

PREMIUM DRIVERS REPORT

SEPTEMBER 2017

Your quarterly motor insurance 'savings index'



comparethemarket™

Introduction

comparethemarket.com's Premium Drivers index has, over the past five years, tracked a steady rise in motor insurance premiums, indicating how the cost of motoring has risen for most people in the UK since 2012.

Successive rises in the Insurance Premium Tax, which has doubled in the past two years alone, has put heavy pressure on premiums. First raised by then Chancellor George Osborne in March 2015, from 6% to 9.5%, the tax was then hiked again in March 2016 by an additional 0.5% and then a third time by Chancellor Phillip Hammond by 2% - bringing it to its current rate of 12%.

February 2017 also saw a radical change to the personal injury discount rate, or 'Ogden' rate – the way in which compensation for personal injury claims is calculated – forcing insurers to increase premiums across the board. While this decision may be, in part, reversed, there has and will continue to be a significant impact on premiums.

Beyond these changes, the Premium Drivers report has shown a steady increase in the difference between the “cheapest” and “average” motor premiums, perhaps indicating a fall in competition in the marketplace for motor insurance. This competition ebb could also have a ‘hardening’ effect on premiums, further driving up the prices for customers as insurers feel able to hike prices while maintaining their customer numbers.

However, the greater spread in the difference between the average and cheapest premium, which averaged almost £128 over the past three months, does present an opportunity for savvy consumers who take the time to shop around. That additional saving could make a real difference to some household budgets.

As part of this edition of Premium Drivers, **comparethemarket.com** also analysed the difference between the insurance premiums for male and female drivers. Interestingly, despite the implementation of the EU Gender Directive in December 2012 – which banned insurers from using gender as a factor when pricing policies – the difference between the cost of the average insurance policy for men and women has widened.

Men are still paying more than women, and significantly so. The research from **comparethemarket.com** shows that between June and August, men paid on average 26% more for their motor insurance policies than women (£821 compared to £649). This is up from a 19% gap in favour of women in January 2013, the month following the implementation of the directive.

Despite the disparity, premiums have increased significantly over the past three years for both sexes, with men paying £232 more for their policies between June and August compared to the same period in 2014 and women paying £173 more. Over the past year, average prices have risen by £41 for women and £46 for men.

Reflecting the trend in the wider market, the gap between the sexes is narrower at the top end of the market, with the men and women securing the cheapest policies only seeing a 22% gap in premiums in Q3. As ever, this underlines how important it is for consumers to shop around when buying insurance products, ensuring that they get the best deal available to them.

The ‘Savings Variable’

The Premium Drivers index reveals the monthly 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

The savings variable sees second quarter of marginal decline, down to 17.3% from 17.4% in Q2

Average car insurance prices rise more than the cheapest

Gulf suggests competition among motor insurers is still low

The latest Premium Drivers research from **comparethemarket.com** has found that the savings variable – the percentage difference between the cheapest and the average policy on the market – fell for the second consecutive quarter, down to 17.3% between June and August from 17.4% three months previously, as average prices rise more than the cheapest.

The decline marks a reverse in the upward trend of the variable, which stood at the highest level since

comparethemarket.com records began at 17.6% in the first quarter of 2017. A greater savings variable suggests a lower level of price competition.

Over the past few years, the savings variable has expanded at a steady rate. In Q3 2013, the savings variable stood at 15%, increasing to 16.4% in Q3 2014. The following year marked a decline with the rate falling to 15.8% in the third quarter, before jumping again to 17% in the same period in 2016.

Over the past three months, the savings variable has remained broadly flat. In June, the savings variable stood at 17.2%, rising to 17.4% in July, before coming back to 17.3% in August.

However, the savings variable still stands at almost record levels, suggesting that competition in the market is still very low, potentially driving up the price of insurance. People with policies coming up to renewal in the coming months could well face higher bills, particularly if they do not shop around for a better deal.

“ Although the slight reduction in the savings variable during the second and third quarter of 2017 may seem like good news, prices across the board continue to grow, making this a somewhat false positive. The difference between the cheapest and average premiums is still at almost record highs, while our data shows that – in absolute terms – the price gap is in-fact growing. It is still the case that motorists who auto-renew their policy will likely pay the price for not shopping around in the form of increases in insurance costs. ”

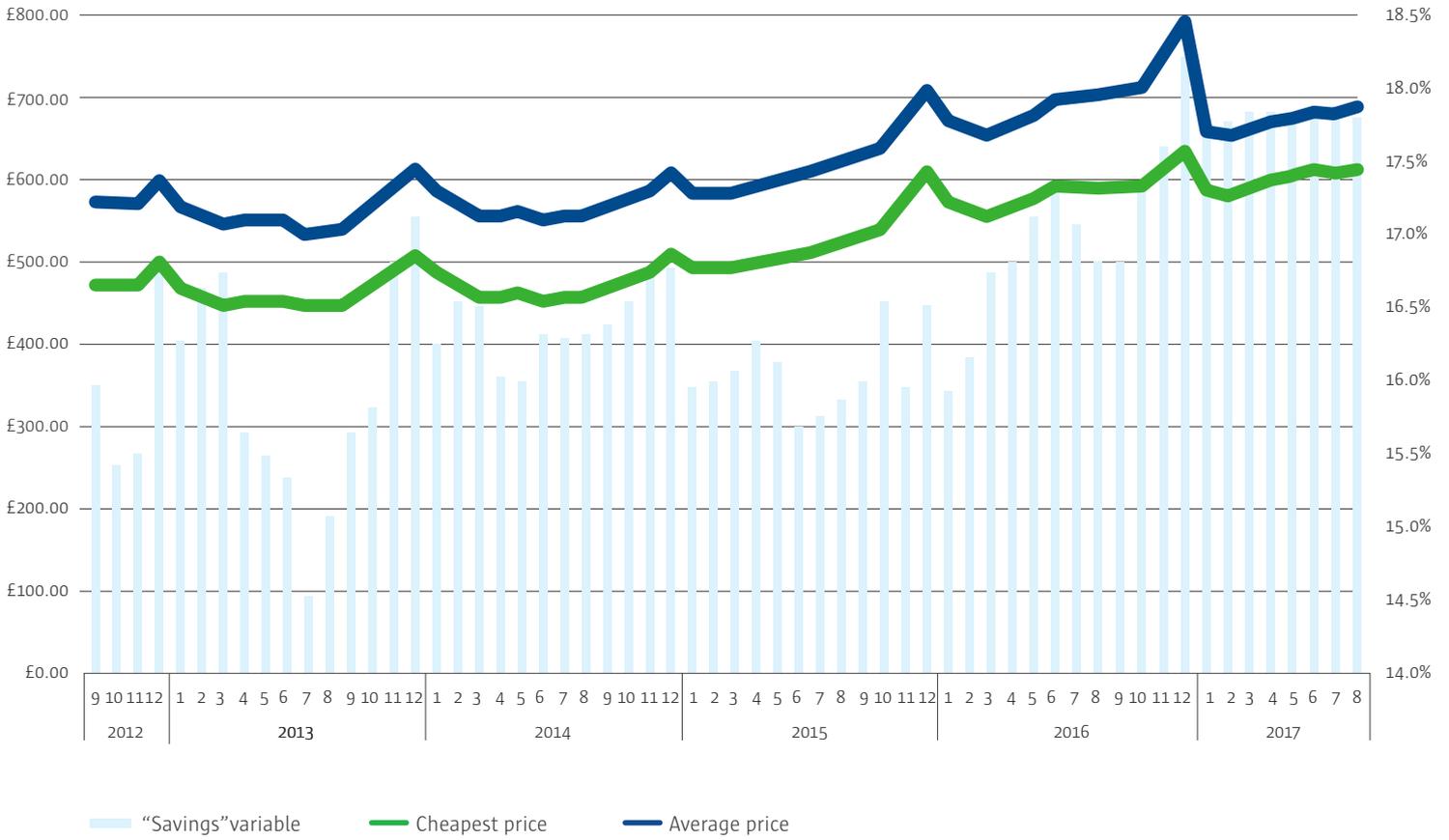
John Miles, Head of Motor at
comparethemarket.com

Savings variable across all age groups year on year August 2016 – August 2017:

2016	Month	Savings variable
	August	16.82%
	September	16.82%
	October	17.27%
	November	17.63%
	December	18.21%

2017	Month	Savings variable
	January	17.31%
	February	17.34%
	March	17.45%
	April	17.47%
	May	17.14%
	June	17.20%
	July	17.37%
	August	17.25%

Premium Drivers: Savings Variable



What's the cost?

Key Statistics

Average premiums have risen 38% over the past three years, up £204.93 from £535 in Q3 2014

The average quarterly motor insurance price has risen £42 year on year, from £698 in Q3 2016 to £740 for the same period in 2017

The gap between the cheapest and the average policy is widening, standing at £127.85 between June to August from £126.85 three months previously

The average motor insurance premium in Q3 2017 stood at £740; a £42 year on year increase for the quarter and a £9 hike quarter-on-quarter. The cheapest premiums in the market also increased in the past year to £612 in Q3, up £33 from £579 in the same period last year and an £8 hike from £604 in Q2.

The gap between the average and cheapest motor insurance premiums widened in Q3 (June to August 2017) to £128, just £1 below the record differential found in January's Premium Drivers report. This marks a return to the upward trend seen since comparethemarket.com

records began in 2012, after a marginal decline in the second quarter of this year.

This substantial growth in cost highlights the impact of recent Government changes to the cost of motor insurance, including hikes in the Insurance Premium Tax and the personal accident discount rate, while the £128 average saving highlights the benefits of shopping around rather than automatically renewing your policy.

Over the past three years average premiums have grown by 38%, up £205 from £535 in Q3 2014. With real wage growth largely stagnant during the

period and inflation now on the rise, this highlights the increasing pressure UK motorists are being put under.

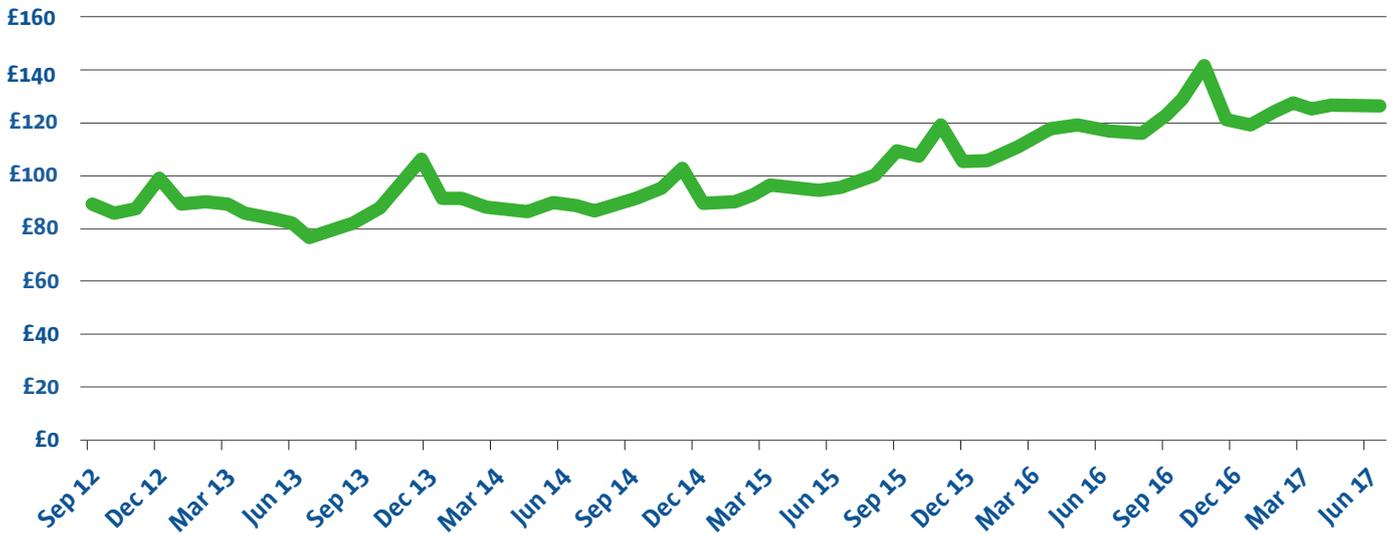
The cost of insurance for the UK's youngest drivers has continued to grow significantly. Over the past quarter, the average premium for drivers aged 17 to 20 stood at £1,606, up from £1,567 on the quarter before. However, with higher premiums comes higher savings, with the difference between the cheapest and average policy for this age group standing at £396 (£1,210 versus £1,606).

“The past three years have been relentless for British drivers, with the average insurance premium spiraling by 38% to £740. The past year has been particularly hard, with changes to Insurance Premium Tax and the personal injury discount, or ‘Ogden’, rate draining the pockets of motorists at a time that wage growth remains stagnant. Although the Ogden rate looks like it might be changed, some damage has already been done for drivers.

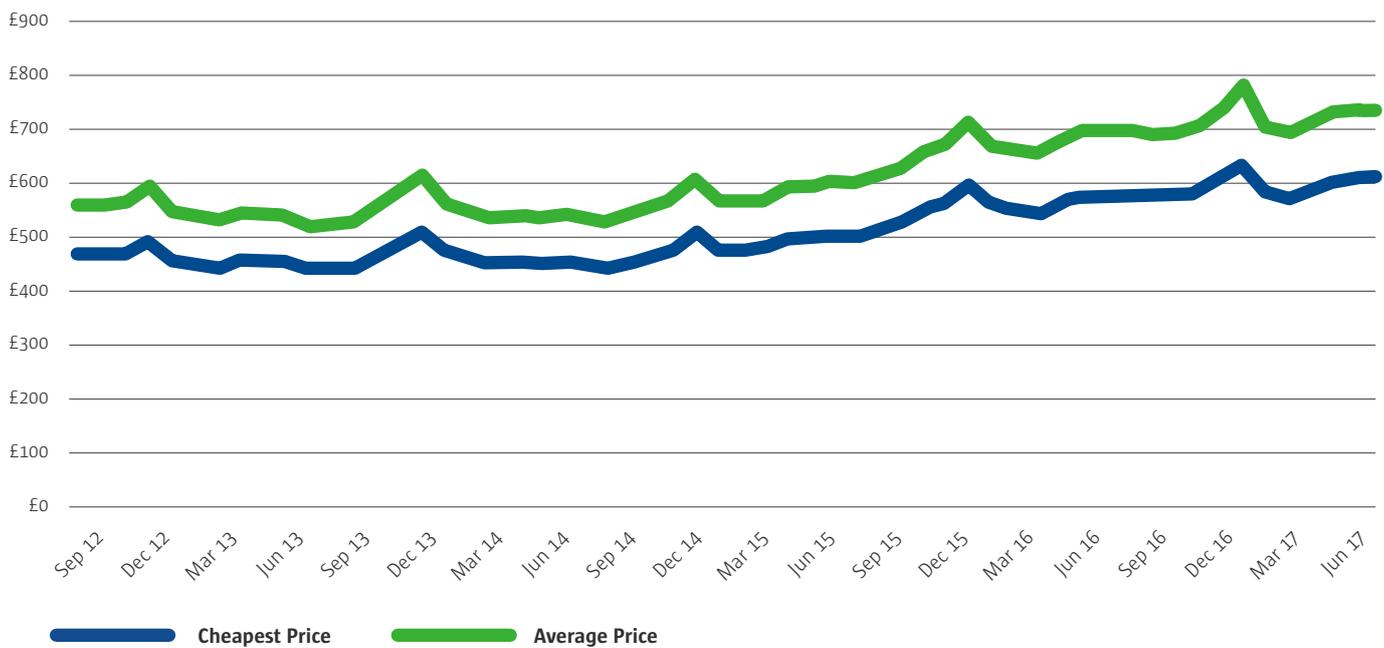
“As average premiums have gone up, so have the cheapest premiums available. The average cheapest premium in Q3 was £612, which is up by more than £30 on the year before. This remains lower than headline growth in average premiums, while the difference between the average and cheapest premium is almost at its highest ever level. Therefore, as ever, it is essential drivers do not fall into the auto-renewal trap and take advantage of the savings available by switching providers”

John Miles, Head of Motor at comparethemarket.com

Average Price Difference Per Quarter



Cost Difference Between The Cheapest And Average Premiums



Premium Gender Gap

Key Statistics

Men pay 26.5% more than women for car insurance, despite EU rules
 Average premium for men was £821 in Q3 2017, compared to £649 for women
 Gap has widened nearly 8% since the implementation of the EU Gender Directive

Men are still paying significantly more for their car insurance than women, despite EU rules banning the use of gender as a factor when pricing insurance policies, according to our research. Our data shows that, between June and August 2017, the average car insurance policy for a man was 27% higher than that for a woman, at £821 compared to £649.

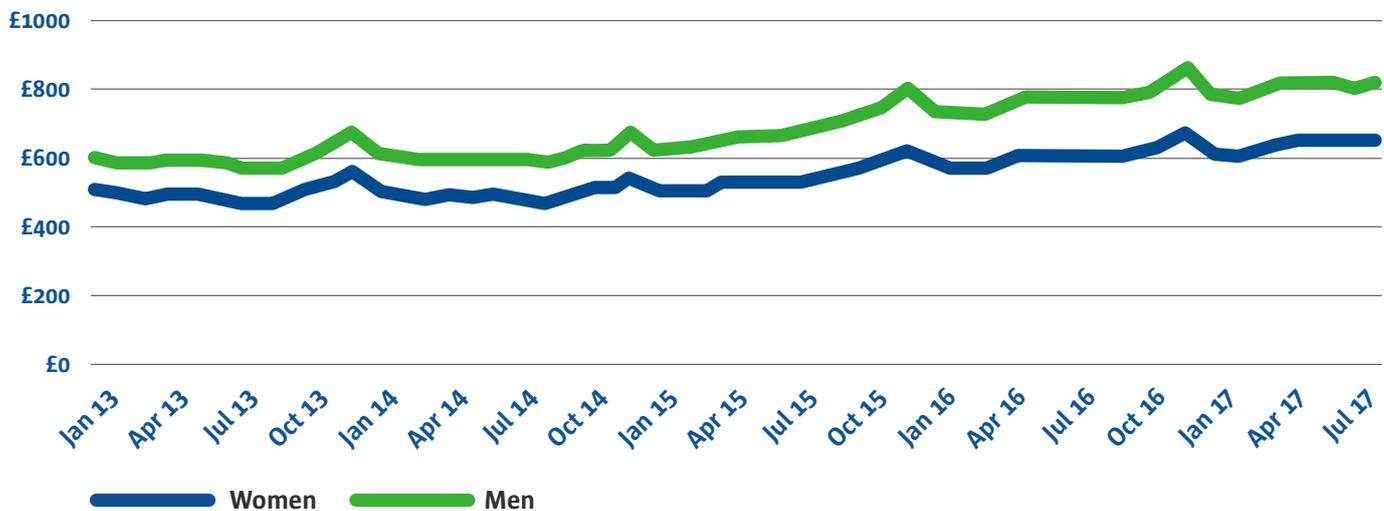
This is despite the implementation of the EU Gender Directive in December 2012,

which banned insurers from using gender as a factor when pricing policies. In fact, the statistics show that the gap between the cost of the average insurance policy for men and women has widened since December 2012.

In January 2013 the average policy for a male driver cost £591.70 compared to £493.88 for women – a difference of 20%, with the gap steadily widening over the past four years.

Despite the disparity, premiums have increased significantly over the past three years for both sexes, with men paying £232 more for their policies in Q3 compared to the same period in 2014 and women paying £173 more. Over the past year, average prices have risen by £41 for women and £46 for men.

Average premium by gender since implementation of EU Gender Directive



“ This data shows how little difference the EU Gender Directive has had on insurance premiums, with providers still giving big discounts to women. This is likely due to a number of factors, such as statistically higher accident rates for men and more men than woman driving business and commercial vehicles – which are higher risk. The directive removed the ability of providers to give default discounts to women, however the statistics and risk models used by insurers means that the result is largely the same.

However, there is a significant difference between the cheapest and most expensive motor policies for men and women, underlining how important it is to do your research when it comes to insuring your car – regardless of your gender. ”

John Miles, Head of Motor 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.