

Home insurance price index

AUGUST 2017



About Consumer Intelligence

The Consumer Intelligence Home 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 used by the Office for National Statistics to inform its measures of inflation.

The latest index shows premiums have risen by an average of 7% over the last 12 months. The average premium for buildings and contents insurance is now £131.

Methodology and definitions

The index and average prices are calculated from the average of the top five cheapest premiums returned across the price comparison website and key direct brands in the previous month to the average of the top five in the current month.

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 Vas

Laura Vas 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 Consumer Intelligence's product manager for general insurance pricing.

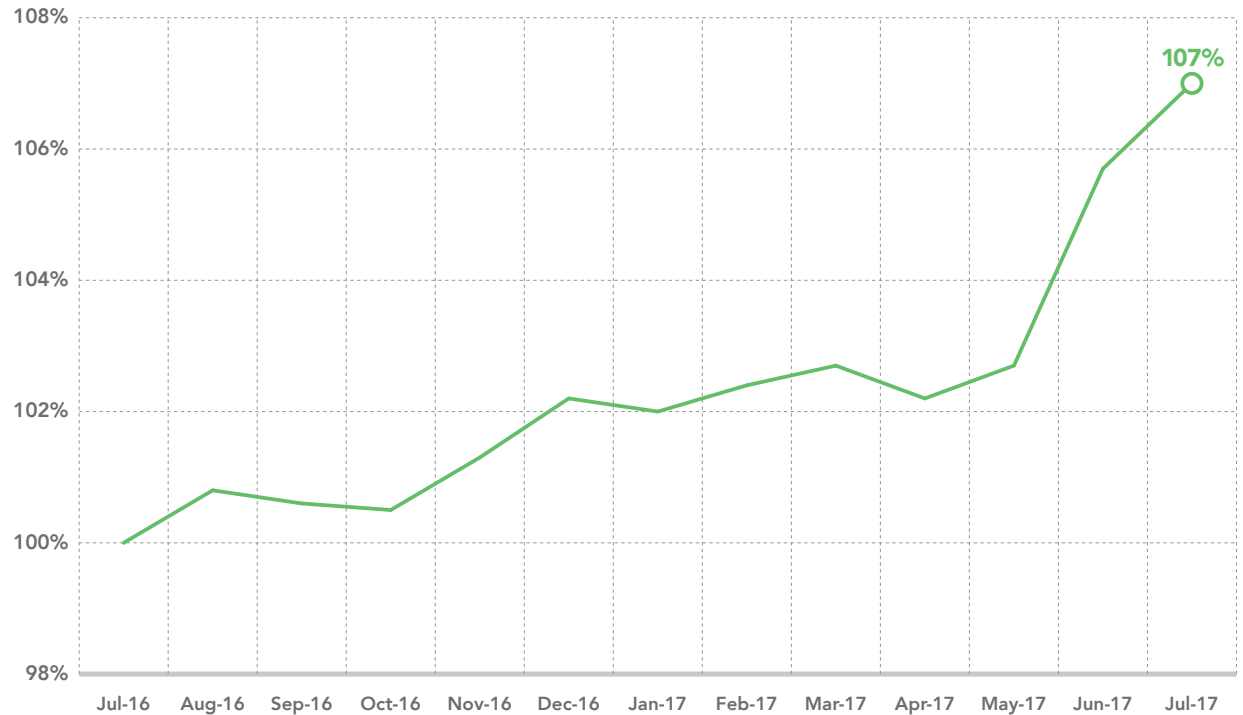
A general insurance specialist with 19 years' experience in the industry, John has worked in an intermediary, aggregator and direct insurer, where he accumulated a wealth of knowledge around how these markets operate.

The numbers

The average price of an annual buildings and contents policy is now 7% more expensive than a year ago. This is more than twice the rate of UK inflation, which reached 2.6% in the 12 months to June 2017, according to the Office for National Statistics.

Most of this rise has occurred in the last three months: premiums have risen 4.8% since April. Much of this has been driven by the increase in Insurance Premium Tax from 10% to 12% on 1 June, although this clearly cannot explain all the increases. The period also includes the 0.5 point increase to 10% on 1 October 2016.

One year



Prices have risen 4.8% since April

Insurance Premium Tax increase



The average price of an annual buildings and contents policy is 7% more expensive than a year ago.



Long term view

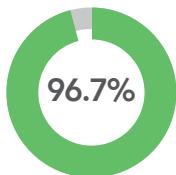
Despite the recent increases, premiums are lower than they were over three years ago, standing at 96.7% of the average price in February 2014, but the market is showing signs of turning.

Consumer Intelligence pricing expert John Blevins says: "June and July have seen the largest rises in premiums since our records began in Feb 14."

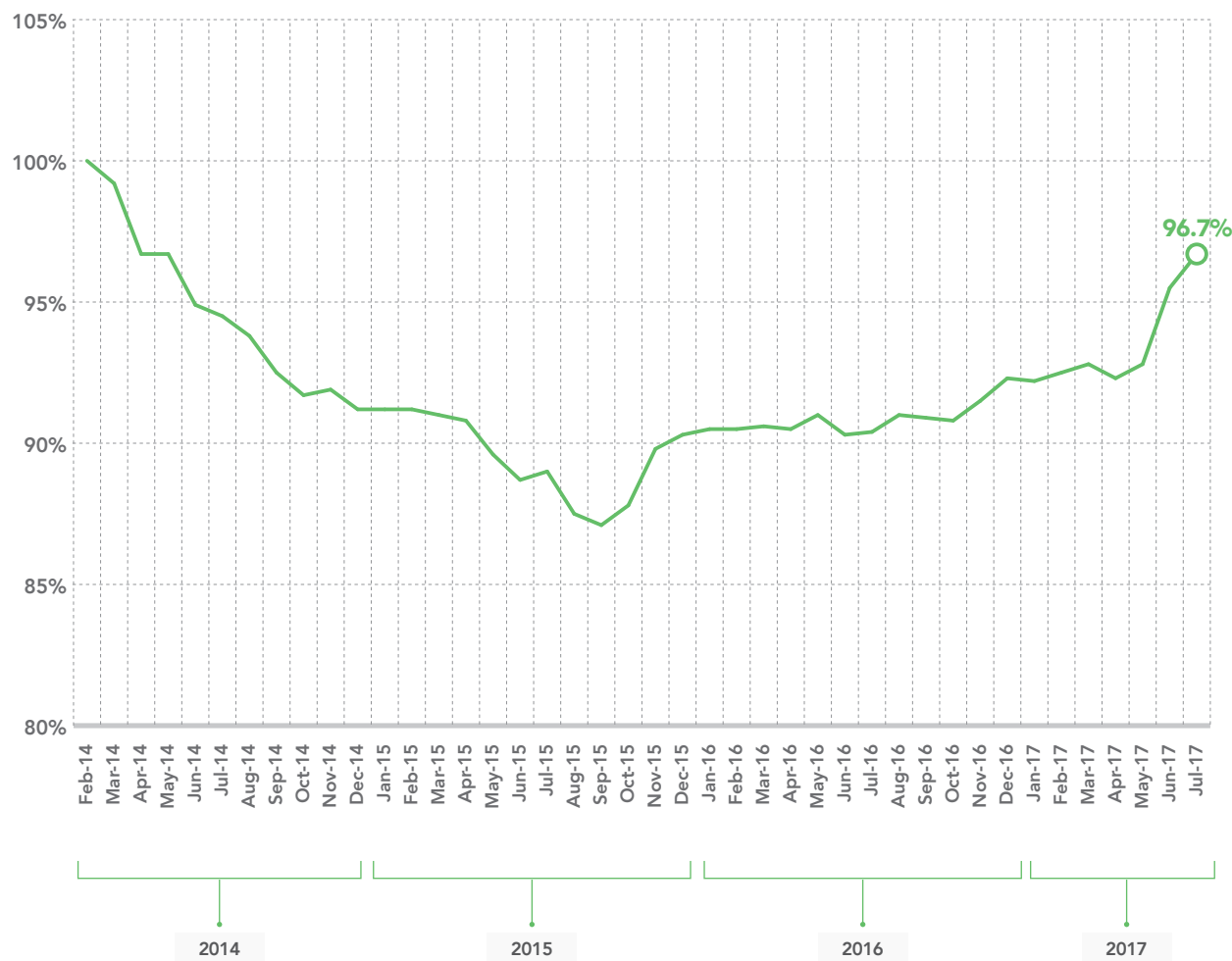
Brexit is behind some of the rise in the last year, as the weakened pound has driven up the cost of imported repair materials and increased the cost of settling claims for insurers.

Blevins predicts prices will continue to rise steadily. "I don't believe we will see the kind of increases we have seen in motor as home insurance still remains a very competitive space. Unless there is a major weather event or drastic changes to this market I think we will see a slow and steady rise in prices aligning to inflation and the value of the pound."

Premiums are standing at 96.7% of the average price in February 2014



February 2014 - July 2017



Into the regions

Across the UK, London households had the highest premium, with policies now an average of £159. The gap between the capital and the rest of the country has widened. With premiums up 9.2% in the last year, the average buildings and contents quote for a London home is now 18.6% higher than the second-most expensive region, Yorkshire and the Humber.

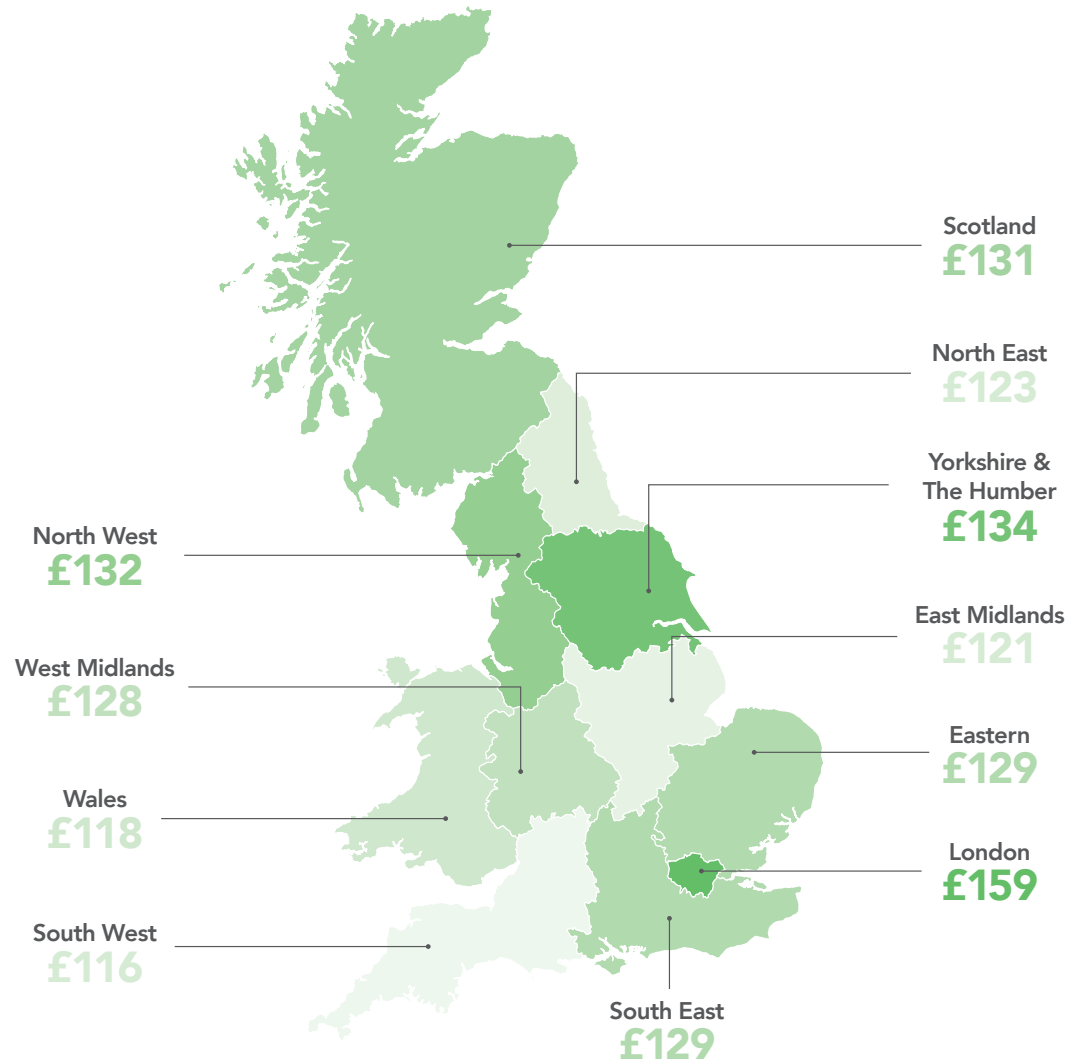
Premiums in every region have risen in both the last year and the last quarter. The lowest increase was in Scotland, where policies rose in price by 5.1% in the last year and 2.9% in the last quarter.



The average buildings and contents quote for a London home is now 18.6% higher than the second-most expensive region



Premiums across the UK



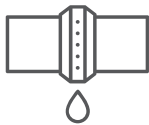
Into the regions

Although there have been no major weather events in the last 12 months, several insurers made reference to rising Escape of Water claims whilst announcing their financial results for the first half of 2017.

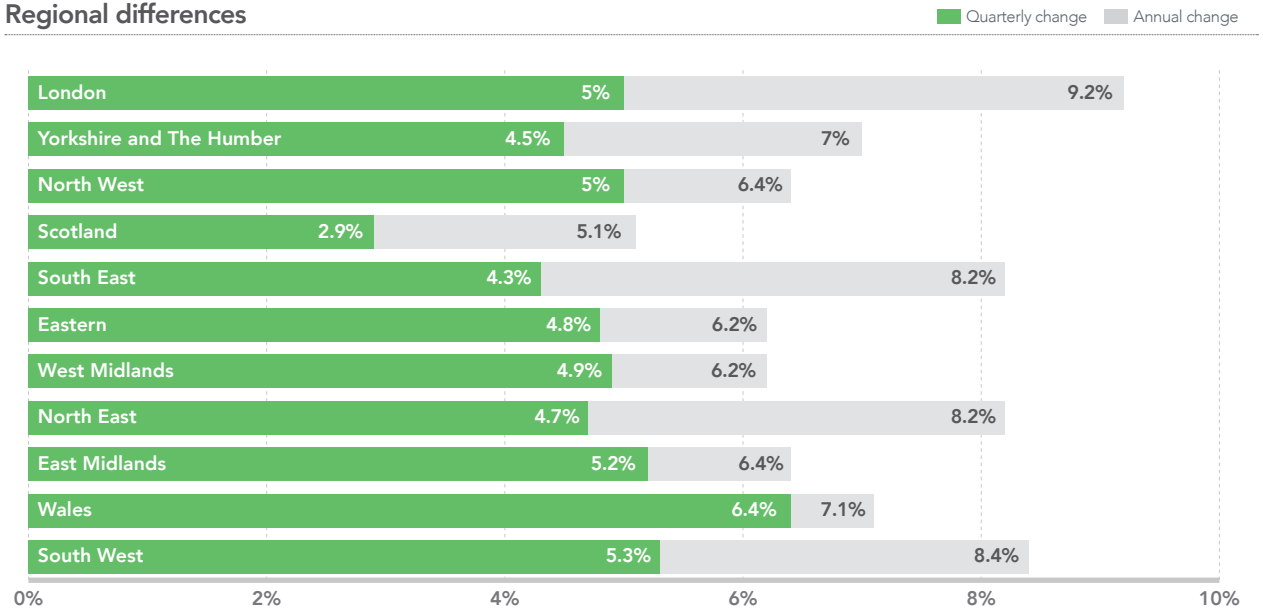
This is down to a number of factors. John Blevins says: "More properties are being extended than ever before so there are more bathrooms and shower rooms which can suffer from burst pipes. There has also been an increase in people attempting to fix plumbing themselves, perhaps due to a reduction in disposal income, which means less professional work is being completed."



"An increase in people attempting to fix plumbing themselves means less professional work is being completed."



Regional differences



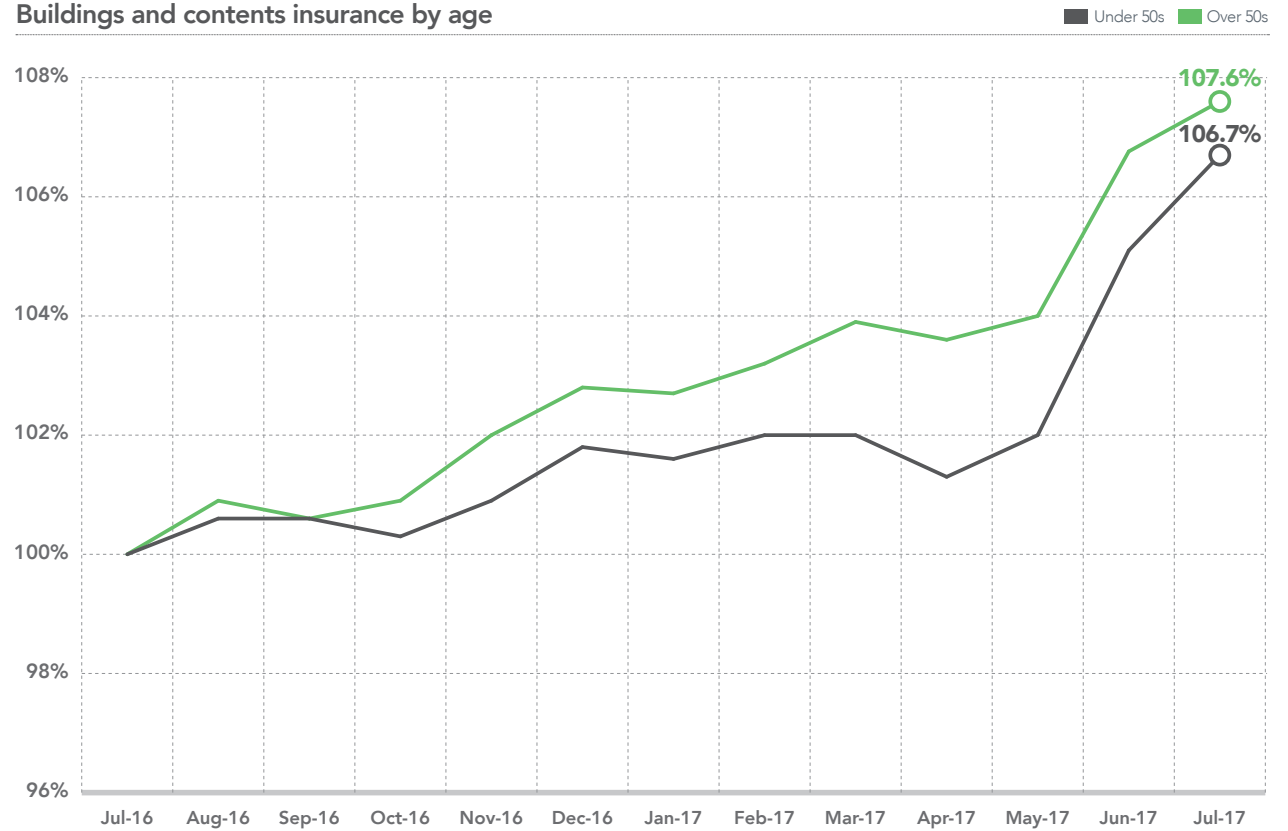
Age differences

Older homeowners paid more for their buildings and contents insurance last year, and the gap has widened in the last 12 months.

On average, premiums for homeowners under 50 rose by 6.7% to £128, compared to a 7.6% rise to £133 for over 50s.

This is because older people tend to live in more expensive older properties and own more valuable possessions in those homes, such as antiques. These factors increase costs in the event of a claim and hence command a higher average premium for this age group.

Buildings and contents insurance by age



July 2017 Average Premium (using 5 cheapest)



Under 50
£133



Over 50
£128

Overall: £131



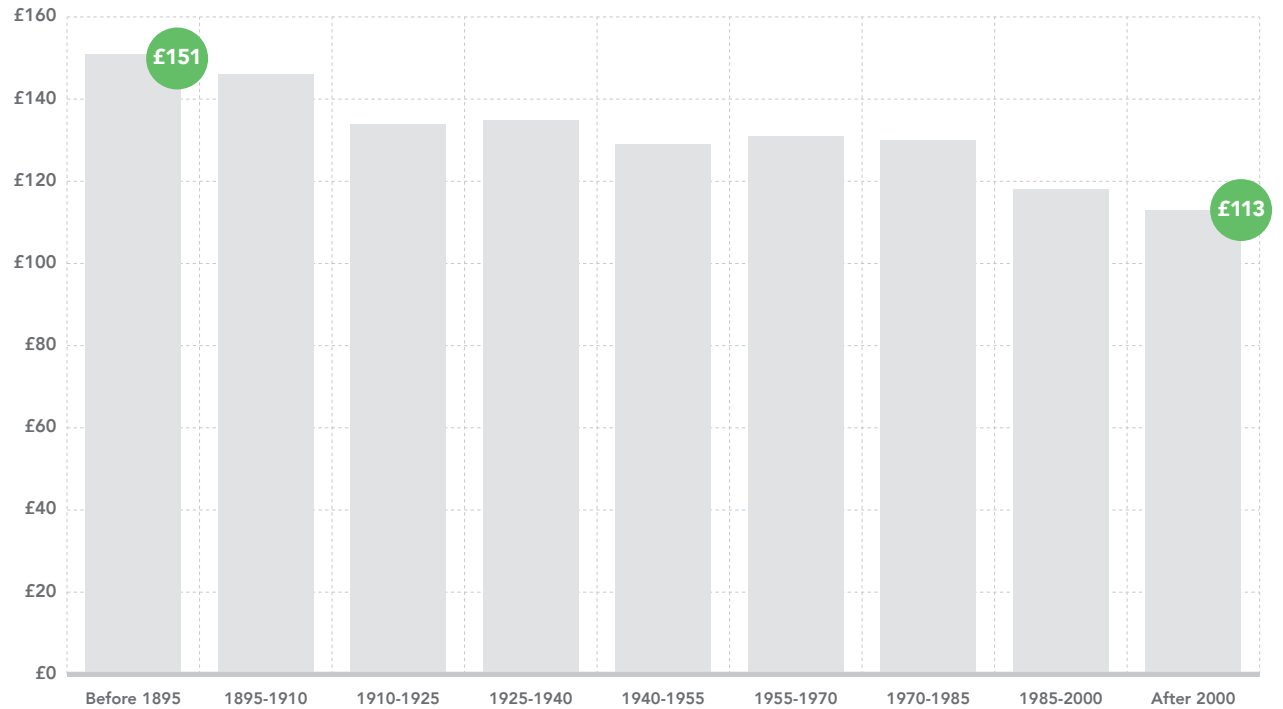
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Property age

Newer properties were quoted lower premiums. On average, a property built after 2000 cost £113 to insure, compared to £151 for a property constructed before 1895.

This is because newer homes must meet tighter construction standards and tend to have a lower rebuild cost.



Buildings and contents insurance by property age



↑ Older properties are quoted higher premiums

↓ Properties built after 2000 have to comply to tighter construction standards

July 2017 Average Premium (using 5 cheapest)

	Built before 1895	£151		Built after 2000	£113
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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

