

# PREMIUM DRIVERS

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DECEMBER 2019



A quarterly motor insurance  
“savings index” by



**comparethemarket™**

# 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.



# THE SAVINGS VARIABLE

## Key Statistics

- Quarterly savings variable marginally increases to 15.49%, up from 15.39%
- The difference between average and cheapest premiums remains significantly lower than recent years since its peak of 17.62% in Q1 2017

The latest *Premium Drivers* report has found that the savings variable in Q4 (September 2019 – November 2019) has increased slightly over the past three months to 15.49%, up from 15.39% last quarter. The savings variable has remained significantly lower than its peak of 17.62% in the first quarter of 2017.

The savings variable remaining broadly flat follows recent drops in the difference between the cheapest and average premium. This comes after years of growth up to the start of 2017. The measure stood at its highest level in the last quarter of 2016 at 17.62%, which is the largest savings variable since records began.

The large difference between the average and cheapest premium two years ago suggests that drivers were not shopping around for their motor insurance, resulting in less pricing competition between insurers and people potentially missing out on significant savings.

A lower savings variable could signal a downward trend in premiums if it continues. The fall could be good news for drivers as a narrowing gap suggests a higher level of competition amongst providers which may lead to lower prices as insurers battle to win customers with better offers.

Despite some downward pressure on prices, the fact remains that drivers are still paying hundreds of pounds more for their car insurance than several years

ago. This price difference is exacerbated for drivers who fail to shop around, as renewal prices tend to be significantly more expensive.



“ We have seen little change in this past quarter on the savings variable. The savings variable can be a helpful indicator of the current levels of competition in the marketplace, with a narrower gap between the cheapest and average premiums suggesting that providers are reducing prices to attract new customers. Following this, we could see a corresponding decline in premiums as providers undercut competition to win customers ”

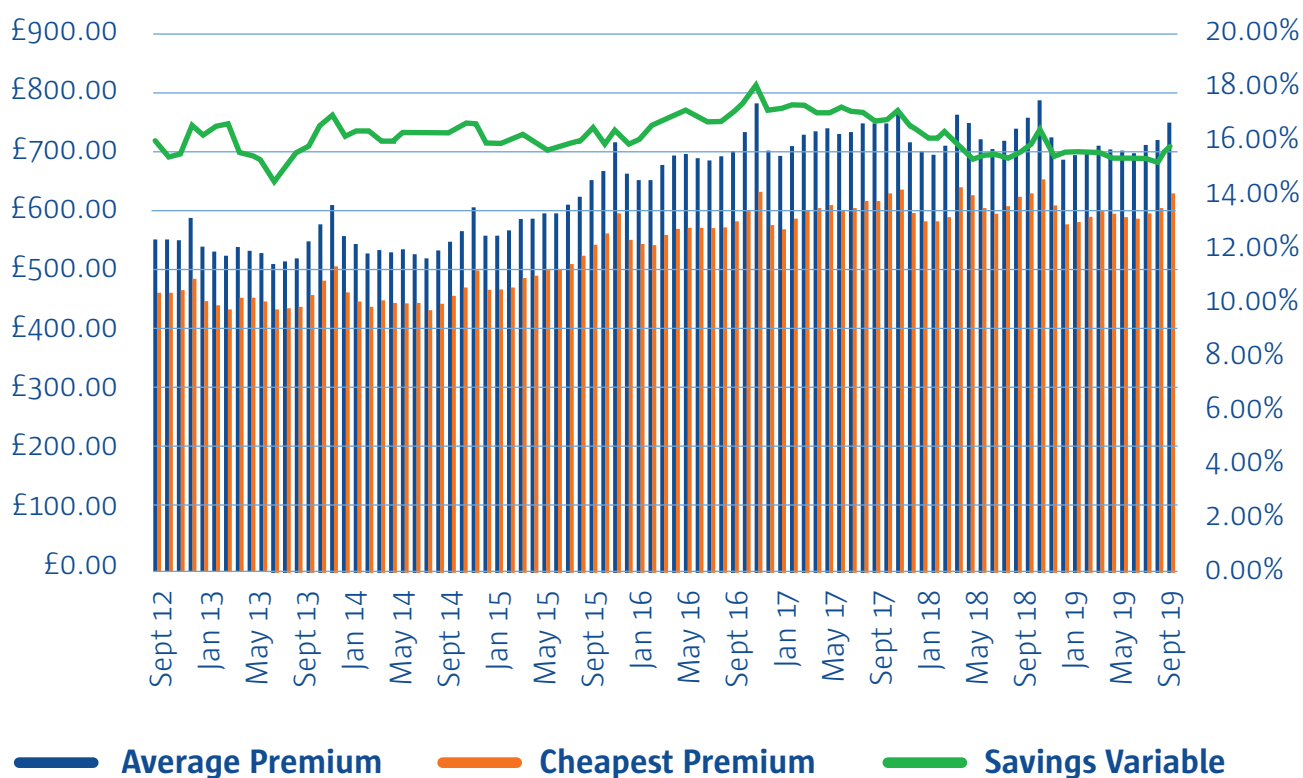
Dan Hutson, Head of Motor Insurance at [comparethemarket.com](https://www.comparethemarket.com)

## Savings variable across all age groups year on year August 2018 – August 2019:

Month	Savings variable
November 2018	15.76%
December 2018	16.51%
January 2019	15.46%
February 2019	15.55%
March 2019	15.63%
April 2019	15.65%
May 2019	15.63%
June 2019	15.40%
July 2019	15.50%
August 2019	15.27%
September 2019	15.37%
October 2019	15.28%
November 2019	15.81%



## Premium Drivers: The savings variable:



# WHAT IS THE COST?

## Key Statistics

- Quarterly average premium jumps to £730 up from £707 in the previous quarter
- Premiums have increased after recent reductions, up by £23 in the quarter
- Cheapest average premium available also increased to £617 from last quarter
- Last quarter was the lowest average premium for three years

The average car insurance premium in Q4 2019 (September – November) significantly increased over the last quarter and now stands at £730 – an increase of £23 compared to the previous quarter's £707. This increase could signal further hikes to premiums in the near future as the effects of proposed policy changes becomes clearer.

The latest rise follows a downward trend in average premiums, which over the previous three quarters decreased by £37 to £707 – the lowest level in three years. The last time average premiums were close to this price was the third quarter of 2016, at £697.

Whilst premiums have historically fluctuated throughout the year, average premiums remain lower than the same time last year. In Q4 2018, average premiums were £744, so premiums have decreased by £13 year-on-year.

Premiums remain considerably higher than when Premium Drivers records began in September 2012. The average premium stood at £559 in the last quarter of 2012 before rising to a peak of £758 in Q4 2017 – almost a £200 price difference. Increases in premiums over this time frame were driven in part by hikes to the Insurance Premium Tax

(IPT) and changes to the personal injury discount rate.

The latest increase in premiums could be driven again by policy issues, including the rumored delay of the changes to whiplash reforms. If they are enacted, these reforms will likely reduce premiums. While insurers may have begun pricing in those changes, it is probable that they have increased premiums to factor in the potential delay. In addition, the recent changes

to the Ogden rate and broader claims inflation could also be contributing to the increase in premiums.

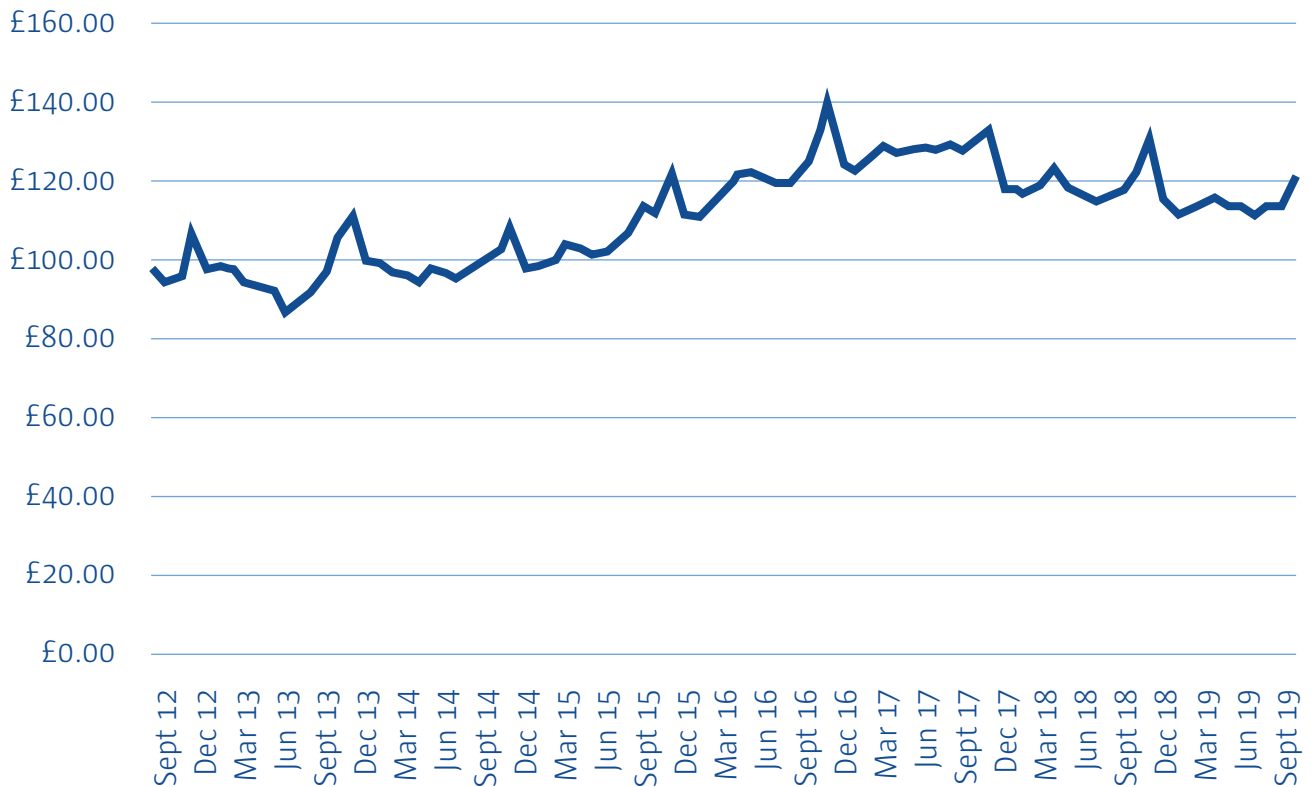
The gap of £113 between the cheapest and average premiums over the last quarter shows that shopping around remains an effective way to save money on car insurance. For younger motorists between the ages of 17 and 24, the difference is even higher: the average young person can save £235 by switching to a better deal.

“**Sadly for Britain’s motorists the recent downward trend for cheaper premiums has stalled. While premiums tend to be higher towards the end of the calendar year, claims inflation, mooted delays to whiplash reform and the change in the way the Ogden rate is calculated could all be driving premiums up. These factors could continue to weigh on the cost of car insurance going into 2020.**

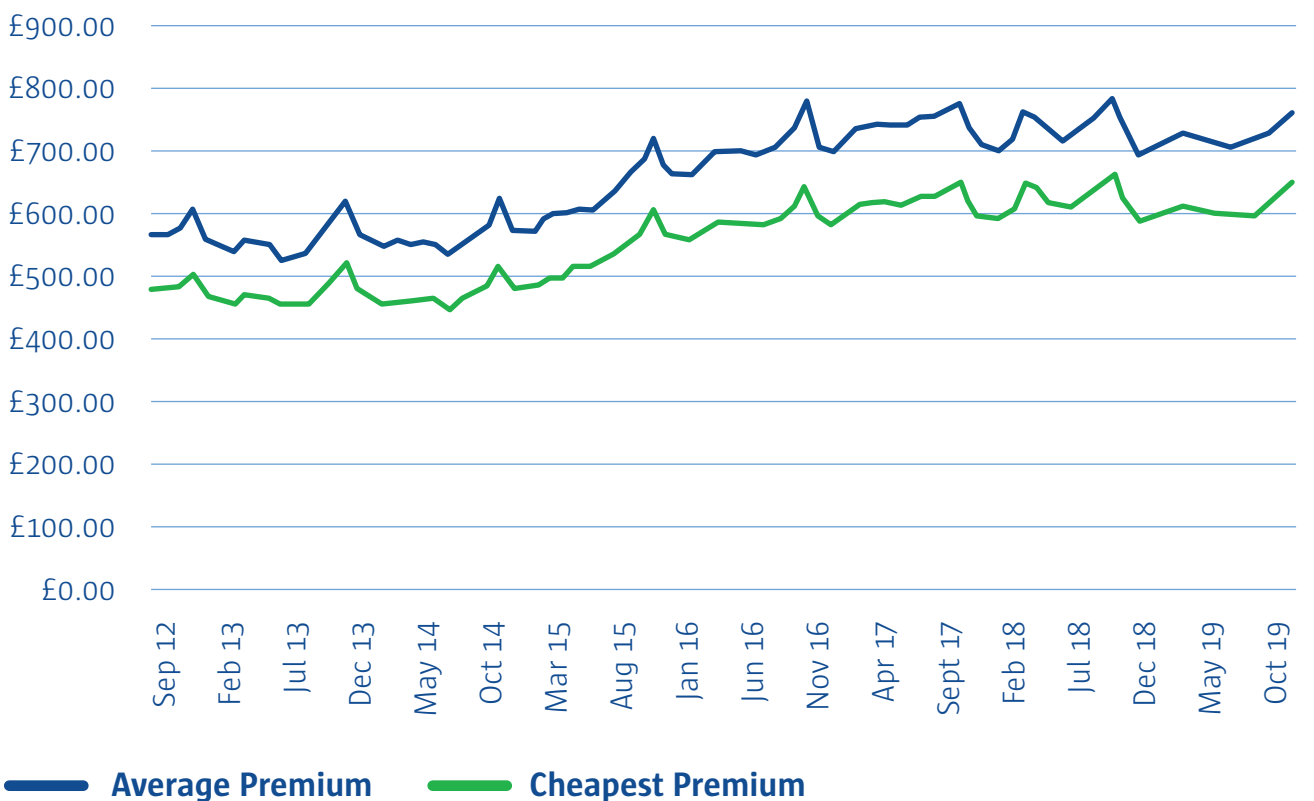
**“One of the easiest ways to save money on your car insurance is to switch provider regularly. The difference between the cheapest and average premium stands is over £100 – far more than small change for most people.”**

Dan Hutson, Head of Motor Insurance at [comparethemarket.com](https://www.comparethemarket.com)

### Average price difference



### Cost difference between the cheapest and average premiums



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# Methodology

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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.