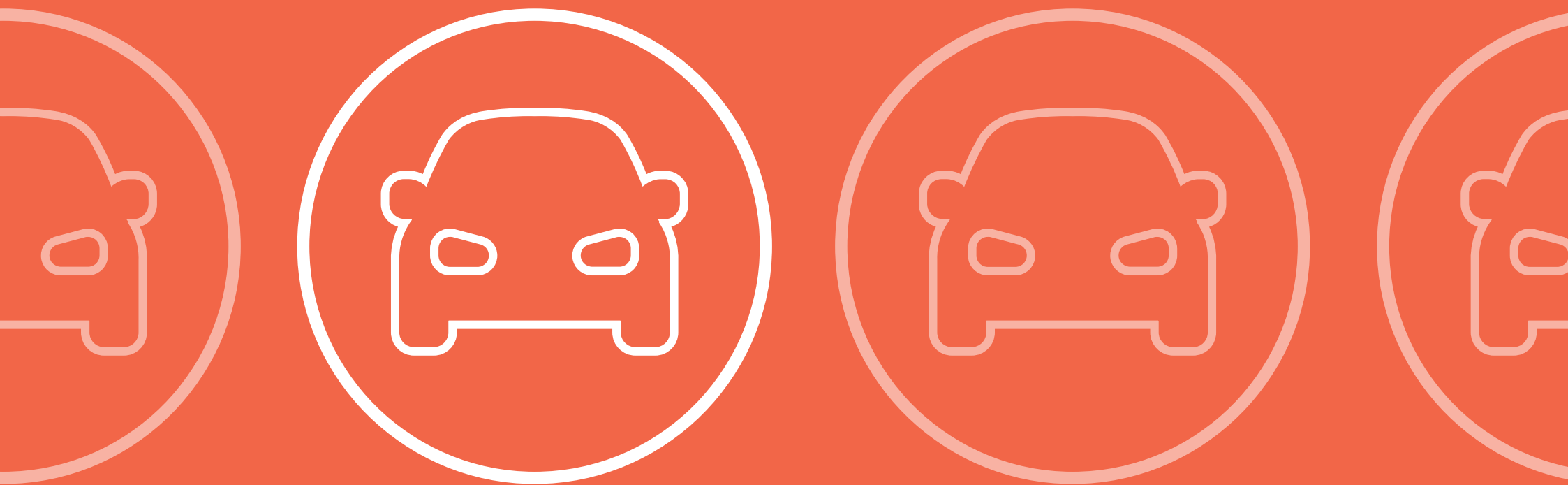


Car Insurance Price Index

April 2017



Summary

The Consumer Intelligence Car Insurance Price Index is compiled using real customer quotes from across all the price comparison websites and direct channels.

Consumer Intelligence is the only company with authorisation to collect pricing information from this comprehensive range of channels and its data is used by the Office for National Statistics to inform its measures of inflation.

Car insurance premiums have hit an average of £661 in the year to February 2017 with best-buy deals reaching 9.4% more expensive than a year ago.

Methodology

For each risk, common to consecutive months, the variation is calculated from the average of the Top 5 cheapest premiums returned across the PCWs and key directs in the previous month to the average of the Top 5 in the current month (regardless of which brands provided these quotes).

The Overall Market Top 5 monthly variation is calculated by averaging across all these risk level Top 5 variations for common risks run in both months.

The monthly figures are concatenated up to produce the trended price index from a starting point of 100% in the base month.

Meet the specialists

Laura Crane



Laura Crane joined Consumer Intelligence as an Insight Analyst in 2010, after graduating from the University of Southampton with a degree in Mathematics.

Laura is responsible for driving high quality research reporting and analytics that meet client requirements. She is also a key member of our systems development team contributing ideas to shape the pricing analysis tools we use to explore market trends, competitive positioning and opportunities.

John Blevins



John Blevins is a General Insurance specialist with 19 years' experience in the insurance industry. Having worked in an intermediary, aggregator and direct insurer, John has accumulated a wealth of knowledge around how these markets operate.

John is based in Scotland and recently joined Consumer Intelligence as product manager for general insurance pricing.

The numbers

The top five premiums across PCWs and key directs has risen by an average of 9.4% over the last 12 months. This means that the average motor insurance premium now stands at £661. The rise includes the 0.5 percentage point increase to Insurance Premium Tax to 10% on 1 October 2016.

Premiums rose at their sharpest price between March and June 2016, growing by an average of 3.6% over that period after initially dipping to a low of 99.7% in March 2016.

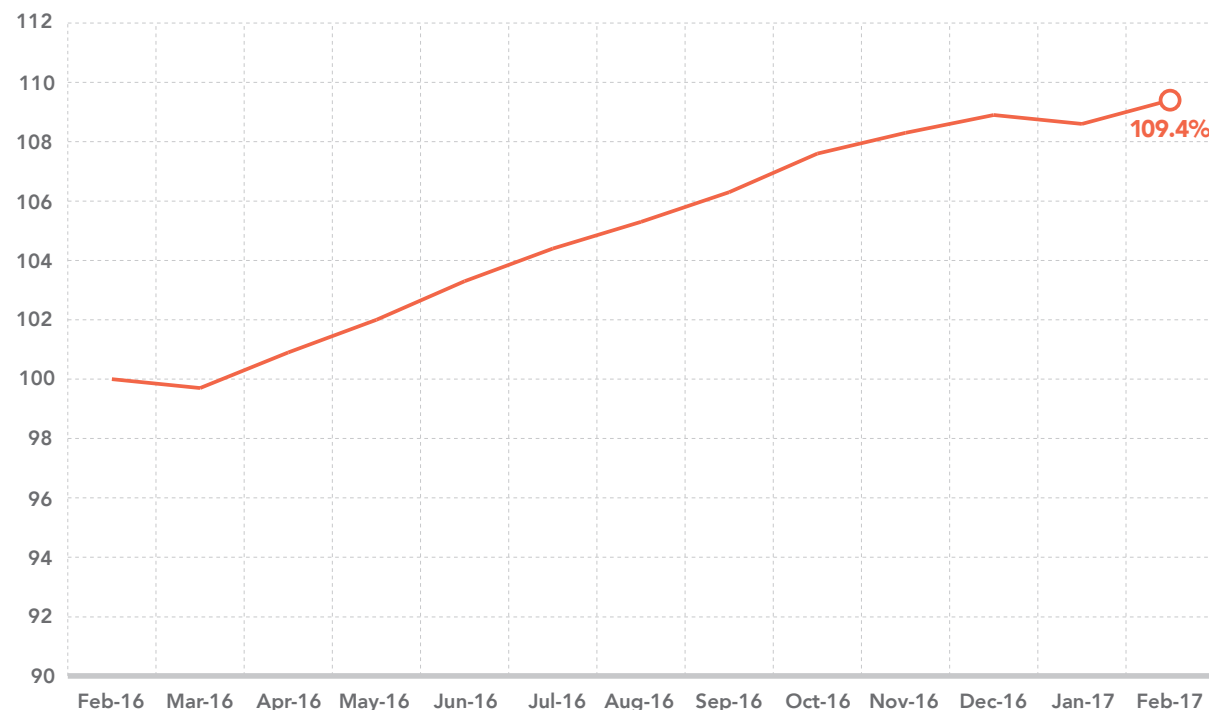
The average premium dropped 0.2% in January 2017, only the second month in the last year that has seen premiums fall, but returned to growth again in February as insurers began to preempt the cutting of the Ogden discount rate. Lord Chancellor Elizabeth Truss announced the rate would be slashed to -0.75% from 2.5% on 27 February 2017 and it became effective on 20 March.

Whilst not included in this index, early indicators are that premiums have risen faster still, and by the end of March were 4.2% higher than at the beginning of February.



The average
premium
is now
£661

The rising cost of motor insurance



Insurance Premium
Tax increase

The average
premium dropped
by 0.2%...



... but returned to growth again in
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the cutting of the Ogden discount rate.

Long term view

Over the longer term, average premiums have increased by 24.8% since October 2013, when Consumer Intelligence first started collecting this pricing data.

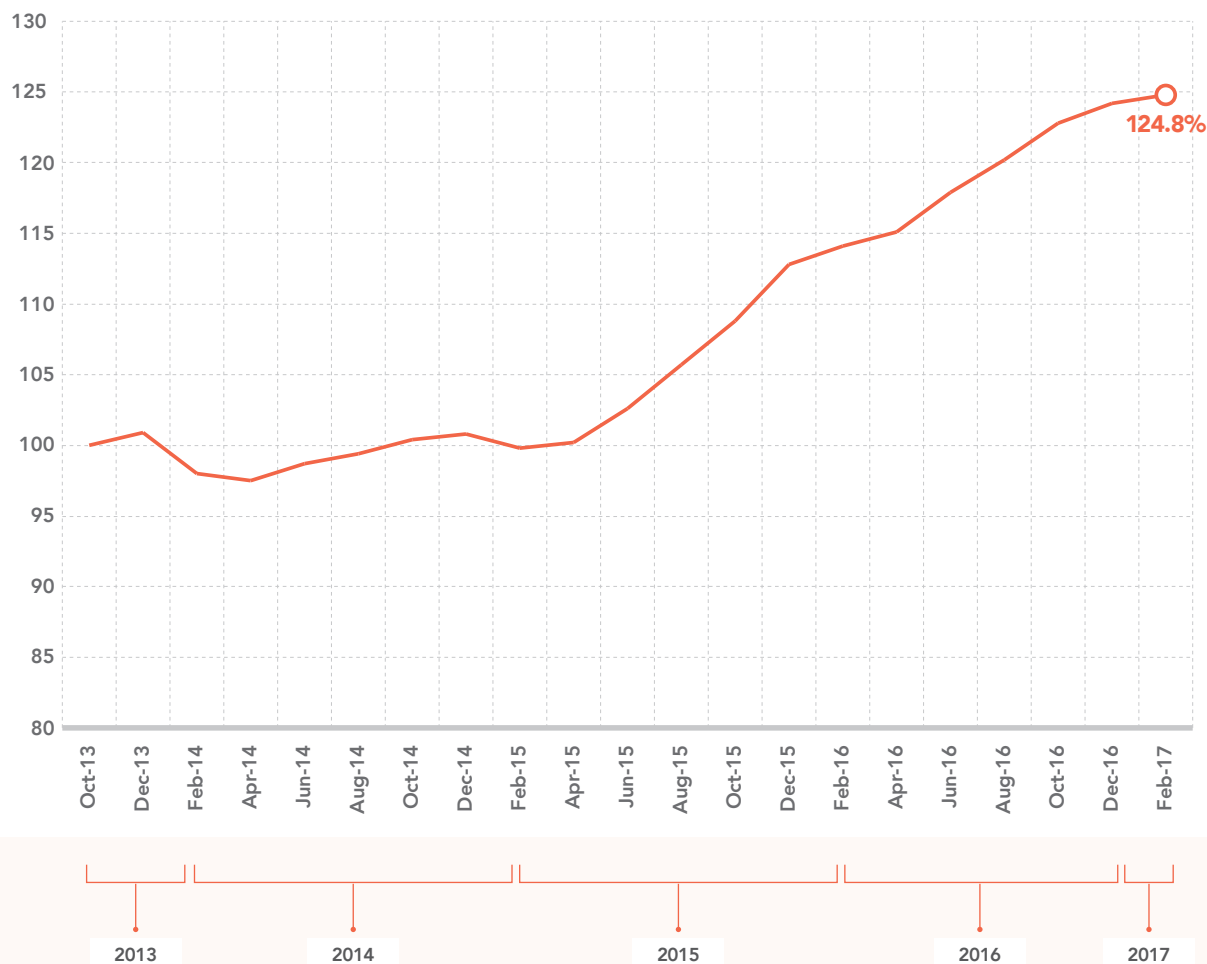
The rate of increase had slowed over recent months, increasing by less than 1% in each of the last four months, but Consumer Intelligence pricing expert John Blevins says he expects to see prices rising steadily again in the near future.

"There were signs that price rises were levelling off but that is sadly no longer the case with all indications now that the only way is up," he says. "With inflation running at 2.3% it is clear that drivers, who have no choice over whether to buy insurance, are facing a squeeze on their budgets. There are already signs that the discount rate ruling is having an impact on premiums and the next Insurance Premium Tax rise in June will add to the pressure."

24.8%

Car insurance premiums have increased by 24.8% since October 2013

Premiums continue to rise



Age differences

Young drivers aged 21 to 24 have seen the smallest price increases over the past 12 months, with the average premium growing by 7.8% over that period. But young drivers still have the highest cost of insurance of all motorists, with the average young driver premium costing £1,176.

The over 50s, meanwhile, have seen premiums grow by an average of 10.8% since February 2016, to an average of £372, while drivers aged 25 to 49 have experienced premium growth of 9.3%.

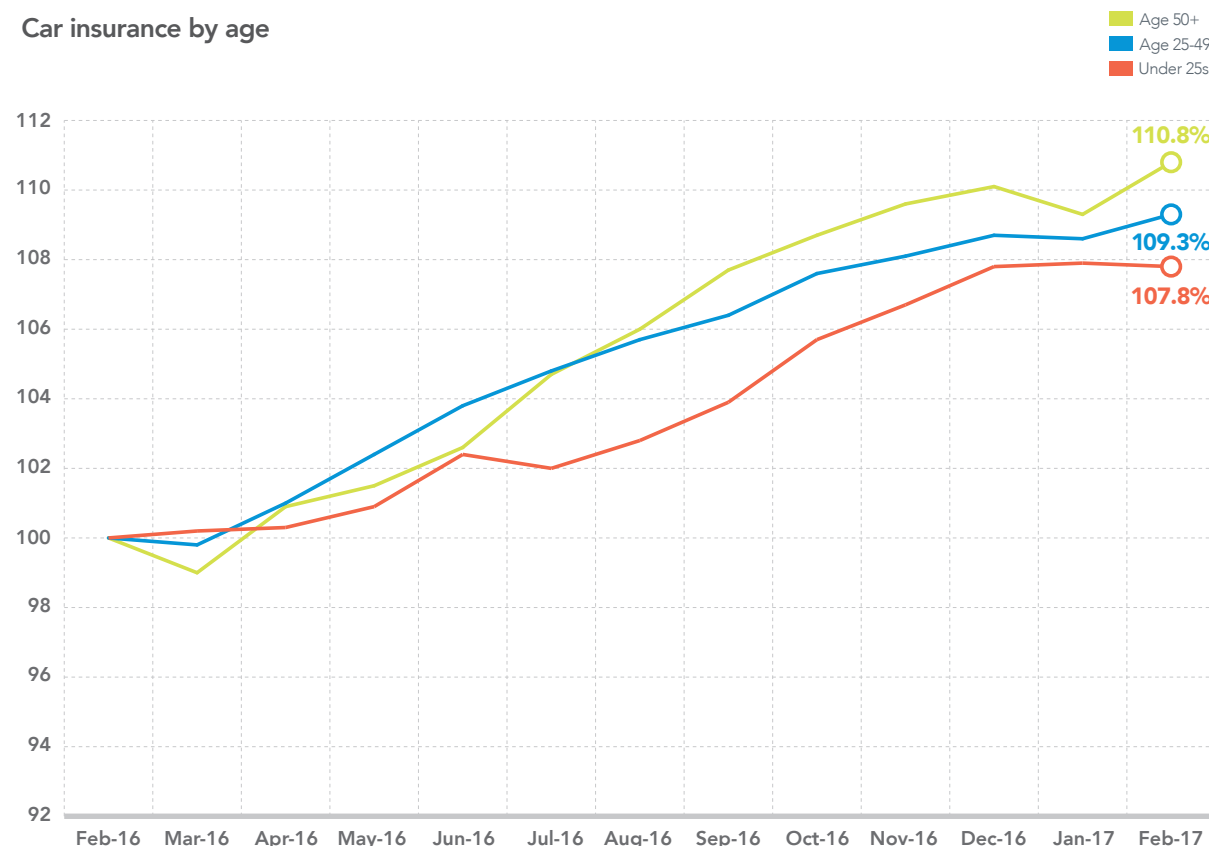
The rise of telematics has helped slow the increases in premiums for younger drivers, with premiums rising by just 3.9% since October 2013, compared to a market average of 24.8%. Telematics brands now make up more than half (53%) of the five cheapest quotes for the under 25s, up from 33% in February 2014.

For the over 50s, telematics policies make up just 3% of the cheapest quotes on the market, although this has grown by 1% over the past 12 months. Drivers aged 25 to 49 have seen a similar growth in the number of telematics policies, with 12% of the five cheapest premiums now coming from telematics brands.

Blevins says:

"Black box technology is helping younger drivers to some extent, while the price rises for over-50s at around 10.8% a year reflect how insurers are adjusting risk to reflect the fact that our ageing population is driving for longer."

Car insurance by age



Although young drivers aged 21 to 24 have seen the smallest price increases over the past 12 months, the average young driver premium is £1,176.

Regional differences

London remains the most expensive place to purchase car insurance in the UK, with the average motor insurance policy in the capital costing £910.

The North West follows closely behind, with highly concentrated levels of fraudulent activity, such as cash for crash collisions, and high claims volumes keeping average premiums high at £906.

Expert John Blevins says:

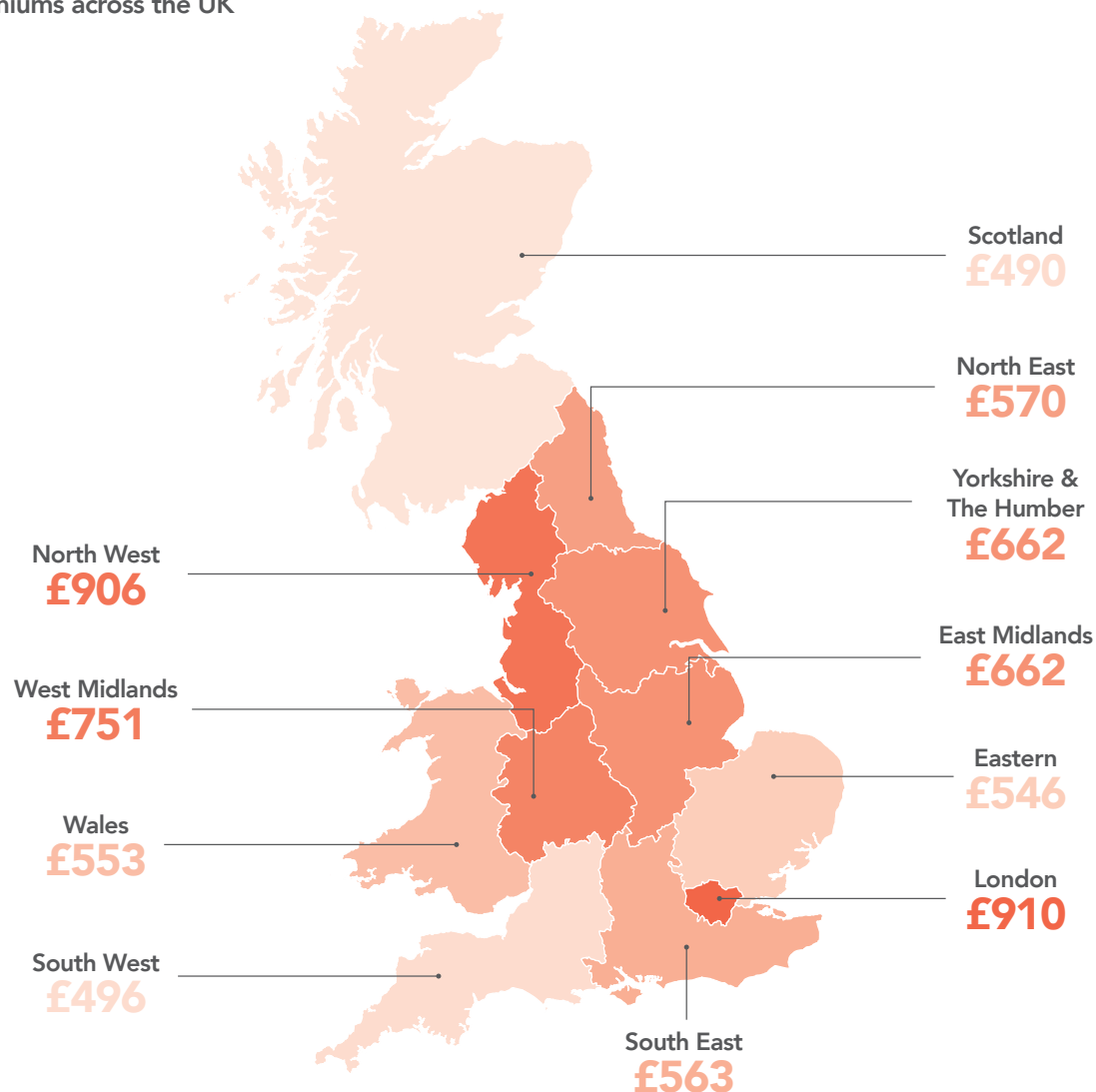
"Regional differences in accident and crime rates still affect premium levels, with insurers using postcode data to assess the likelihood of a claim being made, as well as the size of a loss should a claim arise. Fraud still has a large part to play in this as whiplash costs continue to rise despite falling claims frequency."



The highest premiums remain in London with policies at an average of

£910

Premiums across the UK

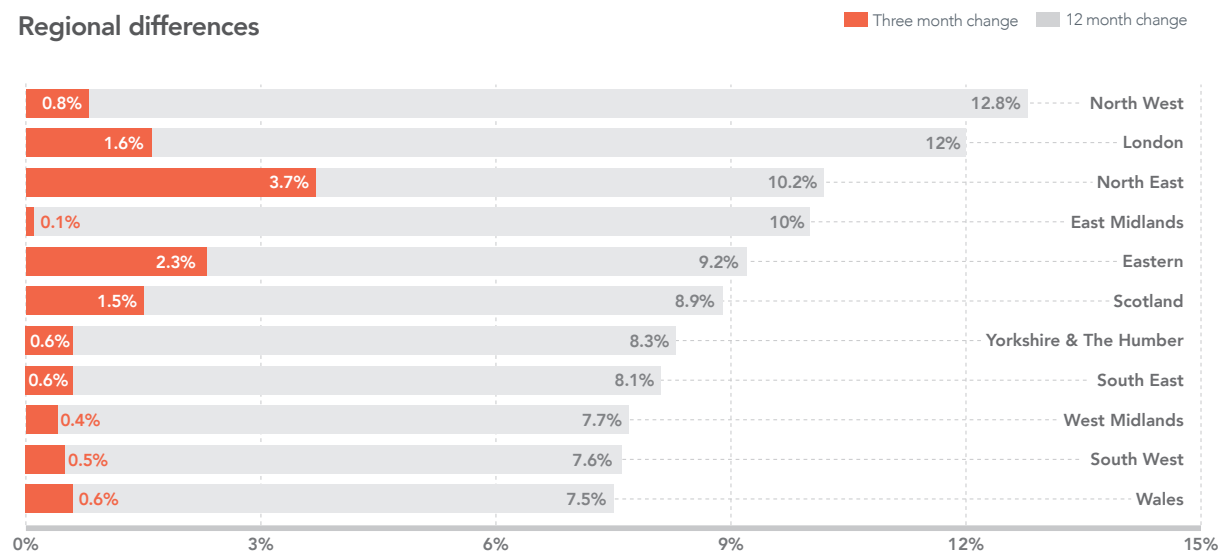


Into the regions

The North West experienced the biggest rise in premiums in the past year, with the average motor insurance policy in the region now 12.8% more expensive than 12 months ago. London saw premiums climb by 12% over the same period, while the North East and East Midlands experienced a 10.2% and 10% jump in premiums respectively.

The pace of change was slowest in Wales, where premiums have grown by 7.5% since February 2016, and Scotland remains the cheapest region for motor insurance, with the average policy costing motorists £490.

Regional differences



Scotland remains the cheapest for motor insurance, with the average policy costing

£490

How do you compare?

Our quarterly price index shows only part of the picture, here at Consumer Intelligence we collect the granular detail that sits behind the average figures contained in this report.

To find out more about how your company ranks or if you would like help benchmarking your products and pricing across your target customer segments to inform your acquisition strategy then contact us at insights@consumerintelligence.com

