

YOUNG DRIVERS INDEX

FEBRUARY 2018



A bi-annual vehicle maintenance index for young people by



comparethemarket™

Young Drivers: The annual cost of running a car

Key Statistics

Annual cost of running a car for 17-24-year olds hits £2,381.55, up by nearly 8.2% over the past two years

Fuel costs up by 10.7% to £818.69 in the same period

Car insurance makes up over half of young drivers' first year running costs

Average insurance for 17-24-year olds increased by over £100 (8.17%) over the past two years, reaching £1,348.37

The cost of running a car for young drivers has risen by 8.2% over the past two years, primarily driven by an increase in fuel and insurance prices. On average, a 17-24-year-old driver will now pay £2,381.55 to run his or her car in the first year, of which more than half (£1,348.37) is the cost of insurance cover.

However, in the past six months, costs have stayed at broadly flat levels, increasing by 0.11% compared to the half year to July 2017. Equally, costs reduced slightly by 0.65% in the six months to January 2018, compared to the same period the year before.

The increase in the cost of fuel has been a major driver of the hike in overall motoring costs for young drivers. In the past two years, the annual cost of fuel for an average driver increased by almost £80 (10.68%) to £818.69. The analysis of fuel costs, which is based on average annual mileage, average fuel efficiency of cars in the UK and the cost of premium unleaded petrol, showed that costs dramatically increased in 2016 before falling in 2017 to its current level. Despite the more recent drop in fuel costs, the overall cost is still significantly higher than two years ago.

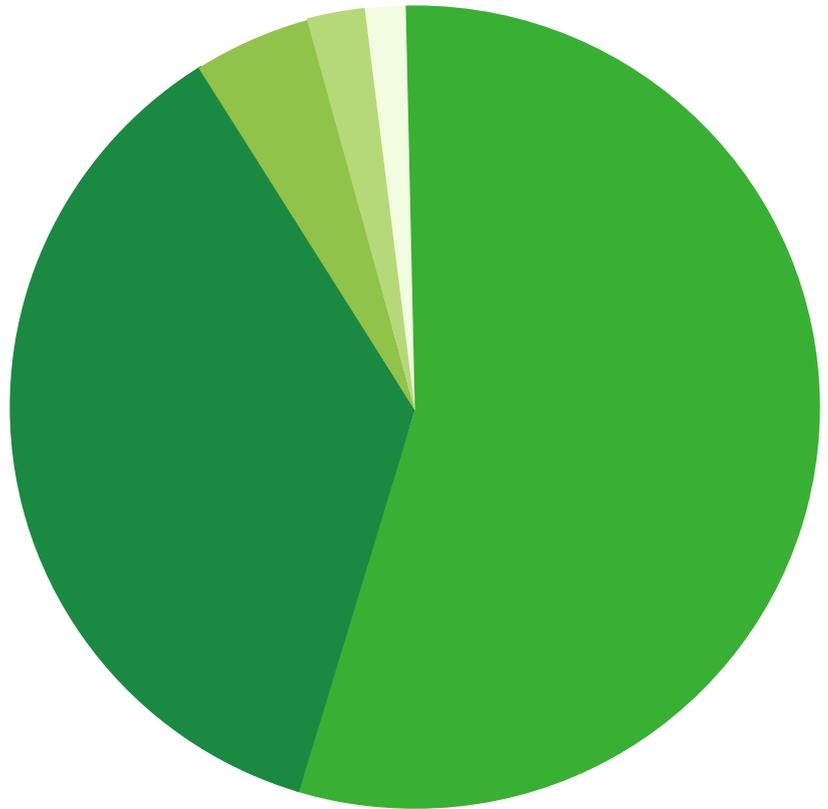
Another primary factor in the increase in motoring costs over the past two years, is the continual rise in insurance premiums. Young drivers have been disproportionately affected by changes to Government policy which has had a significant impact on premiums. Car insurance costs for young drivers have increased by over £200 since January 2015, to an average of £1,348 over the past six months.

Changes to the 'Ogden' personal injury discount rate – used to calculate compensation for large payouts to those with life-changing injuries – announced in February 2017, continues to affect premiums. However, the main factor in increasing insurance premiums for young drivers is the three hikes to Insurance Premium Tax, which has doubled in recent years on the back of announcements from successive Chancellors.

Cost of running a car (17-24 year olds)

Cost Name	Cost	% of total cost
Insurance	£ 1,348.37	56.62%
Fuel	£818.69	34.38%
Est. VED (Road Tax)	£115	4.83%
MOT	£54.85	2.30%
Breakdown cover	£44.65	1.87%
Total cost per year	£ 2,381.55	100.00%

- Insurance | £1,348.37
- Fuel | £818.69
- Est. VED (Road Tax) | £115
- MOT | £54.85
- Breakdown Cover | £44.65



“ While the past year has been more positive for young drivers, with motoring costs remaining broadly flat, it has done little to counter the huge rises that came before. With an average annual cost of £2,381, getting on the road is simply not an option for many and increasing costs will only price more people off the road. The cost of insurance remains the single biggest cost for young drivers, having risen by over £200 since January 2015. However, there is hope, as there are meaningful savings available for those that shop around for a cheaper policy. ”

Simon McCulloch, Director at
comparethemarket.com

The cost of insurance to young drivers

Key Statistics

Average insurance for 17-24 year olds reaches £1,348.37 – accounting for over half (56%) of a young driver’s first year running costs

Premiums for this age group rose by 3.2% over the past year, adding £42 to bills

Young drivers could reduce insurance costs by nearly £280, on average, by shopping around

Insurance costs for young drivers have continued to increase over the past year, growing by 3.2% or £42 to an average of £1,348.37 on an annualised basis. This follows a period of faster hikes in premiums, with car insurance costs rising by 8.2% in the past two years, adding more than £100 to bills.

The hikes have primarily been driven by changes to the ‘Ogden’ personal injury discount rate and insurance premium tax, which has led to insurers upping their prices.

However, the cheapest premiums available to young drivers on the market are still significantly lower than the average, providing an opportunity for savvy motorists to save money. On average, the cheapest premiums for 17-24 year olds stand at £1,069.76 – almost £280 higher than the average premium.

Recent research by **comparethemarket.com** found that young drivers are being disproportionately punished by the high level of Insurance Premium Tax (IPT), making the cost of getting on the road prohibitive for many 17-24 year olds. According to the statistics, in 2017, the average amount levied by IPT for a young driver’s motor policy was 148% higher than that of the average driver over the age of 24. £165.27 was the average cost of IPT for young drivers, compared to an average of £66.70 for all other age groups.

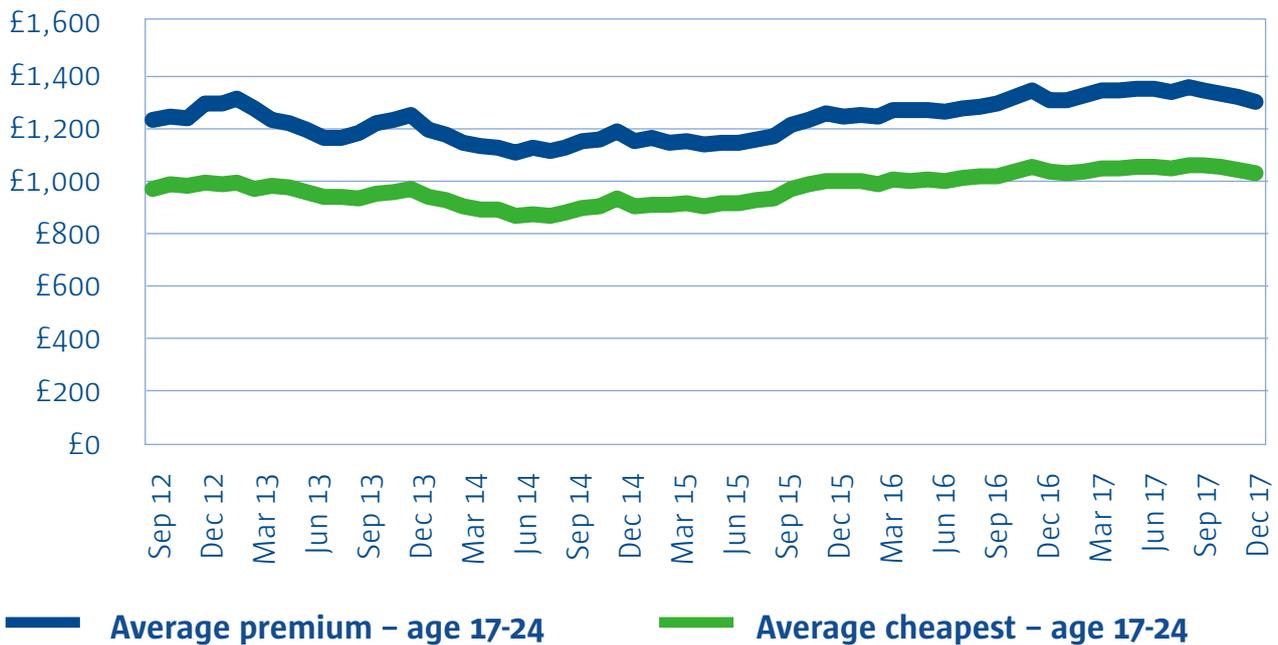
IPT, which stands at 12% after doubling in the past three years, is priced into the overall premium that drivers are charged. This means that young drivers who face higher car insurance bills face disproportionate increases to the policy

that they pay. Young drivers currently pay around £820 more per year for their car insurance than the average motor insurance premium for people aged over 25.

However, new Government proposals to restrict driving licences for young people to reduce accidents could go some way to reducing insurance costs. The “graduated driving licence” would ban driving at night for a two-year period after someone passes their driving test. The proposals would likely reduce the risk profile of young drivers and ultimately the premiums that they pay.

¹ The shop around saving is based on the difference between the cheapest click-through price presented and the mean average of the top five cheapest prices presented to a customer, where a consumer has clicked through to buy.

Changes in motor insurance premiums for 17-24 year old drivers since September 2012



Motor insurance premiums for 17-24 year old drivers (Six months to August 2017)		
Shop around price (P1 Average)	Average price	Saving
£1,069.76	£1,348.37	£278.60

“ The new Government proposals around restricting licences for young people, could go some way to mitigating the cost of insurance by reducing the risk profile of young drivers. While this may seem like a harsh restriction for new drivers, the measures should result in safer roads for all which would ultimately bring down premiums across the board.

There are a number of other ways to reduce insurance costs, such as taking out a telematics insurance policy, which uses technology to monitor driving habits so that the insurer has a better idea of your behaviour on the road. For safe drivers, these types of insurance will ultimately reduce costs. Equally, the premiums available to those who shop around for a cheaper deal are significantly lower than the average, making auto-renewing a policy potentially very costly for consumers.

However, whichever way you cut it, the reality is that insurance costs for young drivers are staggeringly high, and this is becoming a critical problem. Hikes in IPT and changes in the personal injury discount rate are hammering young people trying to get on the road – people often without the means to pay for such high costs. ”

Simon McCulloch, Director at comparethemarket.com

Methodology

All data on insurance and breakdown cover, as well as insight on car models, has been sourced through **comparethemarket.com**. All other data has been sourced through Gov.uk.

A young driver is defined in this research as drivers aged between 17 and 24 years old.

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.

All premium data refers to motor insurance products featuring comprehensive, third party fire and theft or third party cover.