



Car insurance price index

The most comprehensive analysis of
car insurance pricing in the UK

Quarter 4 - 2016

10 year review

Confused.com celebrates a decade of the car insurance price index

Confused.com, the no.1 website for car savings, is celebrating the 10-year anniversary of its car insurance price index. The index began in 2006 and is a comprehensive analysis of car insurance pricing in the UK. Published every three months, it looks at more than four million car insurance quotes to provide insight and analysis across the market.

During the last 10 years car insurance prices have fluctuated quite substantially. For example, drivers enjoyed their lowest car insurance costs in the second quarter of 2008, when the average policy was just £499. This is compared with the second quarter of 2011 when motorists paid an eye-watering £858 for the average annual policy – the highest we've seen over the past decade. Despite the fluctuations, car insurance has generally been getting more expensive, increasing by almost half (52%) since the index began. The latest data shows the typical premium currently stands at £767 (Q4 2016).

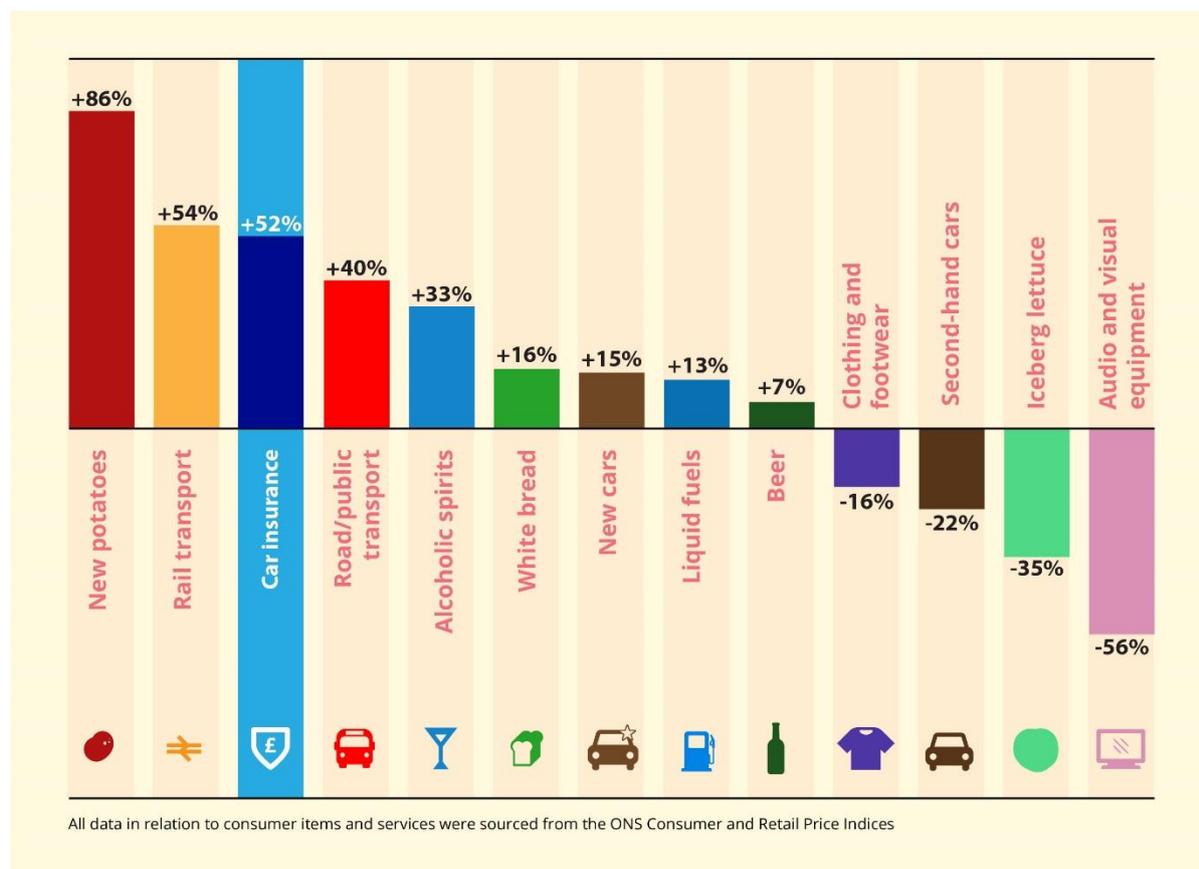
Car insurance costs have also varied greatly by driver age in the last decade. Young people appear to have carried the brunt of financial increases, with 21-year-old drivers seeing their premiums rise £446 over the past decade. In fact, drivers aged between 19 and 22 faced the top four financial increases of any other age group. Meanwhile, 17-year-olds now rank as the most expensive age overall, paying an average £2,112 for their premiums in the final quarter of 2016. Contrastingly, 66-year-olds have typically paid the lowest for car insurance over the 10-year period, with the average premium now sitting at £451 for this age group.

There are staggering regional variations, too, with drivers living in the West Midlands facing the biggest percentage hike of any region over the past 10 years. Motorists in this region saw their prices jump by almost three-quarters (74%), equivalent to a hike of £398. Meanwhile, Inner London motorists have faced the biggest real-term financial increase – they've seen prices soar £481 since the index began.

10 year review

Confused.com celebrates a decade of the car insurance price index. Motorists wanting to lower their premiums should consider moving to the Scottish Borders region where prices have been consistently the lowest in the UK over the past 10 years, with the average premium now sitting at £531.

It's not only car insurance which appears to be on the rise, however. Here, 10 years after the price index began, we look back at how car insurance prices have fared against other living essentials over the last decade.



Looking at food and drink first, and alcoholic spirits and beer are up by a third (33%) and 7%, respectively, since 2006. The cost of white bread has also gone up, having risen in price by 16% over a decade. While these rises are less than the 52% increase in the cost of car insurance, some food items have risen by much more. Perhaps rather surprising is the increase in the price of new potatoes, which have gone up 86% over 10 years.

10 year review

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On to travel and, given the increasing cost of rail fares, it may come as no surprise that rail transport has actually seen a higher percentage increase than car insurance, up by over half (54%) during the 10-year period. Passenger road transport has also jumped significantly, with the cost of bus fares rising by two fifths (40%) and liquid fuels by 13%.

For drivers, those considering purchasing a new car might now start to feel the pinch compared to 10 years ago as the average price of a new motor has risen by 15%. These costs combined all indicate the cost of travelling in general is going up for consumers.

But it's not all price rises across the board. Those looking to cut down on motoring costs could make savings by buying a second-hand car instead. Second-hand cars are one of the few products to become cheaper over the period, down by over a fifth (-22%).

Meanwhile, other significant items which have come down in price include audio-visual equipment, such as cameras and electronic tablets, down by over a half (-56%), and clothing and footwear, which is 16% cheaper on average compared with 10 years ago.

Executive summary

Car insurance price hikes continue to accelerate, rising by £95 annually

The latest index shows that the UK is currently experiencing a period of rising car insurance costs. In the fourth quarter of the year (Q4 2016), which covers the period from October to December, motorists on average paid 4% more for a comprehensive car insurance policy than they did in the three months before (Q3 2016).

Meanwhile, looking back over the past year, car insurance prices have risen by a staggering 14%, meaning motorists can expect to pay £95 more than they did only 12 months ago. These quarterly and yearly rises bring the average quoted premium for an annual comprehensive car insurance policy to £767.

While nearly all drivers will have experienced a rise in the cost of their car insurance, it's clear some motorists are being impacted more than others. Older drivers continue to face the biggest increases and many drivers in their sixties and seventies are experiencing their highest premiums since the index began.

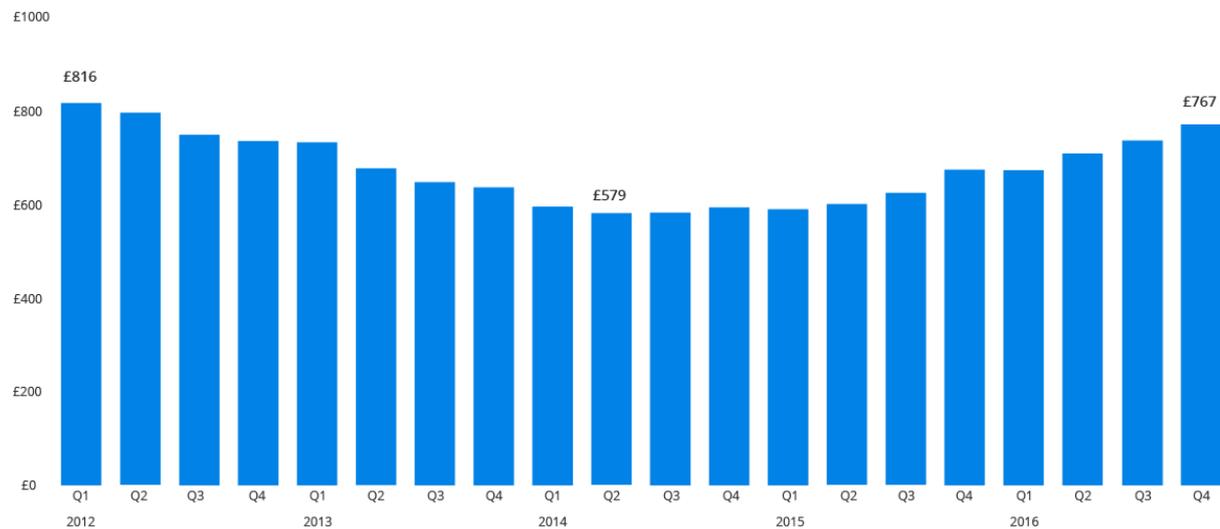
However, the cost of car insurance for younger motorists remains high – drivers aged 26 and under can expect to pay more than £1,000 for a typical annual policy. With this in mind, it's imperative that drivers of all ages seek to reduce the cost of motoring wherever they can, which starts by getting the best deal possible on their car insurance come renewal time.



The overall picture

What were all the major changes this time?

Car insurance prices on the up again!



Car insurance prices are continuing their upward trend, putting pressure on drivers' already stretched wallets. That's according to the latest Confused.com car insurance price index powered by Willis Towers Watson. Over the last 12 months, prices have increased by 14% - equivalent to £95 - on average.

This means a driver can now expect to pay £767 for a typical comprehensive car insurance policy, the costliest amount since mid-2012 when the average premium stood at £797.

Quarter-on-quarter price rises also show no sign of reversing, climbing by 4% in Q4 2016, equating to an additional £30 on premiums over the last three months alone. The rise follows two consecutive quarterly increases in the cost of a typical car insurance policy.

While the price index tends to focus on fully comprehensive car insurance policies, third party fire & theft (TPFT) premiums have increased too and have, in fact, never been

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higher. The average TPFT policy now stands at £1,311, up 15% year-on-year and 5% quarter-on-quarter. Coupled with hikes in insurance premium tax, which is up to 10% from 6% this time last year, and it's likely that many motorists will be feeling the pinch when it comes to the cost of owning and running a car.

Price by region

What's going on regionally?



East & north east of scotland



Looking across the UK, increases in premiums can be felt in most areas, with no region escaping an annual price hike. In particular, motorists in Scotland have faced the highest percentage rises over the past 12 months, despite premiums in some area being lower than the rest of the UK.

Those in the East & North East and the Highlands & Islands regions of Scotland, for example, have seen the average cost of their car insurance go up by 20% year-on-year to £563 and £589 respectively – the highest increase of any UK region.

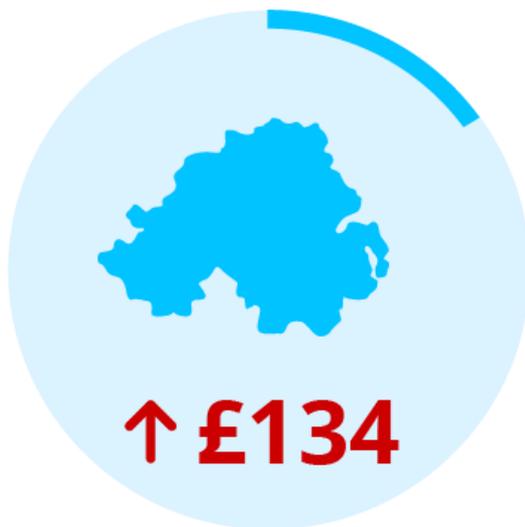
Drivers in the Scottish Borders region haven't fared much better. They've seen a 19% annual price hike, although they can take some comfort in the fact that at £531 they still typically pay the least of any UK region for car insurance.

Meanwhile, despite Scottish drivers generally seeing higher annual percentage rises, motorists in the English capital still tend to pay the most for car insurance of all UK regions.

Price by region

What's going on regionally?

Northern Ireland



Inner London



And people in the Inner London region pay the most of all - their average annual fully comprehensive policy stands at £1,237 in Q4 2016. In real-terms this is up £152 year-on-year, the largest monetary increase of any UK region too.

Only motorists in Northern Ireland saw anything close to this, where the average cost of a fully comprehensive car insurance policy has risen by £134 over the past twelve months, the second largest actual increase of all UK regions.

Across the UK's other capital cities, drivers in Cardiff, Wales face an average price of £714, up 14% from the same time last year. Meanwhile, those in the Scottish capital of Edinburgh can expect to pay around half that of a London motorist - £558, up 12% from the previous 12 months.

Price by age

Car insurance prices on the up again



Unfortunately, drivers of all ages were subject to rising prices in the second quarter of the year. However, younger drivers haven't done quite as badly as their elder counterparts, although the cost of their cover remains significantly higher.

Comprehensive premiums have never been higher for many drivers in their sixties and seventies – those aged 62 (£480), 63 (£493), 64 (£448), 68 (£515), and 71+ (£497), for example, are all experiencing their highest premiums ever. And at 10%, drivers aged 71+ have seen their biggest ever quarterly increase.

Meanwhile, despite teenage drivers only paying lower rates than their highest ever premiums, the cost of car insurance for younger drivers remains, by comparison, eye-wateringly high.

Average premiums for people aged 26 and under are all over £1,000. And, after 18 months of 18-year-old drivers typically paying the highest premiums, it's the nation's youngest drivers, those aged 17, who now pay the most (£2,112).

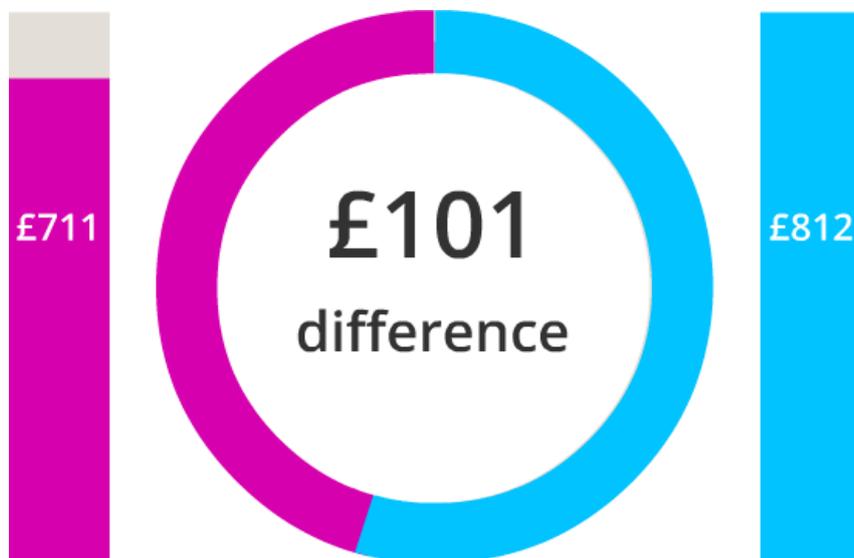
Price by age

Car insurance prices on the up again

Motorists aged 60 and over, by contrast, can still typically expect to pay less than £500 (the exception being those aged 68 who pay £515 on average).

Price by gender

Battle of the sexes



Both male and female drivers have seen their premiums rise substantially over the last 12 months. However, males have seen prices accelerate more than their female counterparts, climbing by 15% (+£104 year-on-year) and 13% (+£84 year-on-year) respectively.

Meanwhile, the fourth quarter of 2016 has seen a further jump of 4% for both sexes from the previous three-month period. As a result, the average man's premium now stands at £812, while for women it is £711.

Even though EU rules have banned insurers from taking gender in to account when calculating premiums since December 2012, the gap in price between men and women's car insurance continues to widen.

There is now a difference of £101 between the sexes in Q4 2016, the first time the £100 barrier has been broken since the EU rules came into force. By comparison, only two years ago (Q4 2014) the gender price divide was almost half as wide at just £51, with men still paying more on average..

Expert view

Amanda Stretton, Motoring Editor at Confused.com says:

“Drivers are now paying £95 more on average for an annual comprehensive car insurance policy than they did during the same period in 2015. With the average premium standing at £767, the cost of car insurance hasn’t been this high for over four and half years. What’s more, as prices continue to climb, it seems only a matter of time before we’re back at the £858 peak we saw in 2011.

“And it’s not just the price of fully comprehensive policies that have risen over the past 12 months, with the typical third party fire & theft (TPFT) premium at its highest ever cost too. With an average TPFT policy costing £1,311, drivers interested in this level of cover may want to get quotes for fully comprehensive policies too as in some cases it may work out cheaper.

“These rising prices make it crucial that drivers seek to reduce the cost of motoring wherever they can. As ever, our advice to all motorists is to shop around using a site such as Confused.com, which can help drivers save on their car insurance and slash running costs with our handy tools, tips and guides.”



Note to editors

More than 4 million quotes are used in the construction of each quarter's insurance price index - this makes it the most comprehensive insurance index in the UK. Unless otherwise stated all prices referred to are for comprehensive cover.

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About the Index:

The index is compiled using anonymous data from all enquiries submitted on Confused.com. In line with the draft Office of Fair Trading (OFT) commitments on the use of competitor price data, the prices used for calculating the index are based on an average of the best five quotes received on Confused.com. The OFT closed on the 1st April 2014 and the commitments are now governed by the Competition and Markets Authority (CMA).