026
Average increase	27.2%	47.0%	33.4%
10% of premiums increases were below	-2.9%	0.0%	-14.8%
25% of premiums increases were below	4.0%	9.6%	2.0%
50% of premiums increases were below	13.7%	25.2%	16.1%
75% of premiums increases were below	35.9%	58.7%	39.0%
90% of premiums increases were below	71.7%	113.3%	91.3%

TYPE OF PREMIUM

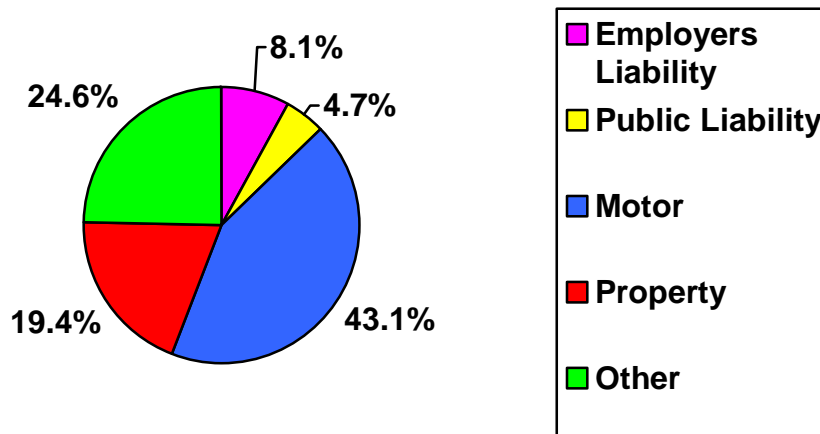
- Most of the premiums covered were combined 1211 (60.9%) with the remainder being single premiums 779 (39.1%) – (figure 1).

Figure 1 – Premium by Broad Type



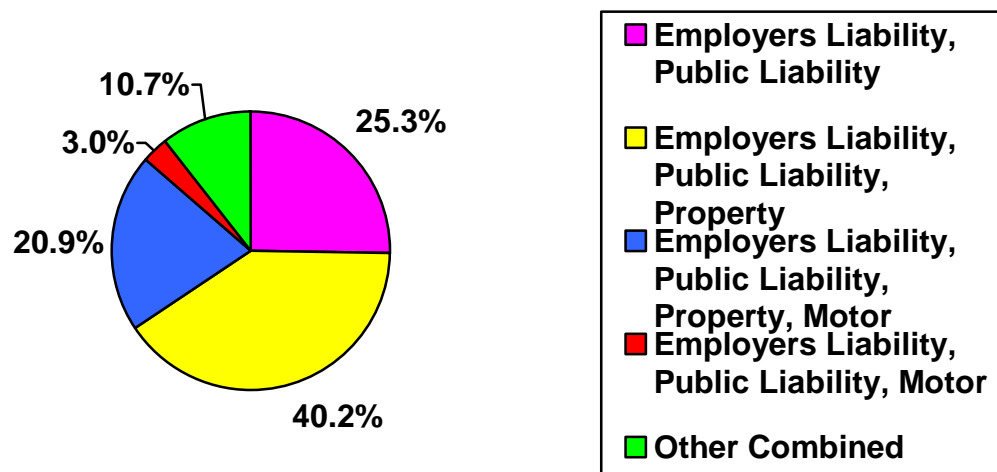
- For those paying single premiums 336 (43.1%) were for motor insurance, 151 (19.4%) for property insurance and 192 (24.6%) for other types, which included travel, goods in transit, inspection, professional indemnity, legal and directors and officers cover – (figure 2).

Figure 2 – Single Premium by Type



- Employers' liability and public liability single premiums only covered 8.1% and 4.7% respectively.

Figure 3 – Combined Premium by Type



- The largest proportion of all combined premiums covered employers' liability, public liability and property 40.2% (487) – (figure 3).
- A further quarter of combined premiums covered employers and public liability insurance 25.3% (306). Roughly the same proportion of premiums covered combined liability (employers and public), motor and property 21.0% (253).

PREMIUMS BY INDUSTRY SECTOR*

- Over the period 2002-2003 the largest increases in premiums were in the Construction (49.0%) and Service (37.1%) sectors. This has changed from 2001/02 when the manufacturing and construction sectors saw the largest increases of 55.0% and 51.5% respectively (figure 4).
- In all industry sectors the percentage increase from 2002/03 was less than that experienced from 2001/02. However the change in the construction sector has been very small 51.5% as compared to 49.0%.

Figure 4 – Percentage Increases in Premiums by Industry Sector

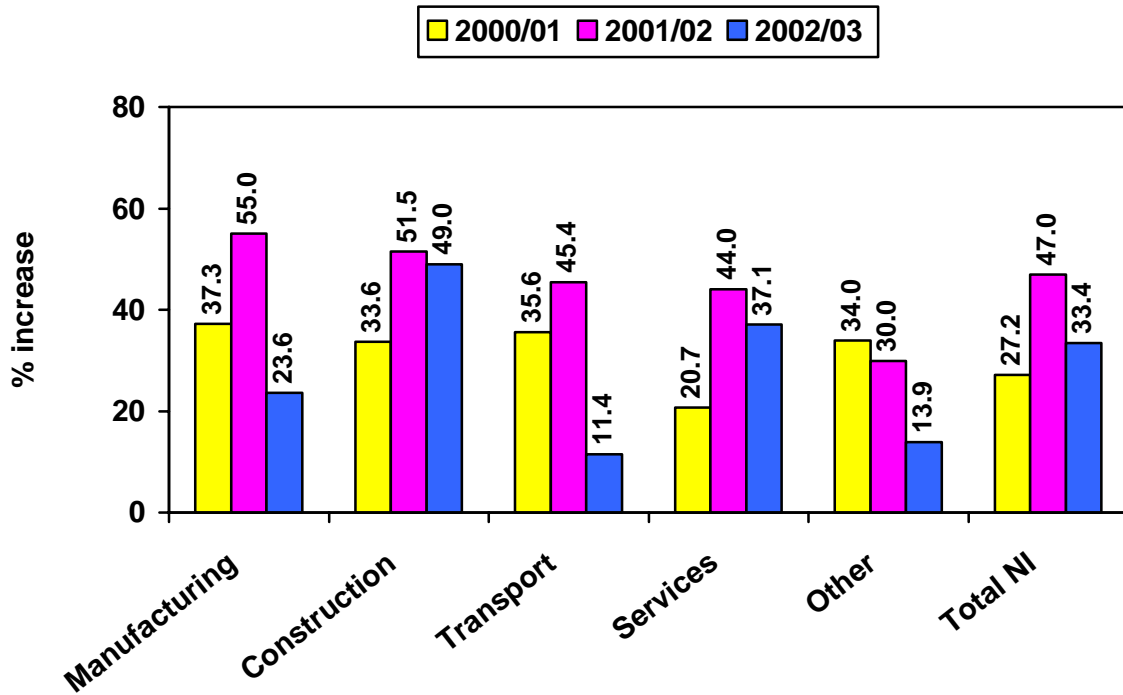
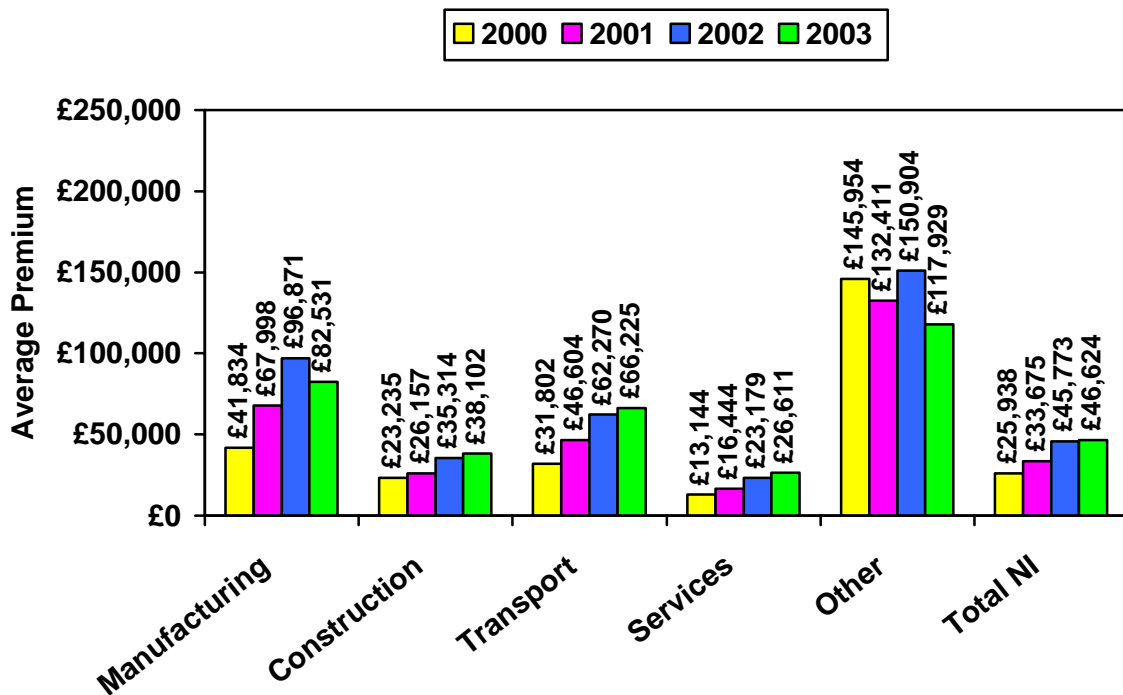


Figure 5 – Average Premiums by Industry Sector



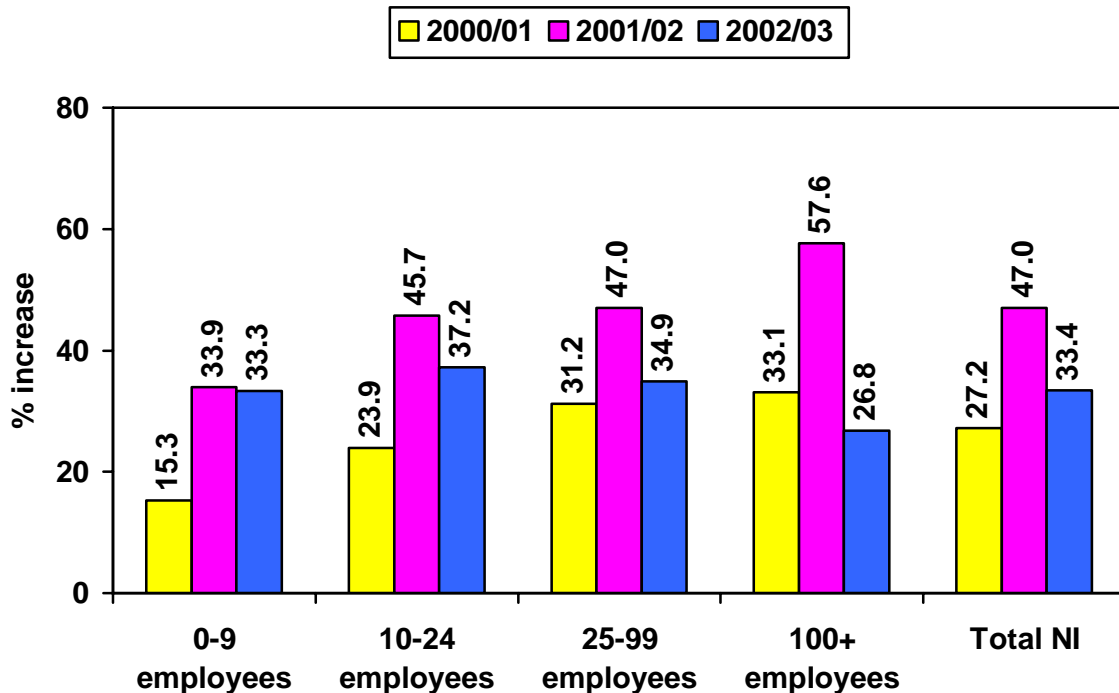
*Manufacturing – SIC92 D, Construction – SIC92 F, Transport – SIC92 I, Services SIC92 – G-P excluding I, Other – SIC92 A, B, C, E.

- Over the period 202 to 2003 there have been increases in average premiums in the construction, transport and services sector, while there have been decreases in manufacturing and the other industry sectors.
- Premiums were lowest in the services sector and highest in the other industries sectors.

PREMIUMS BY BUSINESS SIZE

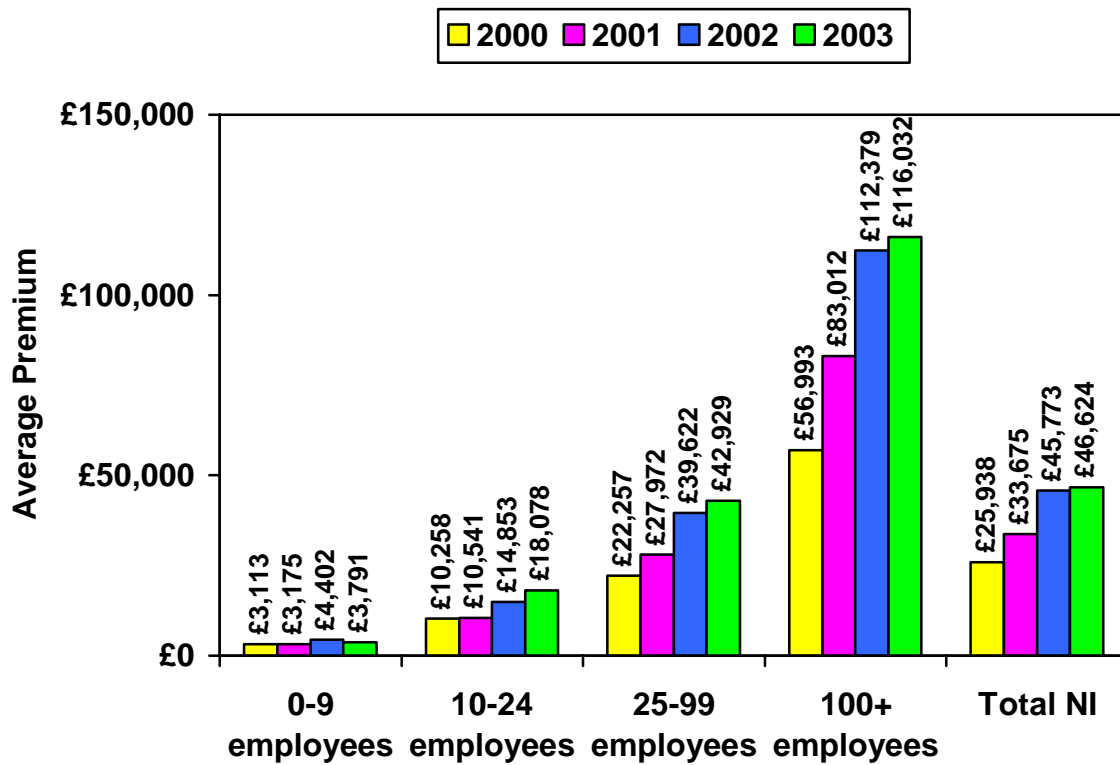
- The greatest increase in premiums over the period 2002 to 2003 occurred for businesses with 10 to 24 employees (37.2%). Whereas in 2001/02 the greatest increase was experienced by businesses with 100 or more employees (57.6%).
- The smallest increase was within businesses with more than 100 employees (26.8%) as compared to the previous year when it was businesses with 0-9 employees (0.6%).
- All business sizes saw a drop in premium increases from 2001/02 to 2002/03. However for those in the smallest size band this reduction was marginal (0.6%).

Figure 6 – Percentage Increases in Premiums by Business Size



- Average premium values have increased in all size bands with the exception of businesses with 0-9 employees.

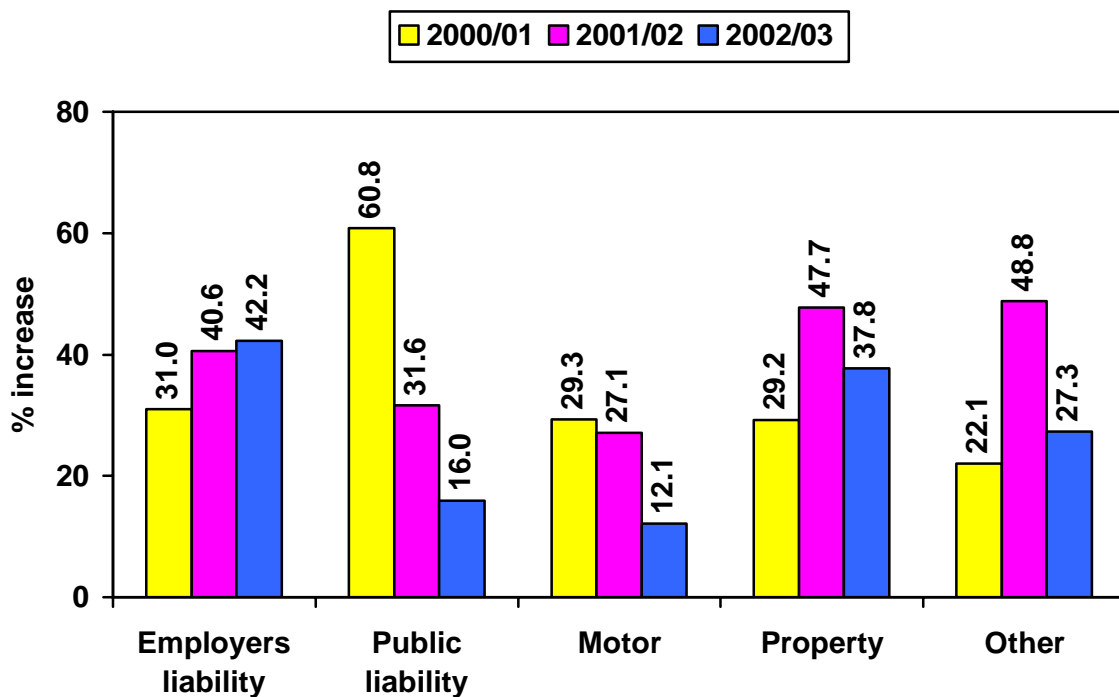
Figure 7 – Average Premiums by Business Size



It is also interesting to note whether the increase in premiums differs according to the type of premium provided by the insurance industry.

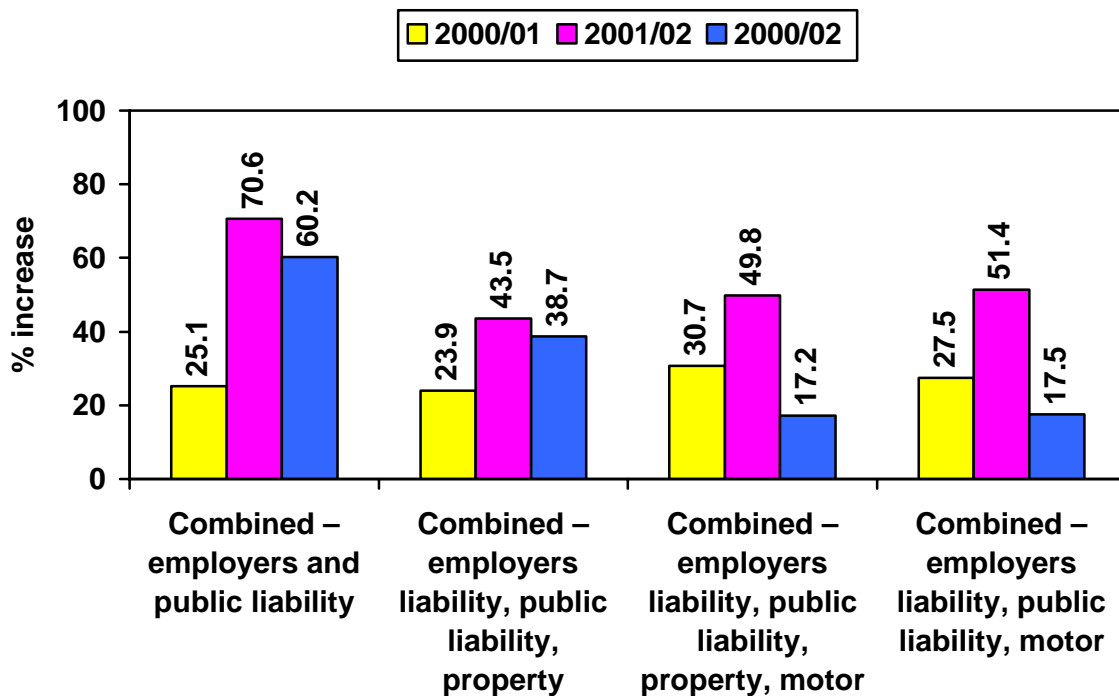
PREMIUMS BY INSURANCE TYPE

Figure 8 – Percentage Increases in Premiums by Single Premium Type



- When single premiums are examined motor insurance premiums saw the lowest increases with 12.1% from 2002 to 2003, as was the case in the previous year (27.1%).
- Single premiums on employers' liability have shown a larger increase than in previous years, in contrast to all other types, which are showing smaller increases in 2002/03 than in previous years.
- Similarly when combined premiums are looked at the largest increases occurred for the combination of employers and public liability, (these account for some 25.3% of combined premiums).

Figure 9 – Percentage Increases in Premiums by Combined Premium Type



CHANGE OF INSURER

- Businesses indicated that they had changed insurer for 13% of premiums.

REFUSAL OF INSURANCE COVER IN PAST YEAR

- 4% of businesses indicated that they had been refused insurance cover in the past year.

NOTES

STANDARD INDUSTRIAL CLASSIFICATION 1992

- A Agriculture, hunting and forestry
- C Mining and quarrying
- D Manufacturing
- E Electricity, gas and water supply
- F Construction
- G Wholesale and retail trade
- H Hotels and restaurants
- I Transport, storage and communication
- J Financial intermediation
- K Real estate, renting and business activities
- L Public administration and defence, compulsory social security
- M Education
- N Health and social work
- O Other community, social and personal service activities

SAMPLE DESIGN

The survey design comprised an extension of the previous years sample with an additional independent sample boost to ensure a sufficiently high number of respondents. For those companies that had provided data previously, respondents were asked to provide information on both single and combined insurance premiums for the year 2003. This was then boosted with an additional sample, which were asked to provide information on both single and combined insurance premiums for the years 2001, 2002 and 2003.

SURVEY RESPONSE

The profile of businesses that responded to the survey by number of employees is provided in table A.

All percentage increases in premiums mentioned are the averages of individual case premiums percentage changes.

Table A – Profile of Businesses That Responded to the Survey by Number of Employees

Size of Business	Forms Issued (original sample)	Forms Returned (original sample)	Forms Issued (boosted sample)	Forms Returned (boosted sample)	Total Forms Issued	Total Forms Returned	Percentage of returned forms
0-9 employees	172	124	300	94	472	218	21.6%
10-24 employees	183	139	300	123	483	262	26.0%
25-99 employees	220	158	300	140	520	298	29.5%
100 or more employees	173	111	300	120	473	231	22.9%
Total	748	532	1200	477	1948	1009	100%

Table B indicates the distribution across the different industry sectors of the forms issued and the forms returned.

Table B – Profile of Businesses That Responded to the Survey by Industry Sector

Industry Sector	Forms Issued (original sample)	Forms Returned (original sample)	Forms Issued (boosted sample)	Forms Returned (boosted sample)	Total Forms Issued	Total Forms Returned	Percentage of returned forms
Manufacturing (D)	146	109	177	71	323	180	17.8%
Construction (F)	85	60	140	56	225	116	11.5%
Transport, storage and communication (I)	36	26	88	34	124	60	5.9%
Services (G-P excluding I)	458	318	778	310	1236	628	62.2%
Other (A, B, C, E)	23	19	17	6	40	25	2.5%
Total	748	532	1200	477	1948	1009	100%

*Manufacturing – SIC92 D, Construction – SIC92 F, Transport – SIC92 I, Services SIC92 – G-P excluding I, Other – SIC92 A, B, C, E. The self-employed (without employees) and farmers were not surveyed (though other businesses in the Agricultural Standard Industrial Classification (SIC) sector were)

FURTHER DETAILS

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OVERALL PERCENTAGE PREMIUM INCREASES

	2000/01	2001/02	2002/03
Number of valid cases	1053	1608	1026
Average Increase	27.2%	47.0%	33.4%
10% of premiums increased less than	-2.9%	0.0%	-14.8%
25% of premiums increased less than	4.0%	9.6%	2.0%
50% of premiums increased less than	13.7%	25.2%	16.1%
75% of premiums increased less than	35.9%	58.7%	39.0%
90% of premiums increased less than	71.7%	113.3%	91.3%

OVERALL PREMIUMS £

	2000	2001	2002	2003
Number of valid cases	1053	1631	1649	1349
Average premium	£25,938	£33,675	£45,773	£46,624
10% of premiums were below	£623	£666	£823	£957
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75% of premiums were below	£20,169	£24,230	£33,941	£42,460
90% of premiums were below	£56,319	£70,542	£106,259	£120,000

**PERCENTAGE PREMIUM INCREASES BY INDUSTRY
STANDARD INDUSTRIAL CLASSIFICATION 1992**

2000/01	Manufacturing (D)	Construction (F)	Transport (I)	Service Sector (G, H, J, K, L, M, N, O)	Other (A, B, C, E)
Number of valid cases	226	136	59	598	34
Average Increase	37.3%	33.6%	35.6%	20.7%	34.0%
10% of premiums increased less than	-4.1%	-5.3%	-0.4%	-2.9%	0.6%
25% of premiums increased less than	4.7%	4.2%	3.1%	3.7%	6.3%
50% of premiums increased less than	16.6%	17.4%	17.8%	12.2%	24.0%
75% of premiums increased less than	49.5%	43.9%	51.6%	28.1%	49.9%
90% of premiums increased less than	111.2%	97.1%	100.0%	54.1%	93.7%

2001/02	Manufacturing (D)	Construction (F)	Transport (I)	Service Sector (G, H, J, K, L, M, N, O, P)	Other (A, B, C, E)
Number of valid cases	324	229	104	903	48
Average Increase	55.0%	51.5%	45.4%	44.0%	30.0%
10% of premiums increased less than	0.0%	-2.6%	-6.0%	0.0%	-1.6%
25% of premiums increased less than	11.2%	9.5%	6.3%	9.6%	4.5%
50% of premiums increased less than	36.2%	28.0%	23.4%	24.1%	16.6%
75% of premiums increased less than	72.5%	64.8%	61.7%	53.8%	37.4%
90% of premiums increased less than	122.0%	137.7%	86.7%	103.8%	69.3%

2002/03	Manufacturing (D)	Construction (F)	Transport (I)	Service Sector (G, H, J, K, L, M, N, O, P)	Other (A, B, C, E)
Number of valid cases	205	137	68	578	38
Average Increase	23.6%	49.0%	11.4%	37.1%	13.9%
10% of premiums increased less than	-19.4%	-11.1%	-20.8%	-11.1%	-52.6%
25% of premiums increased less than	-3.6%	6.0%	-7.9%	4.7%	-9.4%
50% of premiums increased less than	14.2%	22.2%	9.2%	16.7%	4.0%
75% of premiums increased less than	37.6%	73.9%	26.2%	37.7%	22.6%
90% of premiums increased less than	83.0%	142.6%	51.4%	89.3%	55.5%

PERCENTAGE PREMIUM INCREASES BY SIZE OF BUSINESS

2000/01	100+ employees	25-99 employees	10-24 employees	0-9 employees
Number of valid cases	301	321	234	197
Average Increase	33.1%	31.2%	23.9%	15.3%
10% of premiums increased less than	-4.3%	0.0%	-4.3%	-5.0%
25% of premiums increased less than	4.1%	6.1%	3.9%	0.6%
50% of premiums increased less than	16.6%	17.5%	12.5%	9.1%
75% of premiums increased less than	46.9%	41.3%	28.7%	21.3%
90% of premiums increased less than	87.9%	75.9%	57.4%	43.0%

2001/02				
Number of valid cases	422	500	377	309
Average Increase	57.6%	47.0%	45.7%	33.9%
10% of premiums increased less than	-0.3%	0.0%	-3.0%	-4.0%
25% of premiums increased less than	12.1%	11.8%	7.3%	7.2%
50% of premiums increased less than	38.1%	28.9%	21.5%	18.3%
75% of premiums increased less than	70.4%	56.5%	54.7%	41.9%
90% of premiums increased less than	132.6%	99.9%	124.4%	93.3%

2002/03				
Number of valid cases	222	323	271	210
Average Increase	26.8%	34.9%	37.2%	33.3%
10% of premiums increased less than	-16.5%	-15.5%	-13.5%	-12.6%
25% of premiums increased less than	0.0%	0.7%	2.4%	3.3%
50% of premiums increased less than	15.2%	15.1%	15.9%	17.8%
75% of premiums increased less than	33.3%	39.5%	47.5%	41.8%
90% of premiums increased less than	77.8%	90.6%	96.1%	102.3%

PERCENTAGE PREMIUM INCREASES BY TYPE

2000/01	Single – employers liability	¹ Single – public liability	Single - motor	Single - property	² Single - other	Combined – employers and public liability	Combined – employers liability, public liability, property	Combined – employers liability, public liability, property, motor	Combined – employers liability, public liability, motor
Number of valid cases	24	13	182	83	89	148	314	147	19
Average Increase	31.0%	60.8%	29.3%	29.2%	22.1%	25.1%	23.9%	30.7%	27.5%
10% of premiums increased less than	-6.3%	-15.7%	-5.0%	-2.3%	-6.1%	-6.2%	-1.7%	1.6%	-3.5%
25% of premiums increased less than	0.7%	4.6%	3.6%	1.7%	0.0%	2.0%	3.6%	8.8%	11.1%
50% of premiums increased less than	11.3%	25.0%	17.8%	11.2%	6.8%	14.0%	11.3%	20.0%	25.8%
75% of premiums increased less than	35.4%	132.7%	42.2%	32.6%	28.3%	37.3%	29.5%	38.5%	47.1%
90% of premiums increased less than	138.2%	206.3%	73.9%	98.6%	57.7%	76.0%	63.1%	64.9%	60.9%

¹Single – public liability – caution should be exercised when drawing conclusions from figures based on a small number of cases

²Single - other – this includes travel, goods in transit, inspection, professional indemnity, legal and directors and officers cover

PERCENTAGE PREMIUM INCREASES BY TYPE

2001/02	Single – employers liability	¹ Single – public liability	Single - motor	Single - property	² Single - other	Combined – employers and public liability	Combined – employers liability, public liability, property	Combined – employers liability, public liability, property, motor	Combined – employers liability, public liability, motor
Number of valid cases	38	20	267	114	140	261	435	218	33
Average Increase	40.6%	31.6%	27.1%	47.7%	48.8%	70.6%	43.5%	49.8%	51.4%
10% of premiums increased less than	0.0%	-3.8%	-10.7%	-4.4%	0.0%	1.4%	0.0%	4.7%	6.3%
25% of premiums increased less than	9.4%	1.2%	2.4%	6.4%	6.4%	17.5%	10.6%	15.1%	14.3%
50% of premiums increased less than	28.1%	30.8%	13.4%	19.4%	18.3%	42.7%	25.9%	34.4%	44.0%
75% of premiums increased less than	60.2%	48.8%	33.3%	47.4%	52.3%	89.2%	55.4%	62.7%	70.5%
90% of premiums increased less than	89.7%	90.1%	68.4%	141.3%	108.5%	162.4%	114.1%	100.0%	117.9%

¹Single – public liability – caution should be exercised when drawing conclusions from figures based on a small number of cases

²Single - other – this includes travel, goods in transit, inspection, professional indemnity, legal and directors and officers cover

PERCENTAGE PREMIUM INCREASES BY TYPE

2002/03	Single – employers liability	¹ Single – public liability	Single - motor	Single - property	² Single - other	Combined – employers and public liability	Combined – employers liability, public liability, property	Combined – employers liability, public liability, property, motor	Combined – employers liability, public liability, motor
Number of valid cases	28	12	161	56	65	181	294	156	17
Average Increase	42.2%	16.0%	12.1%	37.8%	27.3%	60.2%	38.7%	17.2%	17.5%
10% of premiums increased less than	-36.0%	-48.3%	-19.3%	-23.3%	-9.2%	-14.4%	-13.1%	-19.8%	-5.9%
25% of premiums increased less than	7.6%	-1.9%	-5.9%	0.0%	5.6%	3.4%	6.6%	0.2%	1.1%
50% of premiums increased less than	23.9%	14.3%	7.4%	10.5%	12.5%	28.3%	19.6%	15.5%	17.1%
75% of premiums increased less than	55.4%	48.4%	22.1%	27.0%	39.4%	77.9%	48.0%	35.8%	27.5%
90% of premiums increased less than	163.5%	70.2%	43.1%	125.5%	75.0%	147.6%	112.3%	58.3%	49.3%

¹Single – public liability – caution should be exercised when drawing conclusions from figures based on a small number of cases

²Single - other – this includes travel, goods in transit, inspection, professional indemnity, legal and directors and officers cover