

PREMIUM DRIVERS REPORT

MARCH 2018

Your quarterly motor insurance 'savings index'



comparethemarketTM

Introduction

Over the past six years, **comparethemarket.com**'s Premium Drivers Index has tracked the consistent growth of motor insurance premiums across all age groups.

Since 2012, the research has shown a steady increase in the difference between the "cheapest" and "average" motor premiums on the market. Today, the average quarterly premium across all age groups stands at £742, up £141 from the same period three years ago. On an annual comparison, the average premium during 2017 was £755, compared to £583 during 2014, a rise of £171 or 29%.

The cheapest premiums on the market have also risen in price, now hitting a quarterly average of £615. However, over time, the price of the average premium available on the market has risen faster than that of the cheapest; this rising cost difference suggests that competition may be low in the industry, meaning insurers feel able to hike prices for loyal policy holders, safe in the knowledge that they will retain most of their customers despite the price increase.

In the past few years, the insurance industry has faced a number of factors which have pushed up the price of premiums. Successive hikes to Insurance Premium Tax (IPT) to its current rate of 12% and then the suggested change to the Ogden Discount Rate a year ago both put significant upward pressure on premiums, as insurers were forced to pass on these additional costs to their customers. When the change to the

rate was made in February last year, we estimated that premiums would increase by £60 – something borne out over time and an additional cost which few can afford.

However, there could be some light at the end of the tunnel. The Civil Liability Bill has just been introduced to Parliament. This bill promises a clampdown on whiplash claims as well as further changes to the way the discount rate – sometimes called the Ogden rate – is calculated. These changes should relieve some of the cost pressure on insurers and help to reduce premiums, providing that providers pass on the savings.

The past quarter has shown some signs of prices dipping. Premiums reached £768 during December 2017, before falling to £732 and then £727 in the first two months of 2018 respectively. However, motor insurance premiums historically fall in the first quarter of the year, as prices tend to spike in December before plummeting in January and then recovering and often outgrowing the previous December throughout the rest of the year. It may therefore be wishful thinking to presume that the dip over the past few months is a sign that change is in the air. Even if we do see further falls in the average price, they are unlikely to be significant.

Customers who take the time to shop around for different policies can still save huge sums of money. The Premium Drivers research shows that motorists can save an average of £127 by comparing providers. This figure rises to £363 for drivers aged 17-20 who are considered higher risk and therefore pay higher prices. The average premium for this age group reached £1,534 during February 2018.

As part of this edition of Premium Drivers, **comparethemarket.com** analyses the behavior of motorists who make a claim with their insurer. The research found that 16 million drivers switched their provider after going through the claims process. The majority (64%) of claimants who switched post claim felt that better value was available on the market, and almost half (44%) were not prepared to pay the significantly increased premium quoted to them after they had made their claim. Nearly a fifth (17%) of claimants switched due to the grueling claims process itself, with poor customer service cited as one of the main reasons they decided to shop around. It is clear from this research that the claims process is, in the main, not fit for purpose and that many insurers are failing to impress customers in this one key engagement area.

The ‘Savings Variable’

The Premium Drivers index reveals the quarterly percentage difference – or the “savings variable” – between the cheapest and average quotes across all age groups.

This is tracked throughout the year and compared quarter on quarter. The

“savings variable” tells us about current and historic prices, it also provides insight into the motor insurance sector.

It highlights cyclical trends and allows comparethemarket.com to make statistics-driven predictions on the future direction of the motor insurance market.

If the difference between the cheapest and the average price is narrowing, it suggests competition may be improving; if the price disparities are widening, then it suggests competition may be weakening.

Key Statistics

Quarterly savings variable narrows to 15.3%, the smallest difference between cheapest and average premiums since Q1 2015 when the gap stood at 14.7%

Monthly difference between cheapest and average premiums sinks to 14.8% - lowest monthly percentage difference since February 2016

Shrinking gap suggests competition among motor insurers may be improving

Premium Drivers research has found that the savings variable in Q1 (December 2017 – February 2018) shrunk to 15.3%, the smallest difference between cheapest and average premiums in three years. This also represents the second consecutive quarter in the percentage difference between the cheapest and the average policy on the market, down from 15.5% in Q4 2017 and from 15.9% in Q3 2017.

The savings variable has been relatively flat over the past twelve months hovering at an annual average of 15.8%. Since

February 2017, the gap between cheapest and average premiums was at its highest in July at 16.1%, before falling by 1.36% to its lowest level of 14.8% in February 2018. Over the past quarter, the savings variable was highest in December at 15.9% as premiums tend to increase towards the end of the year.

The decline marks a reverse in the upward trend of the variable, which stood at its highest level since **comparethemarket.com** records began at 16.9% in the first quarter of 2017. This fall is potentially good news for drivers

as a wider gap suggests a higher level of competition amongst providers, and therefore possibly lower prices for motorists.

However, despite some downward pressure on prices, motorists are now still facing far higher motor insurance premiums when they come to renew their policies than they were a few years ago, especially if they fail to shop around.

“ The difference between the cheapest and average motor insurance policies available on the market has narrowed slightly since December. However, the seasonal nature of insurance means that this reduction might be something of a false positive. The saving variable has fallen consistently every quarter for about a year, which may seem like welcome news for drivers, but the fact remains that premiums are still at all-time highs. So whatever is happening to the savings variable, those motorists who auto-renew their policies will likely be paying over the odds for insurance to the tune of over a hundred pounds ”

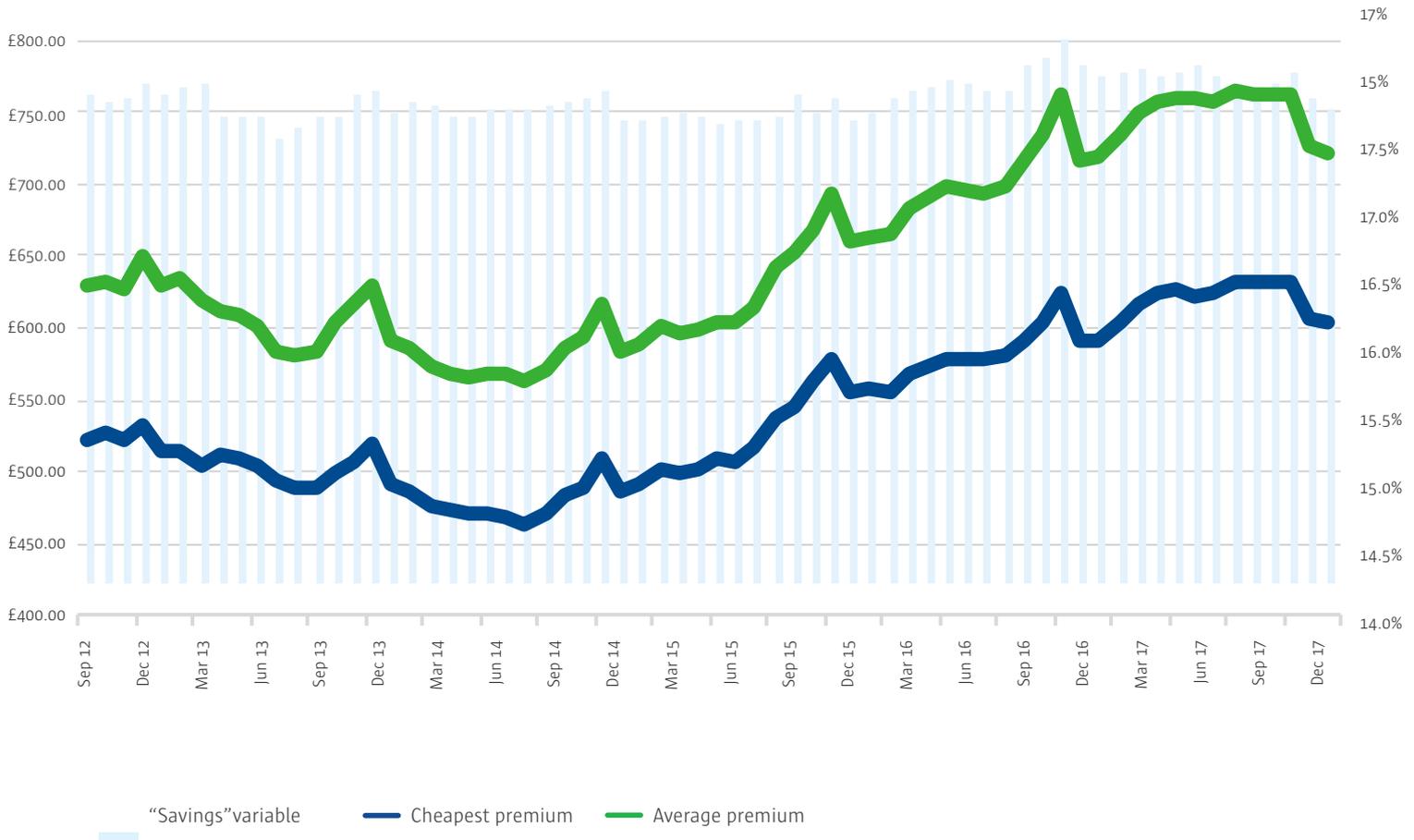
Simon McCulloch, Director at comparethemarket.com

Savings variable across all age groups year on year February 2017 – February 2018:

	Month	Savings variable
2017	February	15.91%
	March	15.92%
	April	16.06%
	May	15.81%
	June	15.93%
	July	16.16%
	August	15.82%
	September	15.63%
	October	15.47%
	November	15.65%
	December	15.99%
	2018	January
February		14.80%

¹ Premium Drivers records begin in September 2012

Premium Drivers: Savings Variable



What's the cost?

Key Statistics

Quarterly average motor premium has hit £742, a fall of £25 compared to last year

Quarterly cost difference between cheapest and average premiums remains flat compared to last quarter at £127

Average premiums have risen £141 over the past three years, up from £594 in February 2015

The rate of growth in insurance premiums has slowed slightly at the start of 2018, but year on year the cost of driving is still rising. The average cost of motor insurance in the first quarter of this year – blended across all age groups – was £742, up from £737 for the same period a year ago, £676 in 2016 and £601 in 2015 – this represents a three-year increase of over £140.

The cost of insurance has fallen marginally over the last quarter, reaching an annual peak in December when the average premium was £768, before falling to £732 in January and settling at £727 in February. Motor insurance has historically reached

annual highs in the winter months before decreasing in the New Year.

The cost of the cheapest premiums available on the market has also fallen, if marginally, across the quarter. The cheapest premium in February cost £605, compared to £607 in January and £634 in December. Nonetheless, the price of even the cheapest premiums on the market has been edging up over time. The average cheapest premium across the last quarter was £615, but in 2015 was only £498 – an rise of 23% or £117.

Average motor insurance premiums have fallen slightly more steeply than the cheapest premiums this quarter, down £25 vs. £19 respectively. The difference

between the cheapest and average premiums available on the market has remained flat compared to last quarter at £127, falling just £1.88 compared to three months ago.

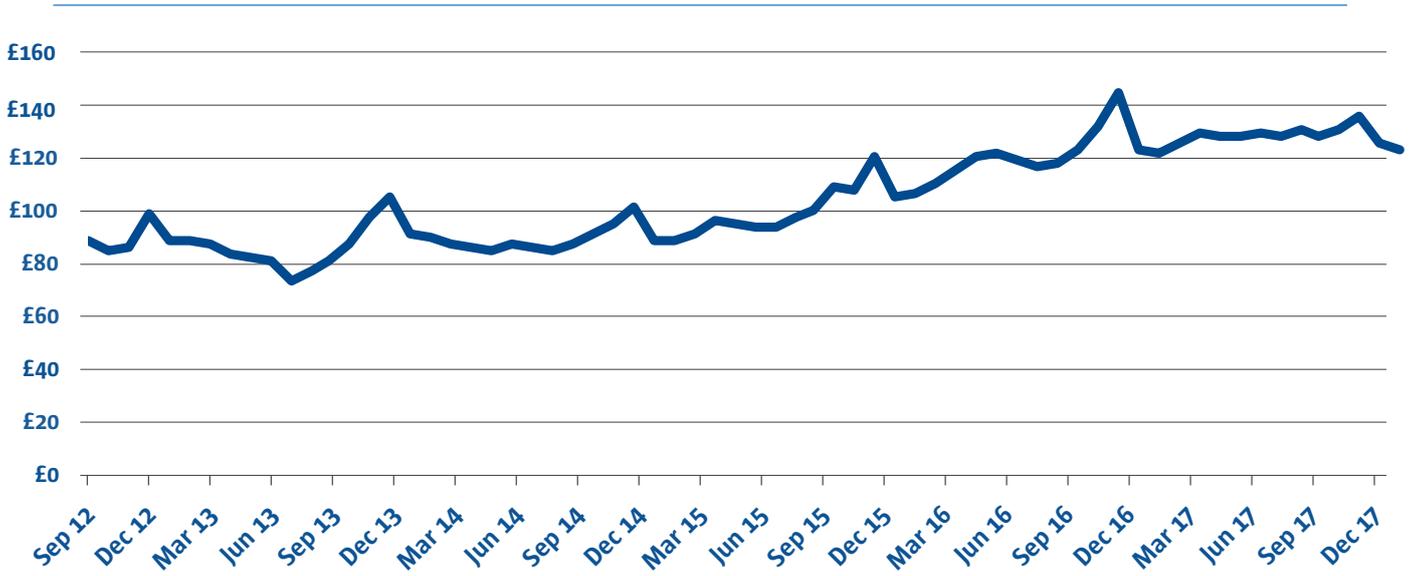
For younger drivers, the cost of automatically renewing motor insurance policies is even greater. The average quarterly premium for drivers aged 17 – 20 is now £1,178. Savvy drivers, however, can somewhat offset this high cost by shopping around; 17 to 20-year olds can save an average of £363 by comparing providers – the highest saving of any age group.

“ Over the past three years, average premiums have grown by 23%, up £141 from £601 in Q1 2015. With real wage growth stagnating below inflation, UK motorists are being put under increasing cost pressure.

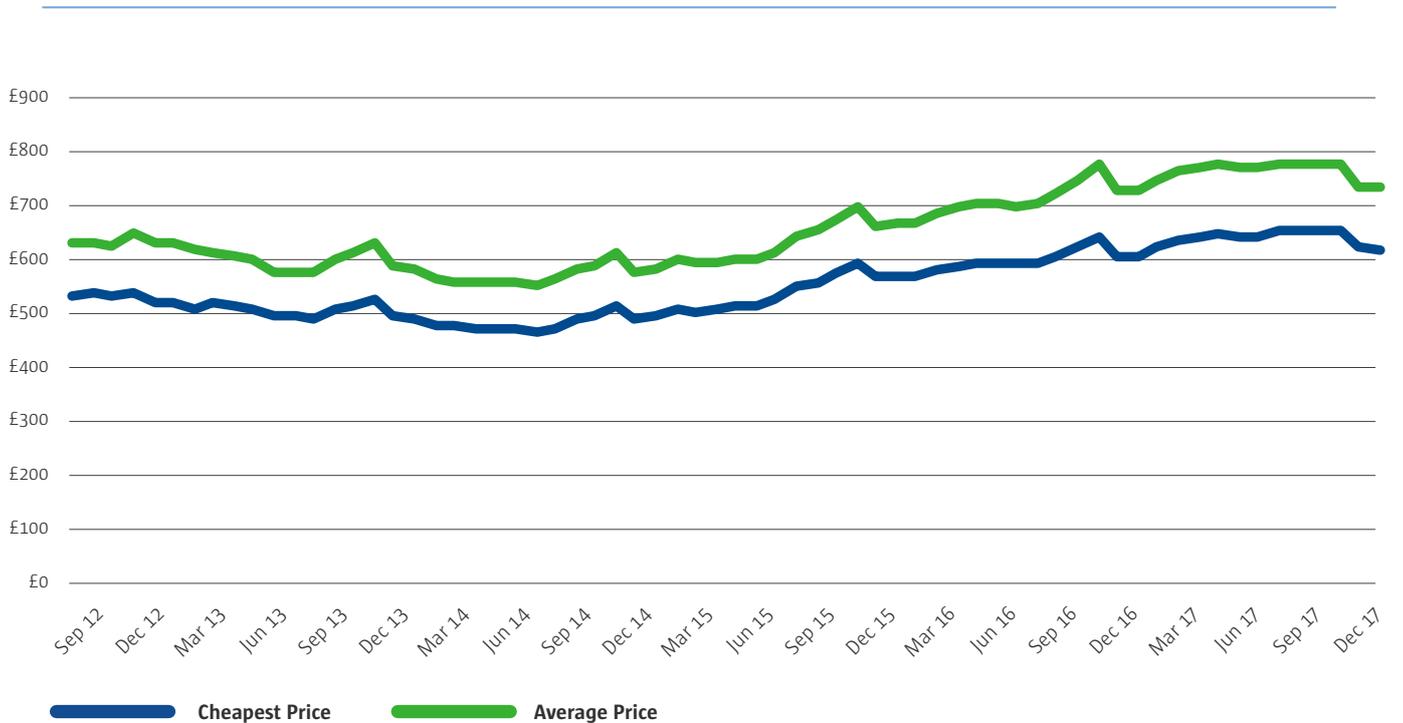
However, it is not all doom and gloom. Parliament has recently introduced the Civil Liability Bill which should help reduce premiums, as long as providers pass the savings on to their customers. The combination of a revision of the personal injury discount rate and a clampdown on whiplash fraud means that prices should hopefully stabilise a little and even possibly begin to fall. However, savings can only be realised if people shop around, as the cheapest prices are almost always only available to new customers ”

Simon McCulloch, Director at
comparethemarket.com

Average Price Difference Per Quarter



Cost Difference Between The Cheapest And Average Premiums



Millions of motorists driven to switching provider following claims process

Key Statistics

Over a quarter (29%) of drivers switch provider after making a claim

Almost half (44%) of those who switched noticed a significant increase to their premiums following their claim

The majority (75%) found the process of making a claim frustrating and slow

One third (33%) of claimants say that their insurer took too long to settle their claim

Poor claims experiences and sky rocketing premiums are some of the main reasons motorists switch insurance provider.

comparethemarket.com research shows that over 16 million people – 29% of UK drivers – who made a claim on their policy saw their insurance premiums increase and switched to a new provider as a result.

The majority (64%) of claimants who switched post claim felt that better value was available on the market, and almost half (44%) were not prepared to pay the significantly increased premium quoted to them after they had made their claim.

Nearly a fifth (17%) of claimants switched due to the difficult claims process itself.

Many claimants are critical of the claims process itself, with three quarters (75%) finding it slower than expected. Other complaints included poor customer service, 'rude and abrupt' claims handlers and insufficient pay-outs, which did not meet the overall cost of the damage.

Only 10% of claimants received a pay-out that exceeded £5,000 and one third (33%) complained that their insurer took too long to settle their claim.

Almost one third (30%) of claimants found it difficult to contact their insurer and

spent a longer time than expected on hold. Almost half (46%) of those surveyed claimed that their insurers were often 'missing-in-action' when they needed them most and they took too long to get back to them in response to a query.

Despite the fact that, according to this survey, only 32% of claims involved a driver who was at fault, a quarter (24%) of claimants did not feel that their account of the incident was believed by their claims handler. A similar number (25%) described their claims handler as 'cold' and 'unsympathetic' while half (48%) felt 'unsupported' by their insurer.

“It is disappointing to see that so many drivers who made a claim, but weren’t at fault, are seeing their premiums rise at renewal. According to our research, most claimants also do not feel properly trusted or supported by their insurer when making a claim. For drivers, making a claim is the ‘moment of truth’, and the potentially traumatic circumstances can make the process all the more difficult and stressful for the customer.

Whilst many in the industry have made big strides in improving the claims experiences for their customers, others haven’t kept pace.

The best antidote to poor claims handling is to vote with your feet. A good insurer should provide excellent customer service experience and support, as well a good level of cover. All of these are factors worth bearing in mind when shopping around for a better deal, in addition to the price. ”

Simon McCulloch, Director at
[comparethemarket.com](https://www.comparethemarket.com)

Methodology

All data, other than that referenced in the footnotes, is sourced from [comparethemarket.com](https://www.comparethemarket.com).

When the “average price” is referred to, this is the mean average of the top five cheapest prices presented to a customer, where a consumer has clicked through

to buy. Buying from the top five cheapest prices presented represents 90% of all car insurance sales. When the “cheapest price” is referred to, this is the average cheapest price presented, where a customer has clicked through to buy.

Premium Drivers calculates the cost of premiums where the customer has clicked through to buy the policy. If the average premium cost was instead calculated on the basis of all prices returned then the average cost would be significantly higher.