

PREMIUM DRIVERS REPORT

JUNE 2017

Your quarterly motor insurance 'savings index'

Introduction

comparethemarket.com's Premium Drivers index has, over the past five years, tracked an ongoing rise in motor insurance premiums. However, the past two years have been particularly hard hitting for drivers, who have faced even more hikes to their premiums.

Successive rises in Insurance Premium Tax, which has doubled in the past two years, has put huge upward pressure on premiums. First increased in March 2015 from 6% to 9.5%, the tax was then increased again in March 2016 by an additional 0.5%, and then for a third time in June 2017, taking it to its current rate of 12%.

More recent changes to the personal injury discount rate (also known as the 'Ogden' rate) – the way in which compensation for personal injury claims is calculated – has also caused insurers to increase premiums across the board.

Beyond these changes, the Premium Drivers index has shown a steady increase in the difference between the "cheapest" and "average" motor premiums, which averaged at almost £127 over the past three months. This presents a real opportunity for savvy customers who shop around to make a significant savings in a time of uncertainty.

comparethemarket.com has also analysed data to determine when is the optimal time to switch car insurance, which yielded some interesting results. Car insurance is, by nature, seasonal, as the data in this report shows. Premiums tend to spike in December before dropping in January and then recovering and rising above the previous December during the rest of the year.

Furthermore, research from **comparethemarket.com** found that switching insurance products three weeks before the renewal date of a policy is the best time to switch provider. Drivers who switched 21 days before renewal saved £349 more on average than if they switch on the day of renewal.

* 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.

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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

Quarterly savings variable sees minor fall to 17.35%, remaining stable at one of the largest percentage differences between cheapest and average premiums since Premium Drivers records began in September 2012

Slight drop in the savings variable attributed to seasonal drops in the cost of motor insurance

The latest Premium Drivers research from **comparethemarket.com** has found that the savings variable dropped slightly in the second quarter of this year at around 17.35%, slightly down from 17.6% in Q1. In the last Premium Drivers report, the savings variable was at its highest levels since records began, and the very little shift in Q2 indicates a lack of competition among insurance providers.

Over the past few years, the savings variable, or the difference between the cheapest and average premiums, has expanded at a significant rate. In Q2 2013, the savings variable stood at 15.9% before holding steady at 16.2% in Q2 2014 and 2015. However, Q2 2016 saw a rise to 16.87%, jumping again this year to 17.35%.

Over the past three months the savings variable has maintained broadly flat. In March and April, the savings variable stood at nearly 17.5%, before dropping down to 17.1% in May. The slight drop in the savings variable can broadly be attributed to the seasonal reductions in insurance costs at the start of the year.



Although the slight reduction of the savings variable in the second quarter may seem like good news, the seasonal nature of insurance means that this might be somewhat of a false positive. The difference between the cheapest and average premiums is still at almost record highs, indicating that competition is low which could well result in sustained pressure on average premiums. It is still the case that motorists who auto-renew their policy will likely face sharp hikes in insurance costs.”



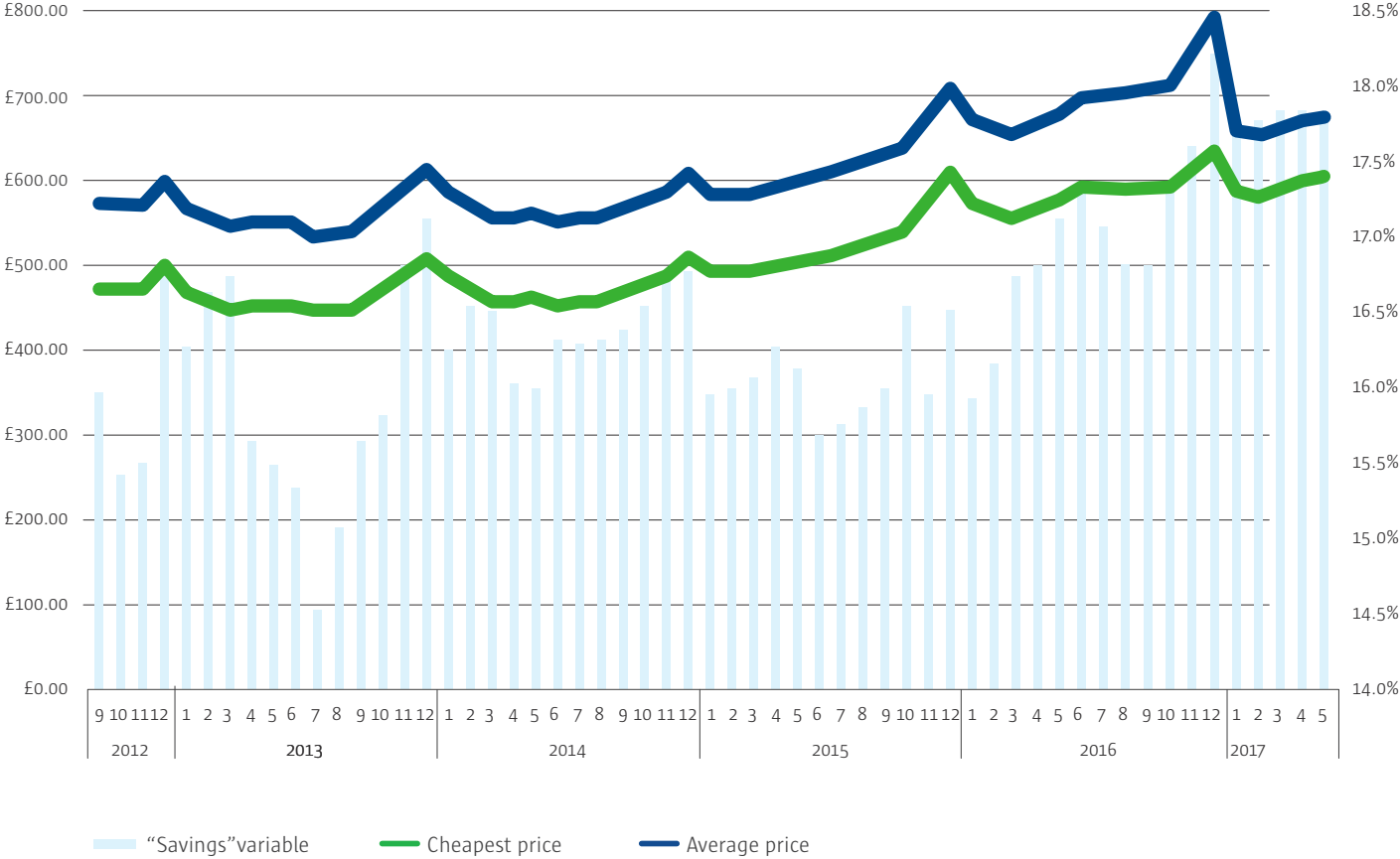
Simon McCulloch, Director at
comparethemarket.com

Savings variable across all age groups year on year June 2016 - May 2017:

| 2016 | Month | Savings variable |
|------|-----------|------------------|
| | June | 17.25% |
| | July | 17.00% |
| | 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% |

Premium Drivers: Savings Variable



What's the cost?

Key Statistics

The average quarterly motor insurance price has risen £52 year on year from £679 in Q2 2016 to £731 for the same period in 2017

Quarterly cost difference between the average and cheapest premiums has only marginally dropped by £2 quarter-on-quarter to £126 in Q2

Average premiums have risen £192 over the past three years, up from £538 in Q2 2014

The gap between the average and cheapest motor insurance premiums stabilised in Q2 (March – May 2017) at £126, just £2 below the record differential found in the last Premium Drivers report. Prior to this minor drop in the average saving, the figures had risen in the previous eleven consecutive quarters from Q2 2014, when the price difference stood at £87.

The average motor insurance premium in Q2 stood at £731; a £52 year on year increase for this quarter. This highlights the impact of recent Government changes to the cost of motor insurance.

The cheapest premiums in the market also increased in the past year to £604 in Q2, up £40 from £564 in the same period last year. Despite the rise in the cheapest premiums available, the £126 average saving highlights the benefits of shopping around rather than automatically renewing your policy.

Despite the seasonal shift in motor insurance, which shows that prices reduce at the start of the year after annual highs in December, average premiums on a quarterly basis have still increased in Q2 compared to Q1, which has happened only once before since records began. In

Q2, premiums steadily rose from £716 in March to £736 in April and then £739 in May.

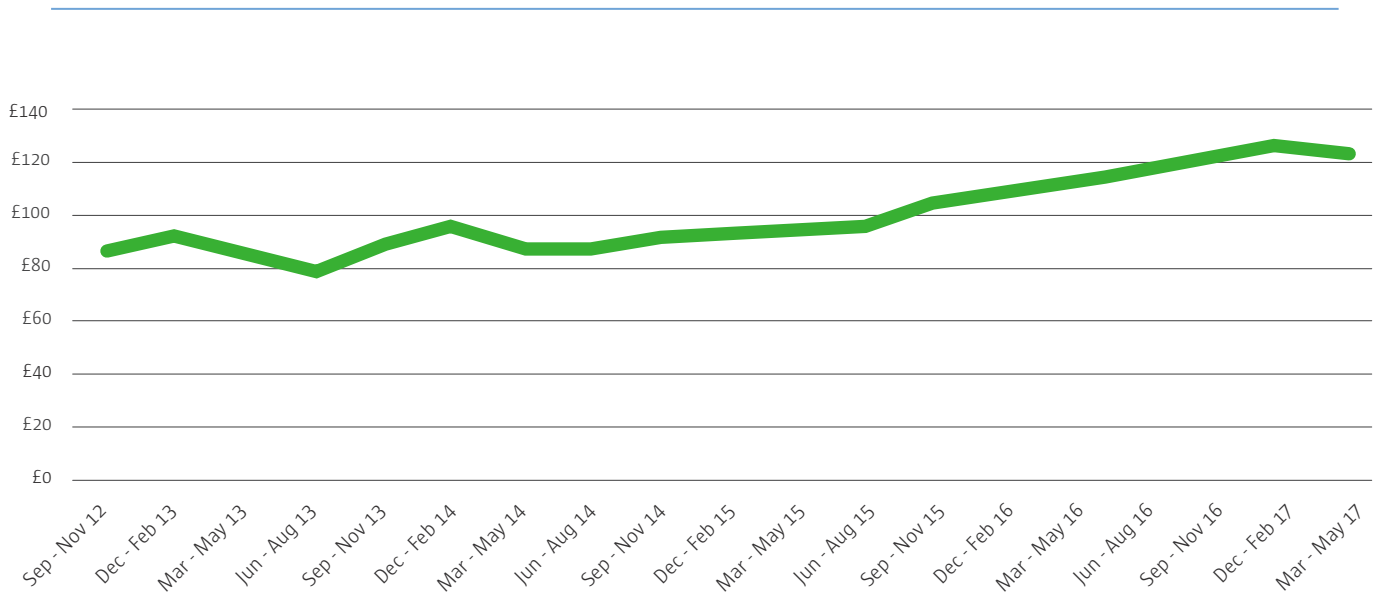
The cost of insurance for young people, aged 17 – 24 has continued to grow significantly. Over the past quarter, the average premium for a driver in that age group stood at £1,365, up from £1,342 on the quarter before. However, with higher premiums often comes higher savings. 17 – 24 year olds could save £298 in Q2 up £16 from £282 in Q1.

“The past two years have been relentless for British drivers, who still face ever increasing premiums. The past year has seen premiums jump by more than £50 as changes to Insurance Premium Tax and the ‘Ogden’ rate have hit the pockets of motorists. Even the traditional seasonal drop in insurance costs has done little to slow the tide of rising premiums, which went up between Q1 and Q2 for only the second time since our records began.

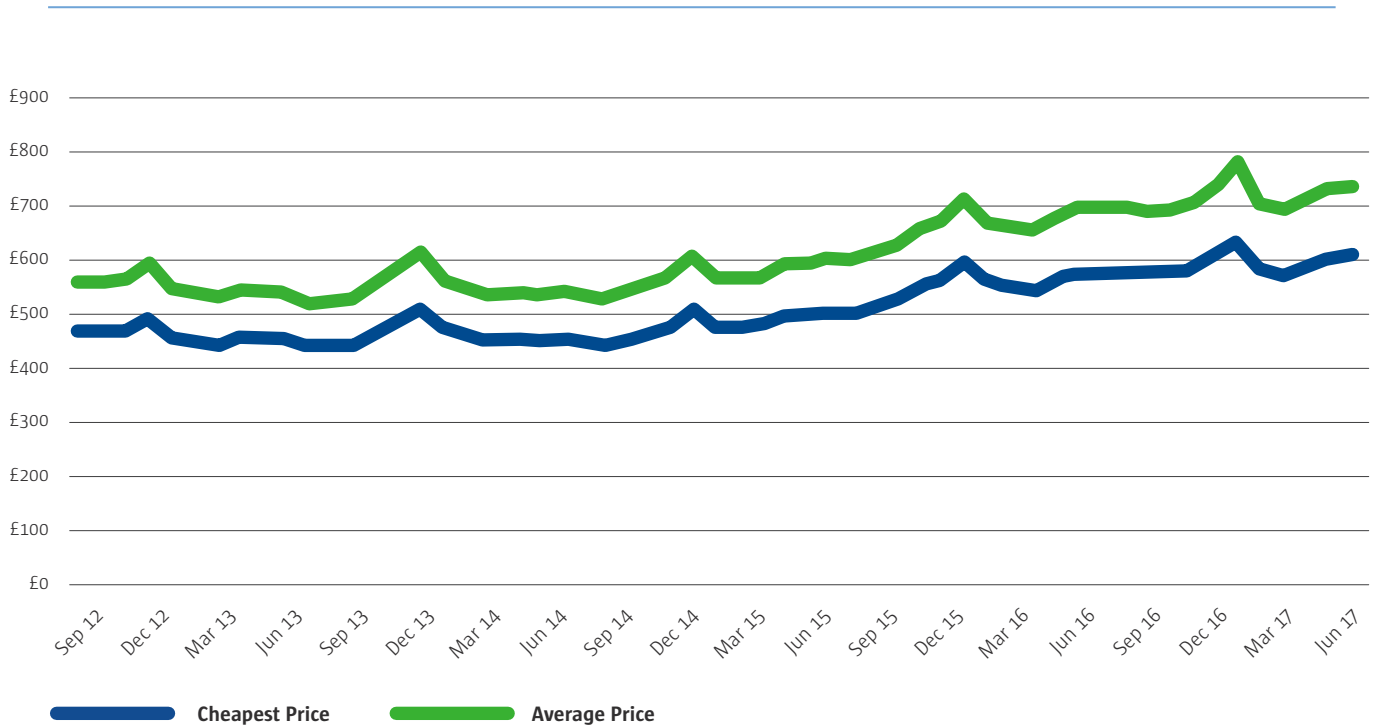
“As average premiums have gone up, so have the cheapest premiums available. The average cheapest premium in Q2 was £604 which is up by almost £40 on the year before. However, with difference between the average and cheapest premium almost at its highest ever level, now is the optimal time to shop around take advantage of the savings available”

Simon McCulloch, Director at comparethemarket.com

Average Price Difference Per Quarter



Cost Difference Between The Cheapest And Average Premiums



Methodology

All data, other than that referenced in the footnotes, is sourced from **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.