

Car insurance price index

SEPTEMBER 2018



The car insurance price index

The Consumer Intelligence Car Insurance Price Index is compiled using real customer quotes from across all the price comparison websites (PCWs) 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.

Summary

- **The average motor insurance policy has now fallen 9.1% in the past 12 months.**
- **Young drivers aged under 25 (-15.4%) have witnessed the biggest premium declines in the last year. Their policies now average £1,608.**
- **Uptake of telematics-based insurance has picked up slightly for the over-50s, although this demographic still considerably lags the average.**
- **Regionally, Londoners (£1,150) continue to pay the most for their car insurance; Scotland (£510) remains the cheapest region.**

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



John Blevins

John Blevins is Consumer Intelligence's product manager for general insurance pricing. A general insurance specialist with 20 years' experience in the insurance industry, John has worked in an intermediary, aggregator and direct insurer.

Based in Scotland, he has accumulated a wealth of knowledge around how these markets operate.



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. Laura contributes ideas to shape the pricing analysis tools we use to explore trends, as well as assisting insurers with competitive positioning within the marketplace and their pricing strategies.

The numbers

Government policy continues to be the main catalyst driving down UK car insurance premiums, even though some of the initiatives have yet to make their way into the statute books.

Plans to crack down on the number and cost of whiplash claims, despite the government pushing back the start date of the reforms to April 2020; no additional hikes to the Insurance Premium Tax (IPT) rate since mid-2017 and a rethink of the so-called Ogden discount rate have all contributed to falling premiums. Overall, prices have now slipped 9.1% over the past 12 months with the average motor premium standing at £766.

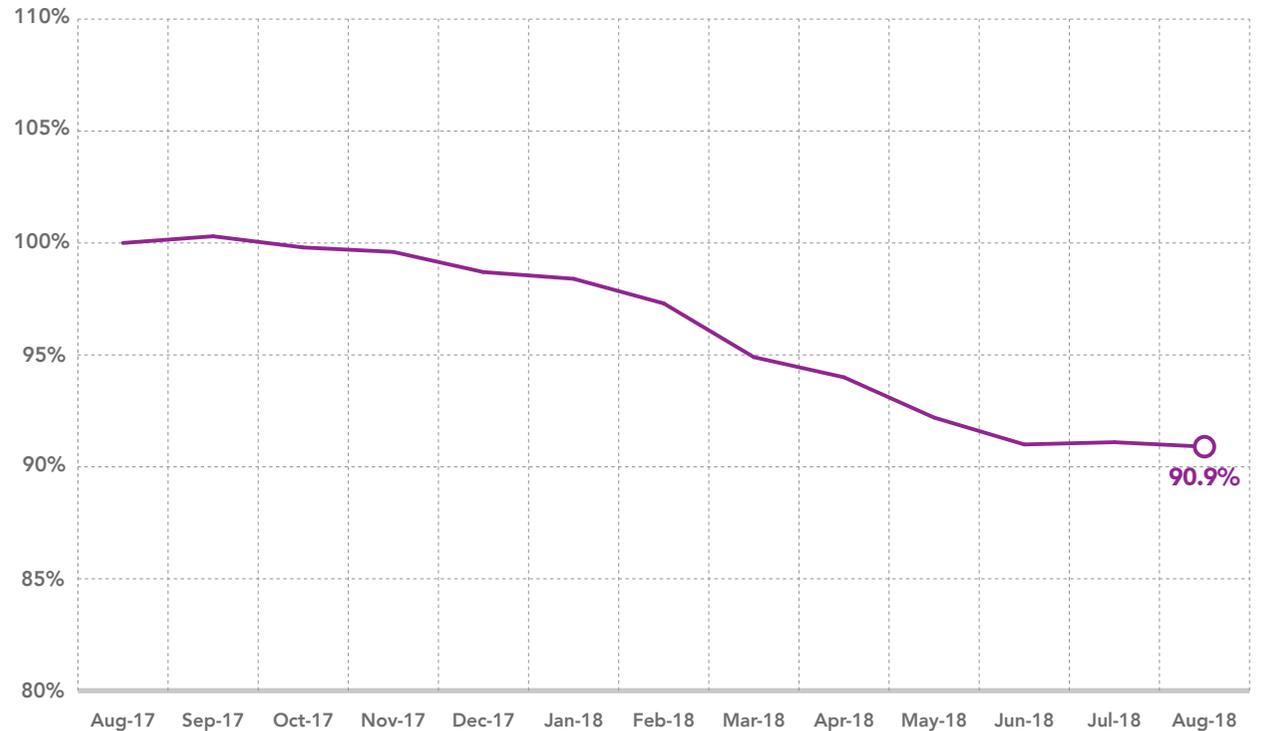
“We’re seeing a downward trend in quoted premiums and, in the absence of any other major effects to pricing such as IPT changes, these reductions could be signs that the anticipated benefits from the whiplash reforms are already being passed on to the customer,” says John Blevins, Pricing Manager at Consumer Intelligence, the insurance research experts.



£766

The average motor premium now stands at £766.

One year



Long term view

Over the longer term, average premiums have increased 20.2% since October 2013, when Consumer Intelligence first started collecting data.

Yet, prices have tumbled considerably in the last year and are now -9.4% off their September 2017 highs. There is still a way to go, however, before prices return to 2013 levels.

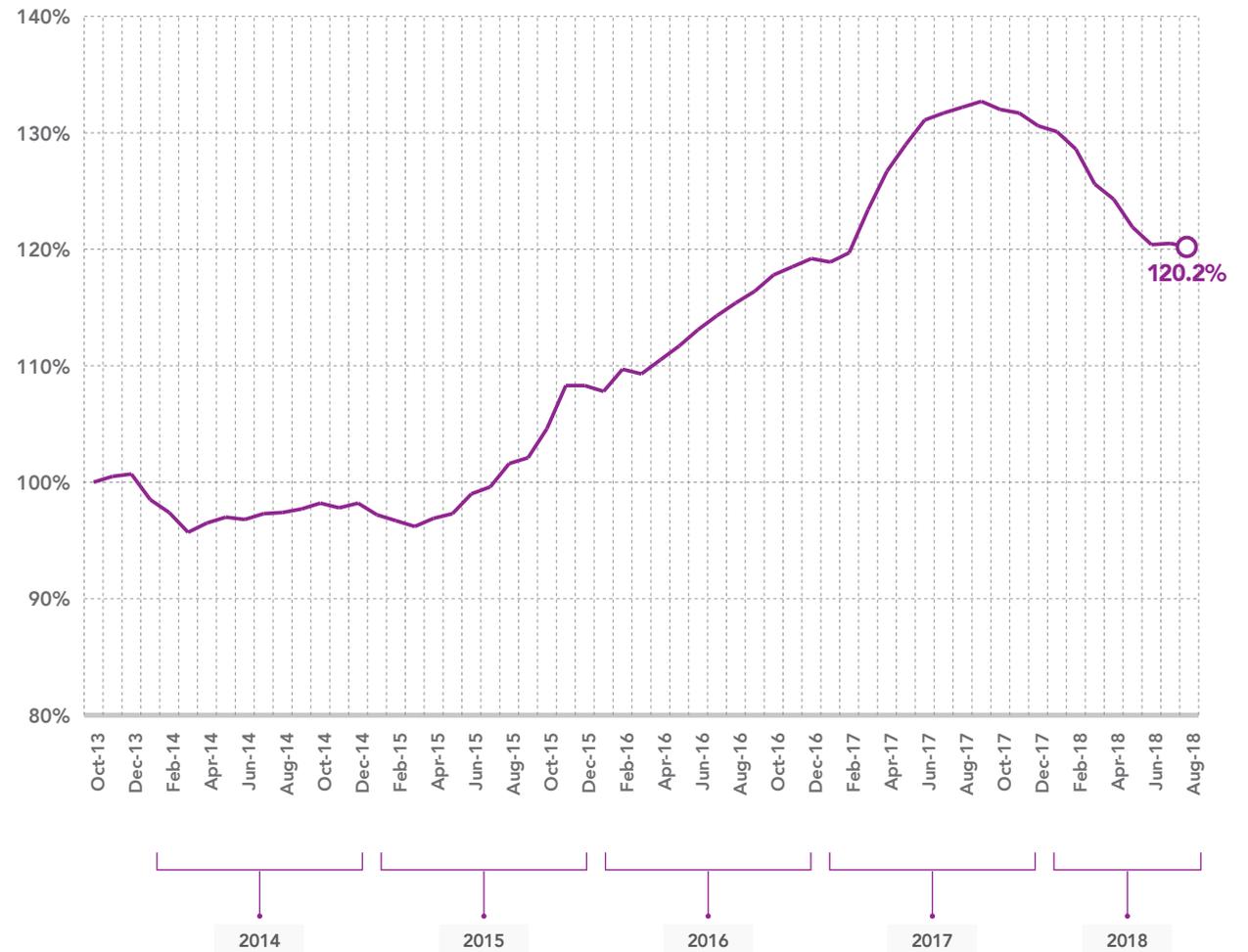
“There have been so many hikes in IPT over the past few years, as well as the implemented Ogden rate changes, which have caused prices to rocket,” says Blevins. **“Despite the more recent whiplash reforms, IPT stalling and pending Ogden reversals, their collective impact is not enough to outweigh the earlier increases.”**



20.2%

Average premiums have increased 20.2% since October 2013

October 2013 - August 2018



Age differences

A competitive marketplace continues to drive down premiums, especially for younger drivers.

The under-25s have witnessed the largest reductions over the past 12 months, with prices plunging 15.4%. Their average premium is now £1,608.

“Telematics-based policies have played their part for younger drivers, with 60% of the top five cheapest prices being returned from a telematics provider,” says Blevins.

The over-50s demographic saw a 6.8% reduction to their premiums over the same period; this cohort also continues to enjoy the cheapest average prices (£392).

Premiums for drivers aged 25-50 dipped 8.3% over the equivalent period. Average prices for this group are now £646.

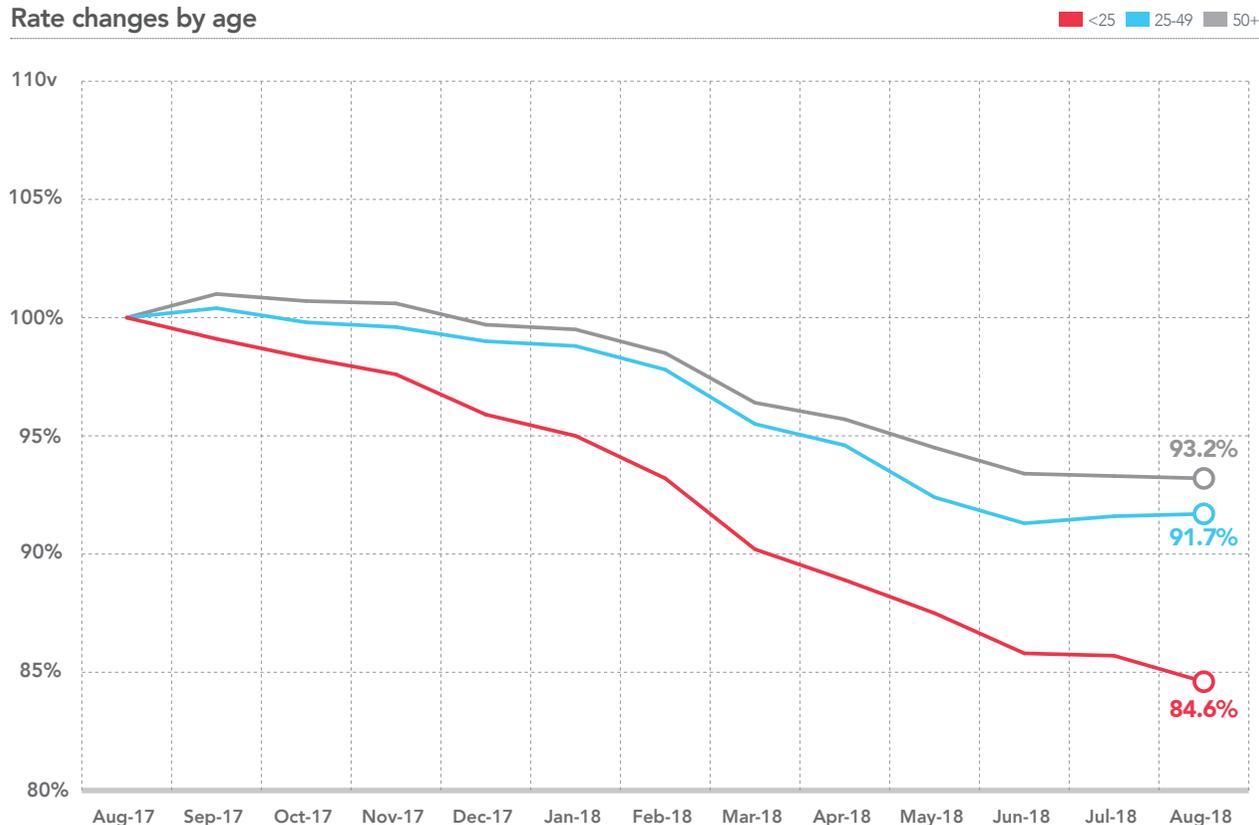


£1,608 Average premium for drivers under 25

£646 Average premium for drivers 25-50

£392 Average premium for drivers aged 50+

Rate changes by age



60% of the top five cheapest prices for younger drivers were returned from a telematics provider

Telematics

While so-called ‘black box’ insurance continues to drive down prices for younger drivers, the technology has still to take hold in the older age ranges – although there are signs this could be changing.

For the over-50s, just 7% of the top five cheapest quotes were from a telematics provider; as way of comparison, almost two-thirds of quotes for drivers under 25 are telematics policies. Yet, for the oldest demographic, this is a near 50% improvement since March 2018. The appeal of telematics hardware may finally be proving attractive for older drivers.

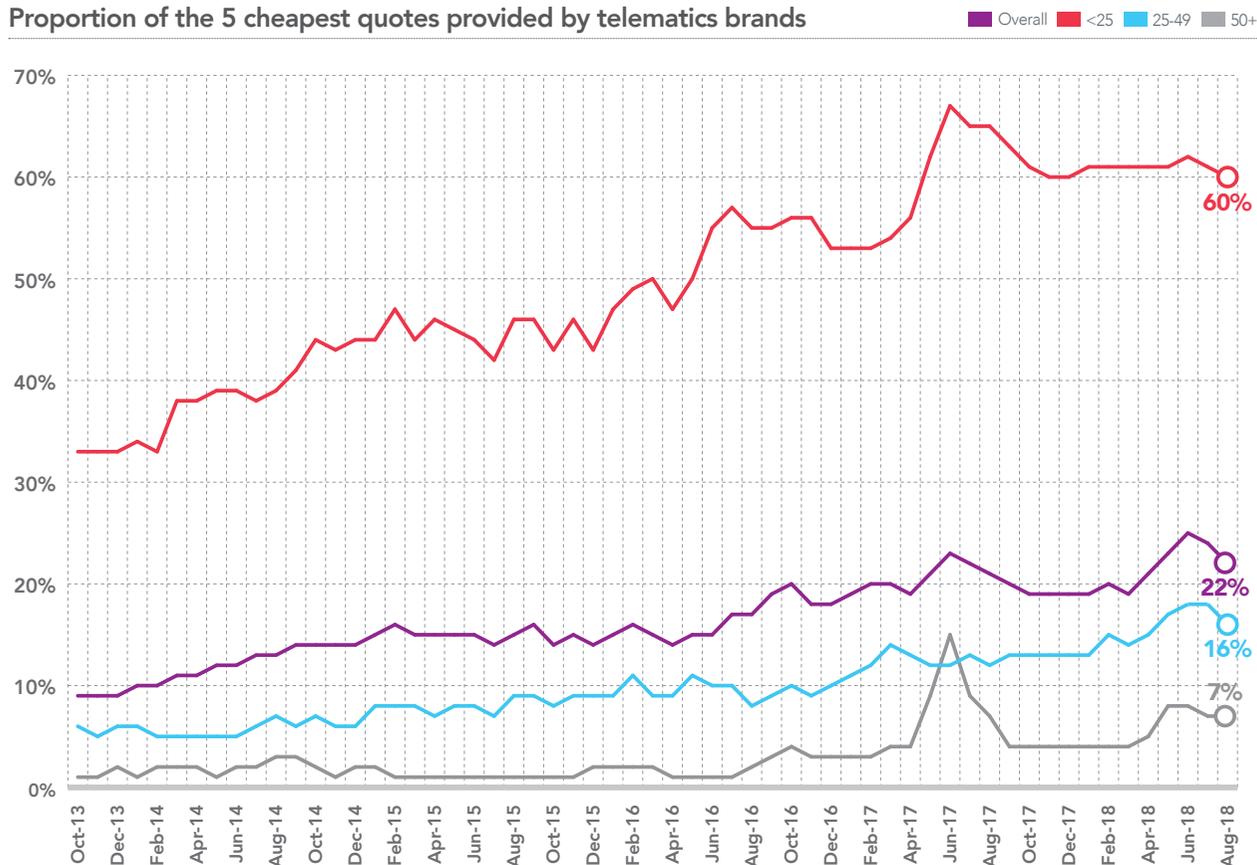
“By jumping on the telematics bandwagon, older drivers can take what control they have over their own premiums and escape the broad-brush pricing changes applied to their demographic,” says Blevins.



7%

of the top five cheapest quotes for the over-50s are from telematics providers

Proportion of the 5 cheapest quotes provided by telematics brands



Into the regions

Londoners (£1,150) continue to pay more than double for their car insurance compared to many other parts of the country, even though prices fell by 7.9% in the UK capital over the past 12 months.

The North West (-14.9%) witnessed the biggest reductions over the period, although Scotland (£510) continues to be the cheapest region despite having the smallest declines to the average policy (-3.8%).

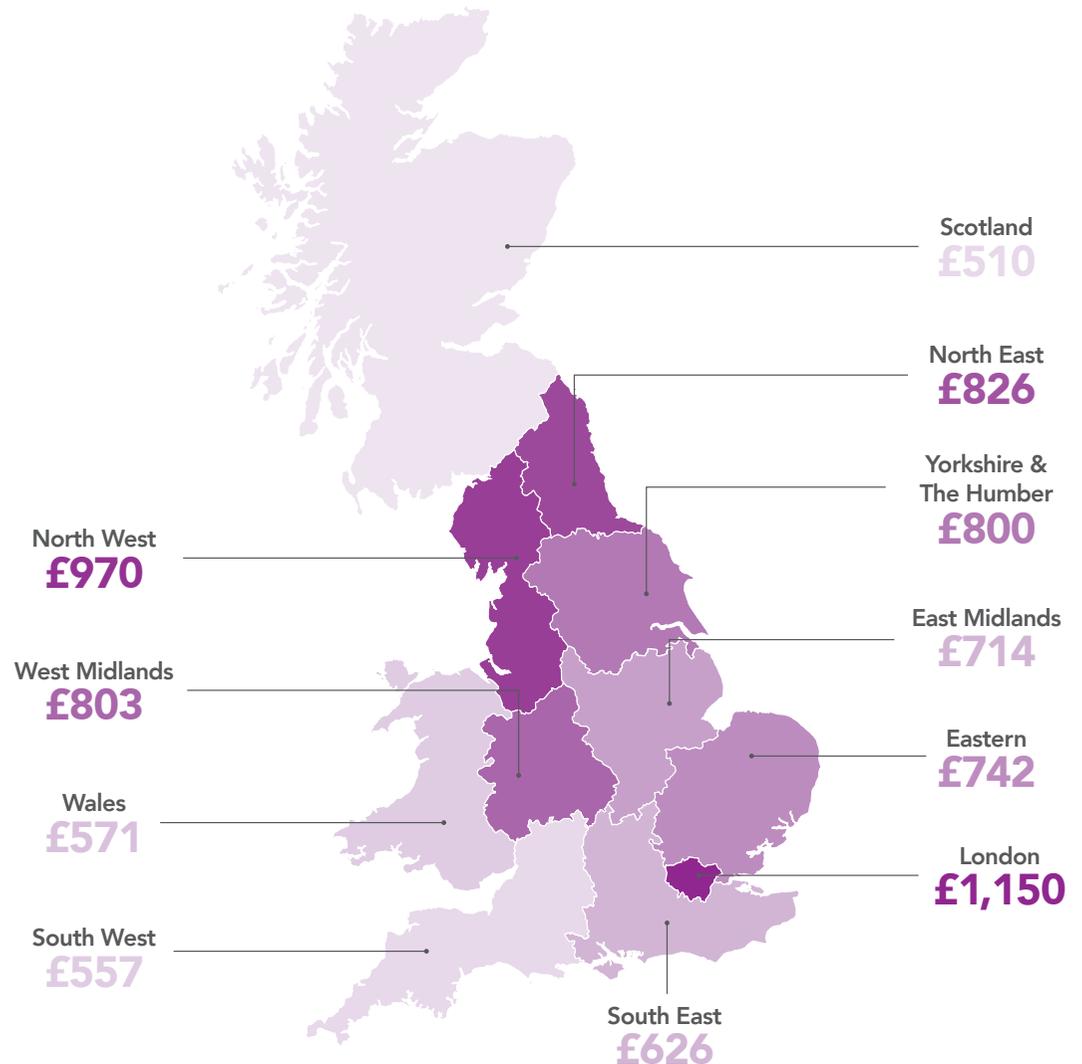
“Regional pricing is affected by claims frequency and severity, and can also be dictated by localised weather events,” adds Blevins.



-7.9%

Prices fell by 7.9% in London over the past 12 months.

Premiums across the UK



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

