

# PREMIUM DRIVERS

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SEPTEMBER 2020



A quarterly motor insurance  
“savings index” by



**comparethemarket**<sup>™</sup>

## 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 drops to 14.75% in the past quarter, down from 15.30%, and now at its lowest point since records began
- The significant fall in the difference between average and cheapest premiums is down further from its peak of 17.62% in Q1 2017

The latest Premium Drivers report has found that the savings variable in Q3 (June 2020 – August 2020) has fallen dramatically over the past three months to 14.75%, down from 15.30% in the last quarter. The savings variable has consistently remained significantly lower than its peak of 17.62% in the first quarter of 2017.

The savings variable has now hit the second lowest level since records began. This significant fall comes after a steady decline from its peak in 2017.

The reduced difference between the average and cheapest premium three years ago suggests that more drivers have been shopping around for their motor insurance, resulting in more pricing competition between insurers as people take advantage of significant savings.

On a monthly basis, the savings variable has remained largely flat. In June, it stood at 14.84% then fell to 14.56% in July, before rising again to 14.84% in August. The overall higher level of competition may lead to lower prices in future, as insurers come under pressure to win customers through offering lower prices.

Despite the significant downward pressure on prices resulting from the

pandemic, the fact remains that drivers are still paying a significant amount more for their car insurance than they need to. This price

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



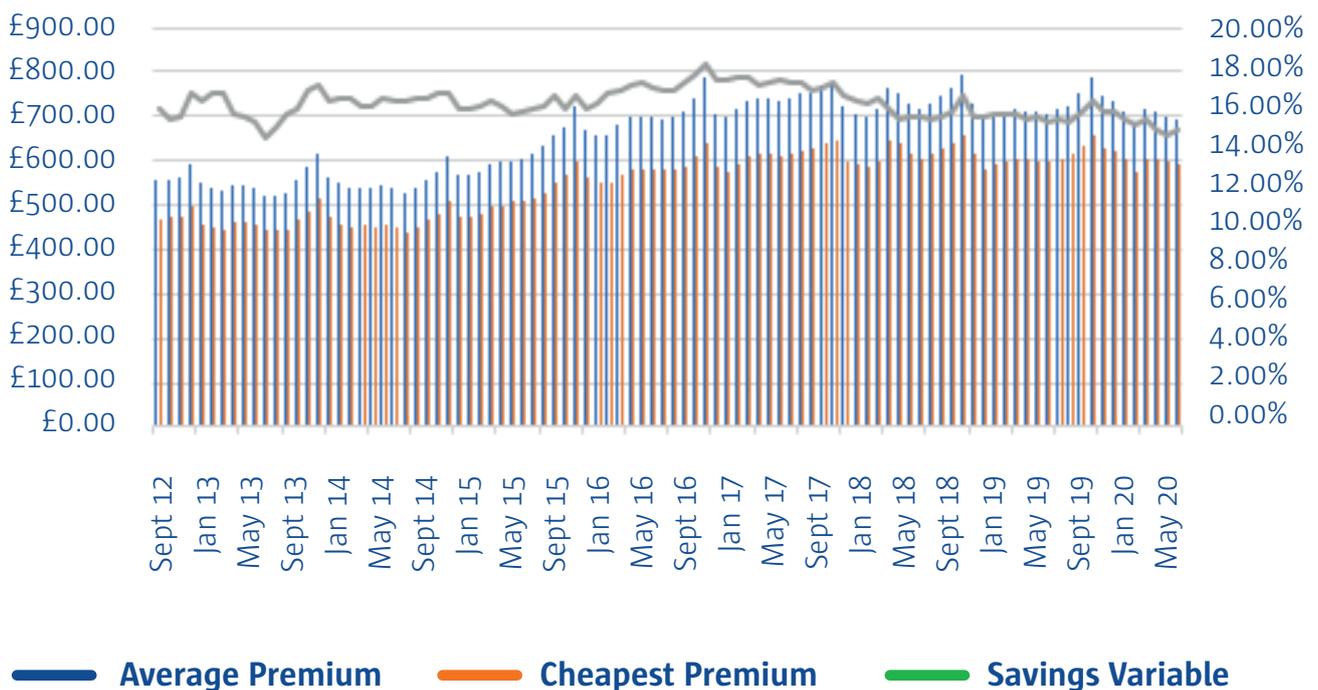
“ The savings variable fell significantly in the past quarter, meaning that the difference between the average and cheapest premium available has decreased. Competition levels in the marketplace for car insurance have reached an all time high, with a narrow gap between the cheapest and average premiums. Following this, we could see a corresponding reduction in premiums as providers are incentivised to cut prices to attract and retain customers. ”

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

### Savings variable across all age groups year on year August 2019 – August 2020:



### Premium Drivers: The savings variable:



# WHAT IS THE COST?

## Key Statistics

- Average premium drops to £701 the last quarter – the lowest average quarterly premium since Q3 2016
- Premiums have fallen by 7% since coronavirus lockdowns began, as it forced drivers off the road and insurers to reduce their prices
- Cheapest average premium increased slightly on last quarter, up £3 to £598

23 September 2020– Average car insurance premiums have fallen by 7% since the start of the lockdown, as many drivers have been forced off the road and insurers have reduced their prices, according to the latest Premium Drivers report from [comparethemarket.com](https://www.comparethemarket.com). More recently, premiums have remained flat over the past quarter with a £1 reduction over the past three months.

At £701, premiums are now at the cheapest level since Q3 2016, when the average quarterly premium stood at £698. However, compared to the £52 drop in Q2 2020 (March – May 2020). In May, the Financial Conduct Authority encouraged all car insurance providers to reassess the risk profile of customers which may have changed significantly because of the coronavirus. In addition, it asked motor insurers to waive cancellation and other charges associated with adjusting policies.

The reductions in costs follow a number of years of high premiums. Over the past five years there have been changes to Government policy which have forced premiums up, including hikes to Insurance Premium Tax (IPT), delays to the whiplash reform and changes to the Ogden rate which drove up the cost of claims. However, the insurance industry has faced significant changes over the past six months as Government restrictions

have forced many cars off the roads, in turn reducing the volume of claims and pushing premiums down.

On a monthly basis, there has been a gradual decline in average premiums. The average cost of cover dropped by £6 in June to £708, followed by a decrease of £7 in July to £701, and finally a £6 decrease in August to a low of £694.

The cheapest premiums available on the market have increased slightly. Over the past three months, the average cheapest policy

available cost £598, compared to £594 in the previous quarter. However, since coronavirus lockdowns began, cheapest premiums have fallen by 6%, from £627 in Q1 2020 (December 2019 – February 2020).

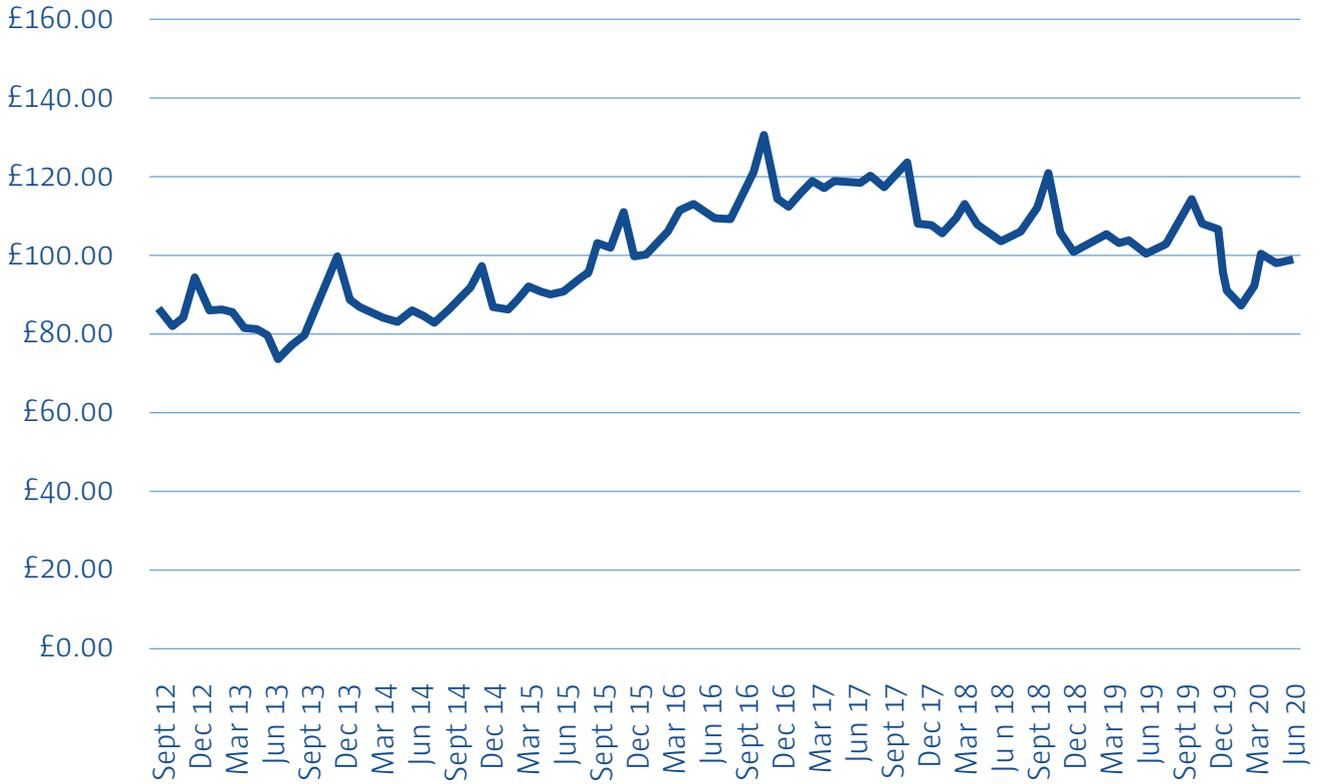
The gap of £103 between the cheapest and average premiums over the last quarter shows that shopping around remains an effective way to save money on car insurance. For younger motorists under 24 years old, the difference is much higher, with the average young person able to save £191 by switching to a better deal.

“**The decreased cost of car insurance premiums will be welcome news for drivers, following years of rising costs. Insurers have passed on savings received as a result of fewer claims during the coronavirus pandemic from the reduction in cars on the roads. This should serve to help the many families struggling financially as a result of the pandemic. Insurers should continue to support their customers wherever possible.**”

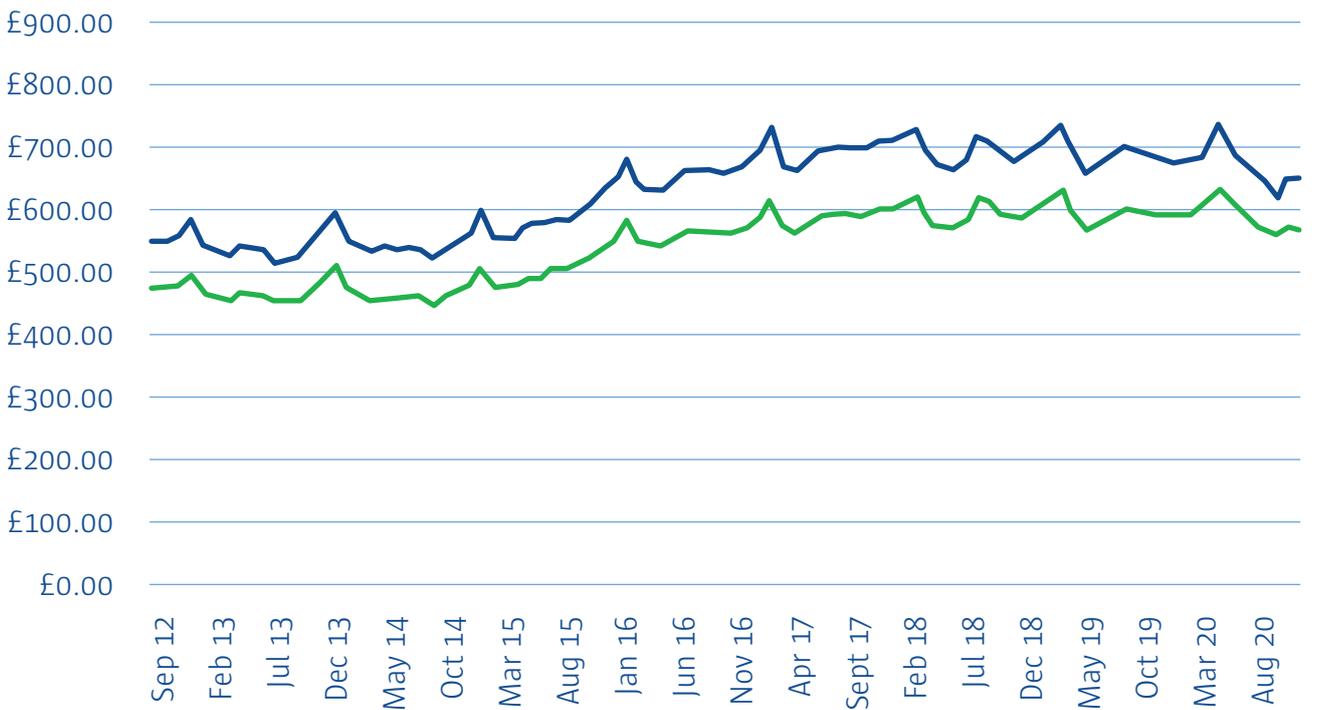
“**For those looking to reduce their premiums further, there are a number of steps that you can take. Our research shows that the difference between the cheapest and average premium is £103. For those who are paying over the odds, switching insurer remains the most effective way to save money but there are a number of other ways to cut the cost of car insurance. For example, through reducing your annual mileage and limiting the amount of time on the road, your insurance provider may consider you lower risk and therefore reduce your premium. Drivers should also consider telematics or ‘black box’ policies which rewarded safer drivers. This is particularly relevant for young drivers who pay by far the most for cover**”

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

### Average price difference



### Cost difference between the cheapest and average premiums



— Average Premium    
 — Cheapest Premium

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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.