

Car insurance price index

DECEMBER 2020







The car insurance price index

The Consumer Intelligence Car Insurance Price Index is the independent authoritative source of price movements in the car insurance market, compiled using real customer quotes from price comparison websites (PCWs) and key direct providers.

The data is used by the Office for National Statistics, regulators and insurance providers as the definitive benchmark of how price is changing for consumers.

Summary

	<p>Car insurance premiums have fallen 2.5% in the last six months, according to the latest Consumer Intelligence data.</p>
	<p>The average motor premium is now £816.</p>
	<p>Prices are decreasing among all age groups and UK regions.</p>
	<p>London (£1,499) remains the costliest place for car insurance, with Scotland (£513) the cheapest UK region.</p>

Meet our pricing expert

Harriet Devonald
Product Manager



Harriet Devonald is Consumer Intelligence's product manager for general insurance pricing.

With a decade of insurance industry experience behind her, Harriet has a deep understanding of the power data and insights hold when it comes to informed decision making. She is also passionate about developing products that exceed client expectations.

Methodology and definitions

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.

The numbers

Fewer drivers have been hitting the road in 2020 with traffic down by almost a fifth, according to the latest government estimates¹. The RAC has even said that '2020 is having a profound impact on our travel habits'².

With roads emptying, it is no surprise that the number of claims made on motor insurance policies has also fallen sharply.

Premiums have tumbled 2.5% in the last six months, with the average annual policy now standing at £816. However, when looked at over 12 months, average premiums have fallen just 1.1%. This is because prices had been rising before coronavirus struck.

But as we enter winter, the resurgence of coronavirus is expected to keep premiums subdued for a while longer yet.

"We are currently seeing premiums decreasing in all our age groups and across every UK region," says Harriet Devonald, product manager at Consumer Intelligence.

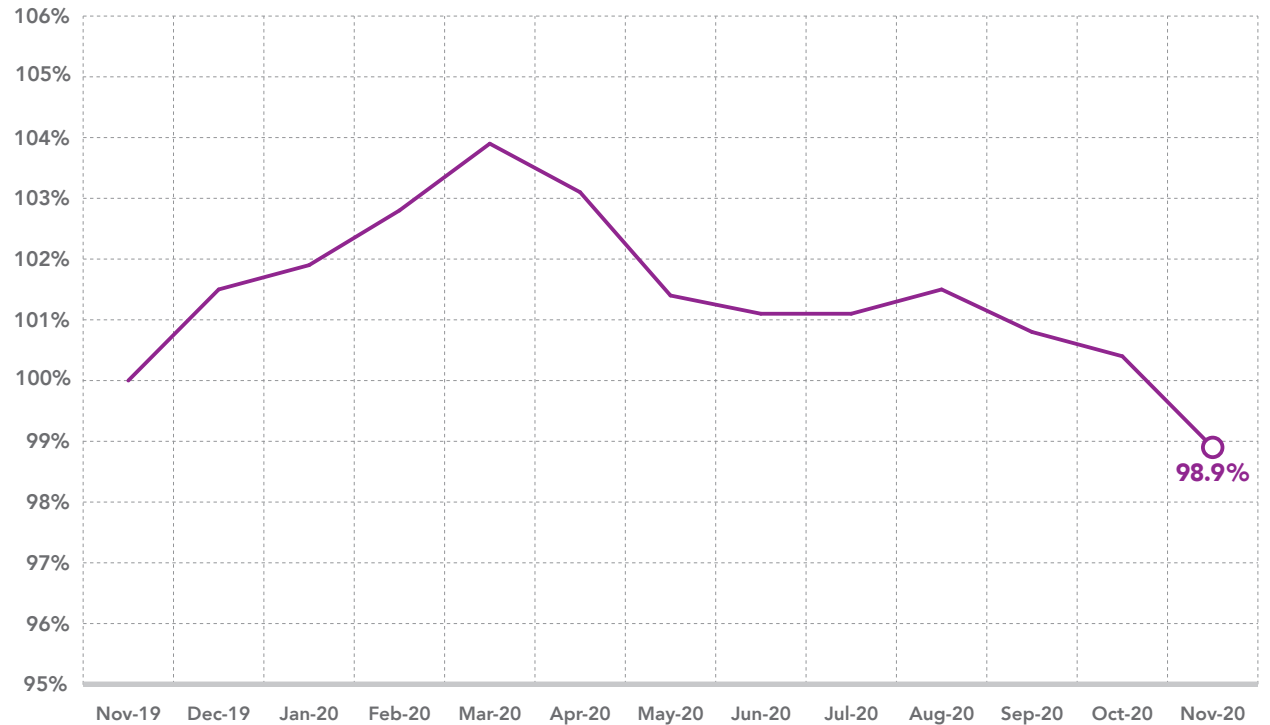
Nevertheless, there is now thankfully an end in sight to COVID-19. But once people start to travel freely again, car insurance premiums could start to head in a different direction.



£816

The average car insurance premium now costs £816

One year



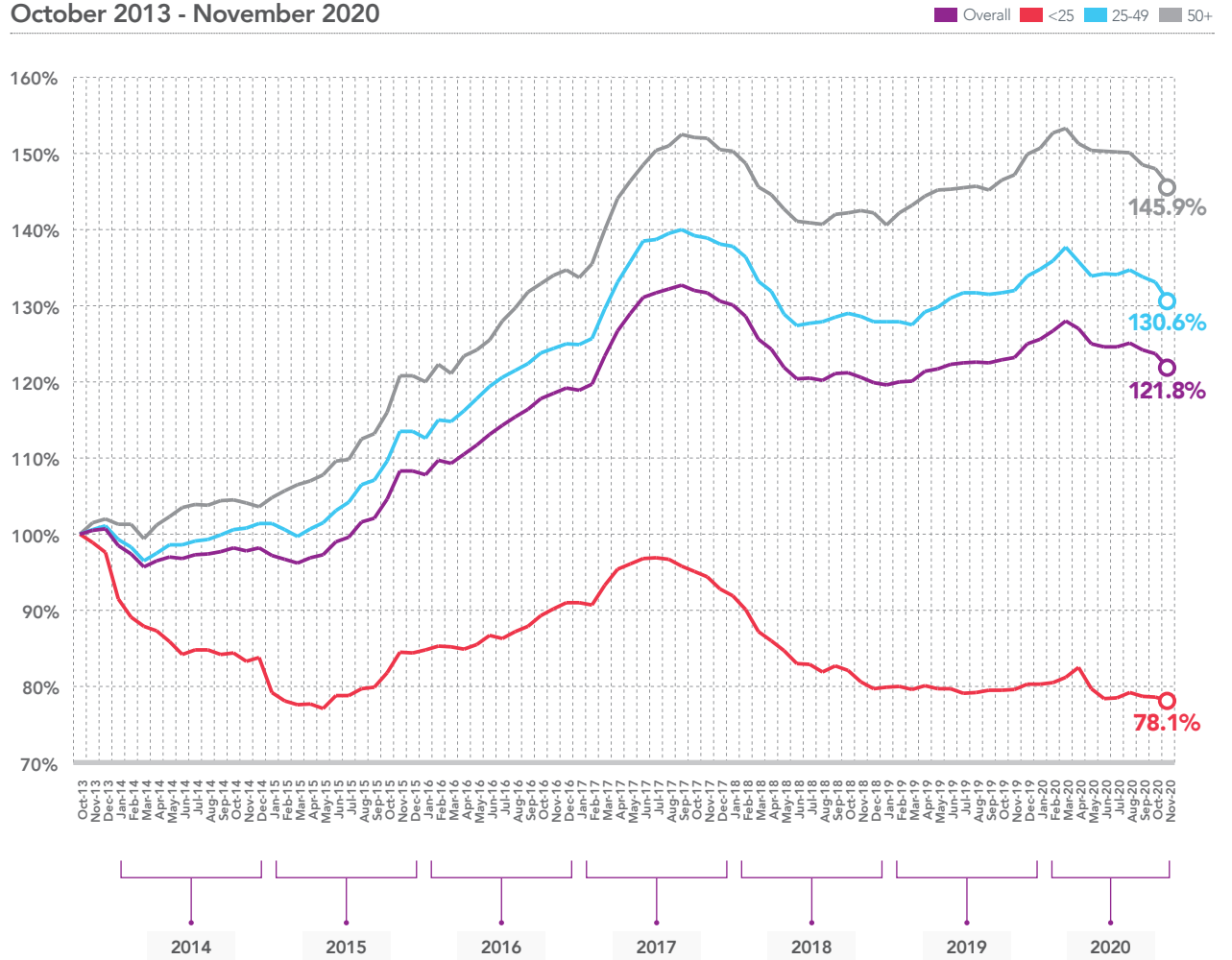
1. <https://www.gov.uk/government/statistics/provisional-road-traffic-estimates-great-britain-october-2019-to-september-2020>
 2. <https://media.rac.co.uk/news/largest-fall-in-motor-traffic-since-records-began-in-1994-rac-comment-413909>

Long-term view

Average overall premiums have increased 21.8% since October 2013 when Consumer Intelligence first started collecting data.

Prices have now fallen more than 10% from the September 2017 pricing peak.

October 2013 - November 2020



+21.8%
Average premiums have increased 21.8% since October 2013

Age differences

All our age groups have witnessed broadly similar falls to their car insurance premiums over the last 12 months.

The under-25s (-1.9%) led the way with the biggest yearly decrease, with motorists aged 25-49 (-1.0%) and the over-50s (-0.8%) following closely behind.

Yet, it is our youngest driver cohort (£1,954) that continues to fork out the most for car insurance. In comparison, the over-50s typically pay £370 while those aged 25-49 hand over £628 for an annual policy.

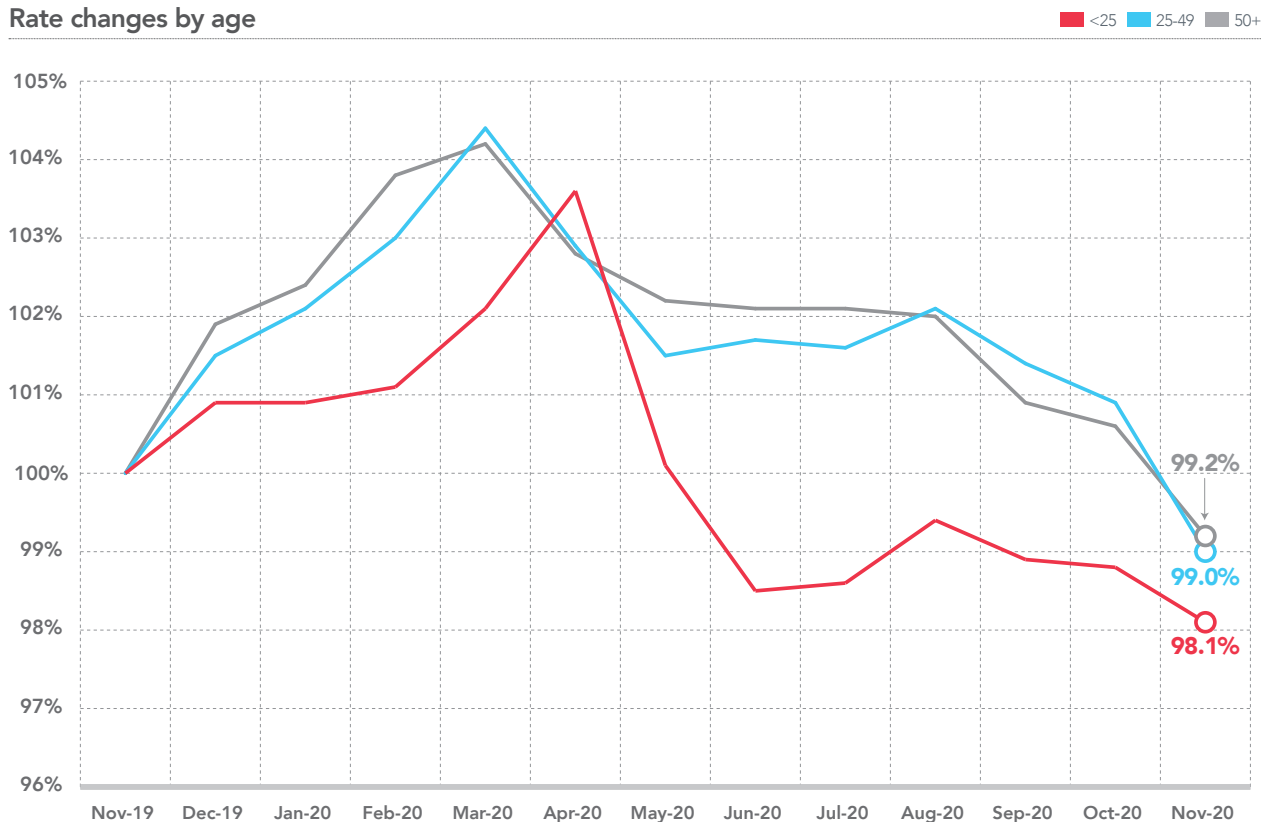
“Even with telematics-based policies working hard to keep pricing affordable for the youngest drivers, there is still a huge difference when compared to the over-50 and 25-49 year-old sectors,” says Devonald.

However when viewed over the last three months things have flipped slightly. The under-25s (-1.4%) are now seeing the smallest price falls, with the biggest premium reductions found in our older demographics – the 25-49 year-olds (-3.0%) and over-50s (-2.8%).



£1,954	Average premium for drivers under 25
£628	Average premium for drivers 25-49
£370	Average premium for drivers aged 50+

Rate changes by age



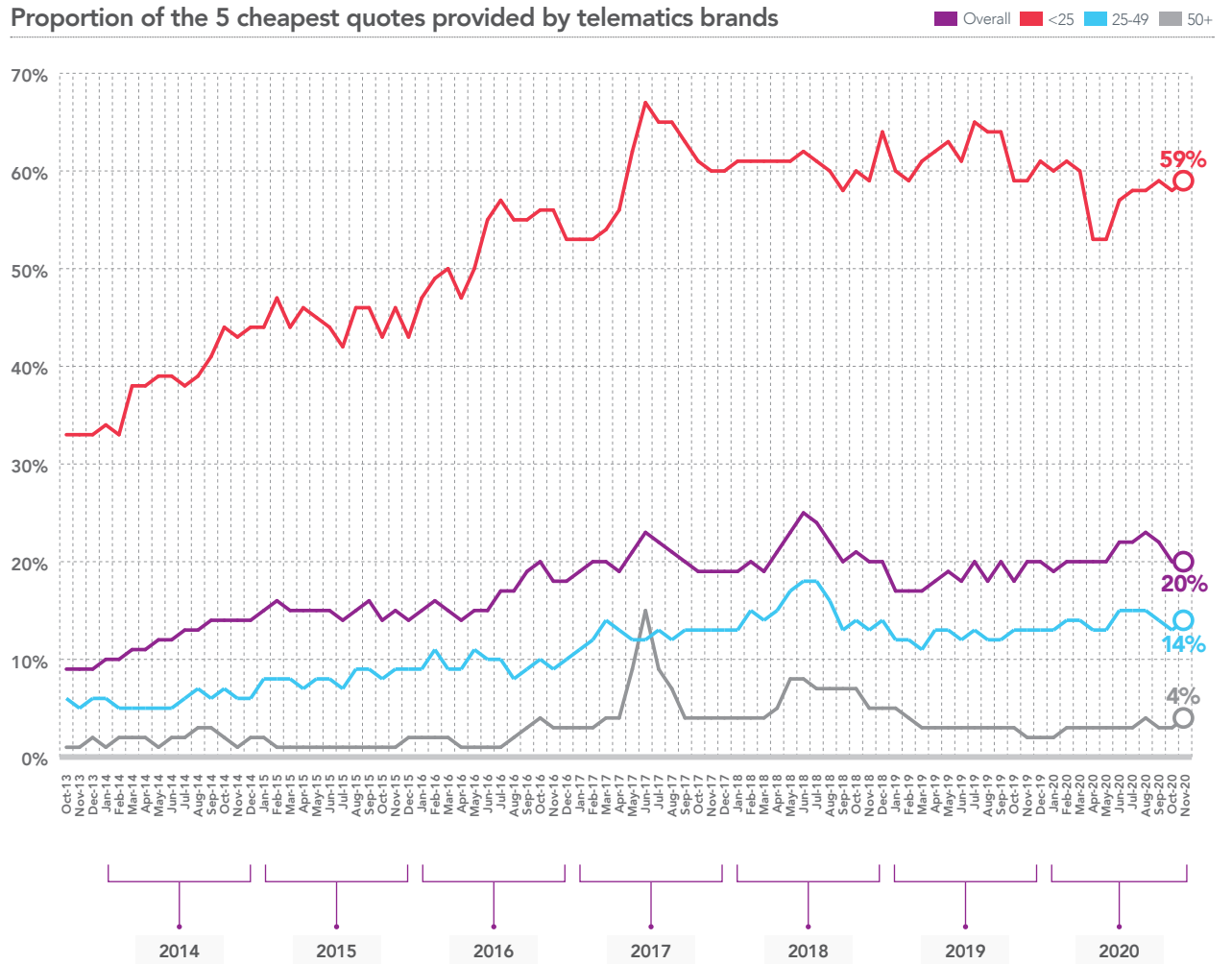
Telematics

Take-up of telematics-based policies remains low for our older driver groups.

For motorists aged over 50, just 4% of the five cheapest quotes come from telematics providers. That rises slightly to 14% for drivers aged between 25 and 49.

For those aged under 25, telematics policies continue to play a big part in keeping insurance costs down. These policies now make up 59% of the top five cheapest quotes for drivers aged under 25.

Proportion of the 5 cheapest quotes provided by telematics brands



59%

of the top five cheapest quotes for the under-25s are from telematics providers

Regional differences

Again London drivers continue to be hit with the biggest increases to their car insurance policies. Over the last 12 months, prices in the capital have risen 3.8%.

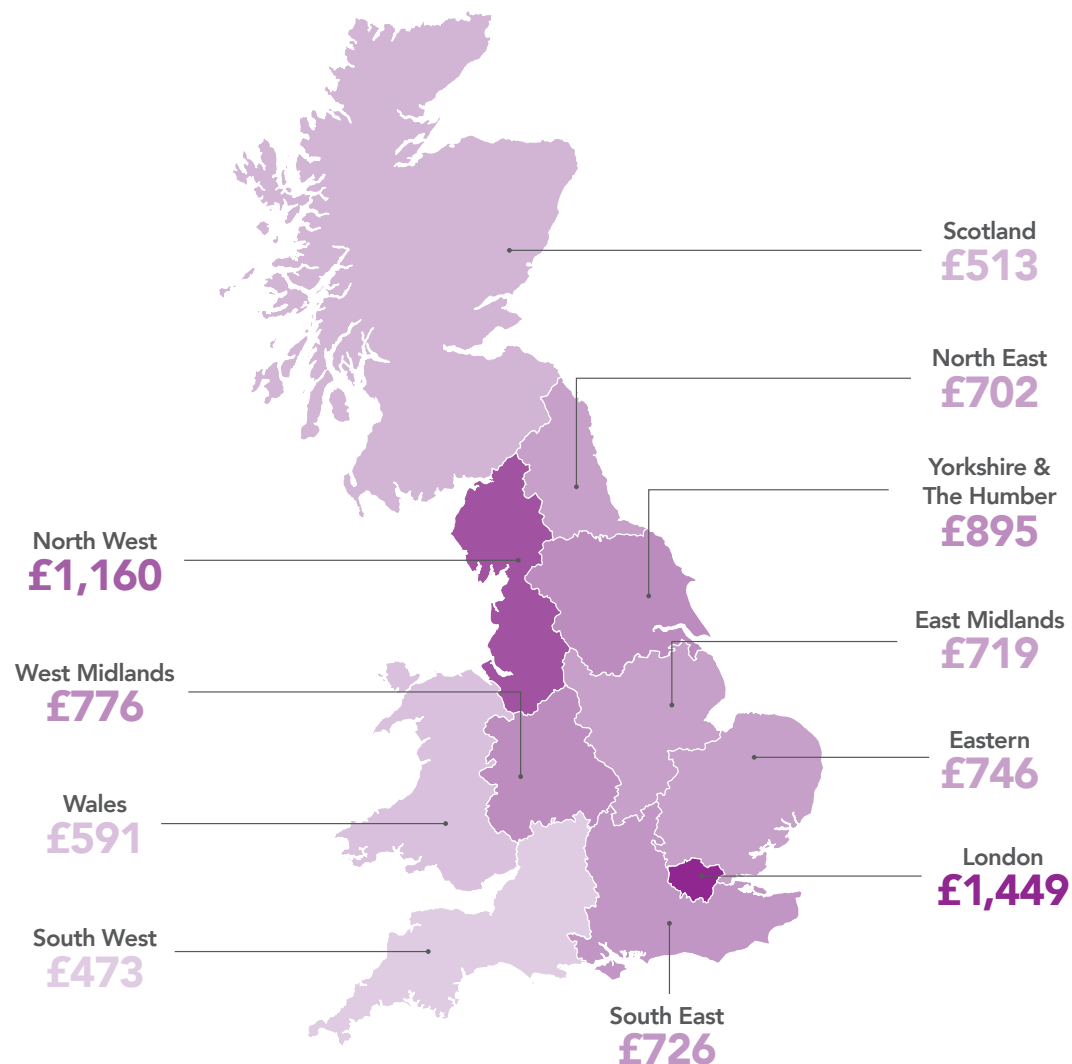
Just two other areas across the UK – Yorkshire and the Humber (1.4%) and the Eastern region (1.2%) – have seen prices rise over the same period.

However, it is noticeable that in the last three months all UK regions have seen premiums decline. The largest fallers have been the North East (-4.4%), East Midlands (-3.9%) and the West Midlands (-3.8%).

London (£1,449) remains the costliest place for car insurance, with Scotland (£513) the cheapest UK region.



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

