



# Car insurance price index

The most comprehensive analysis of  
car insurance pricing in the UK

**Quarter 3 - 2020**

# Executive summary

Car insurance prices have fallen again - but auto-renewers should shop around

The Confused.com car insurance price index began in 2006 and is the most comprehensive analysis of car insurance pricing in the UK. Published every three months, it looks at more than six million car insurance quotes per quarter to provide insight and analysis across the market.

The latest index, which covers the third quarter of 2020, shows that UK drivers are now paying £765 on average for an annual car insurance policy. This is down £18, or 2%, over the past 12 months.

This is the second quarter in a row that car insurance prices have dropped year-on-year, as the coronavirus pandemic has forced drivers to stay home.

Yet despite the recent falls, more than three quarters of UK drivers who received their car insurance renewal in the past three months saw their price increase by £44, according to further research.

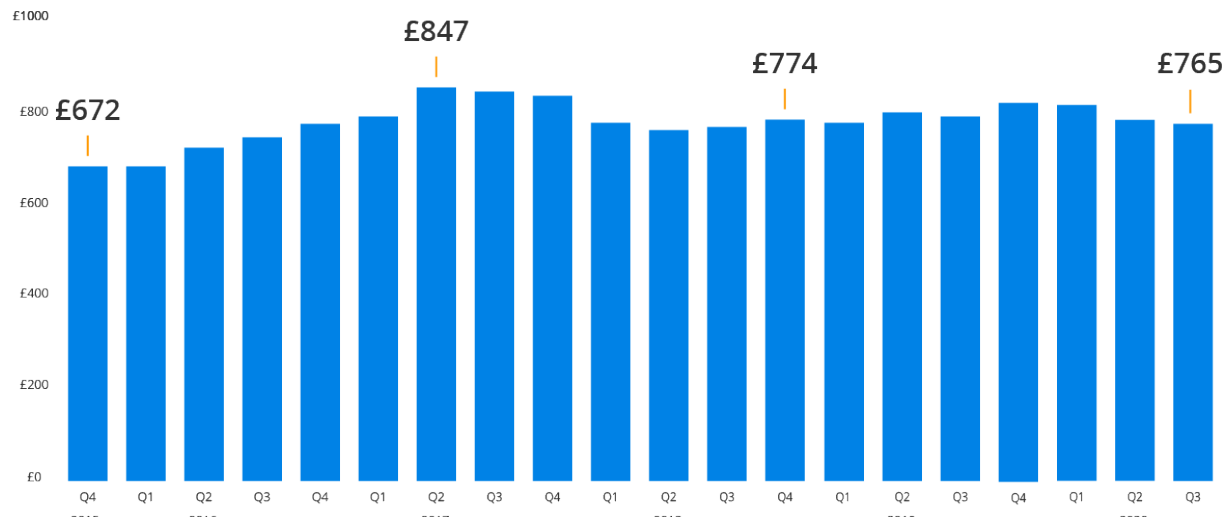
That's why we're still urging drivers to shop around to look for a better deal. As Chief Executive Officer, Louise O'Shea, says, "Car insurance prices have dropped, and this is really the good news for drivers. But they'll only find this if they shop around."

At Confused.com, we're making it even more worthwhile for drivers to compare prices, by guaranteeing to beat their car insurance renewal, or give them the difference, plus £20(1).

# The overall picture

What changed this quarter?

## Confused.com price index reveals car insurance now costs £765 on average



The latest Confused.com price index, powered by Willis Towers Watson, reveals the average price of car insurance in the UK is now £765. This is £18 (2%) less than it was 12 months ago, on average, and reflects a drop of £5 in the past three months. According to the data, this is the second quarter in a row that prices have fallen.

The reasons for the fall are not hard to guess. Since the start of the UK lockdown in late-March, circumstances have changed for millions of drivers. Nearly half (48%) claim that they have used their car less since the lockdown began. Data shows that average annual mileage travelled has dropped by 4% for those who bought their car in the past three months, compared to the beginning of the year(2).

The drop in traffic levels means there is a lower risk of accidents, so claim pay-outs fall too. The same period saw a surge in the number of people applying for a SORN(3), so insurers had to compete and adjust their pricing to stay attractive to drivers looking for insurance.

# The overall picture

## What changed this quarter?

But drivers mustn't get complacent. They still need to hunt out the savings on offer. Our research(4) shows that more than three quarters (77%) of UK drivers who received their car insurance renewal in the past quarter saw their price increase by £44, on average. It looks like drivers' loyalty was going unrewarded.

This was all against the backdrop of the proposal from the Financial Conduct Authority (FCA) to put a stop to renewal price hikes, otherwise known as the 'loyalty penalty'(5). The FCA says that insurers

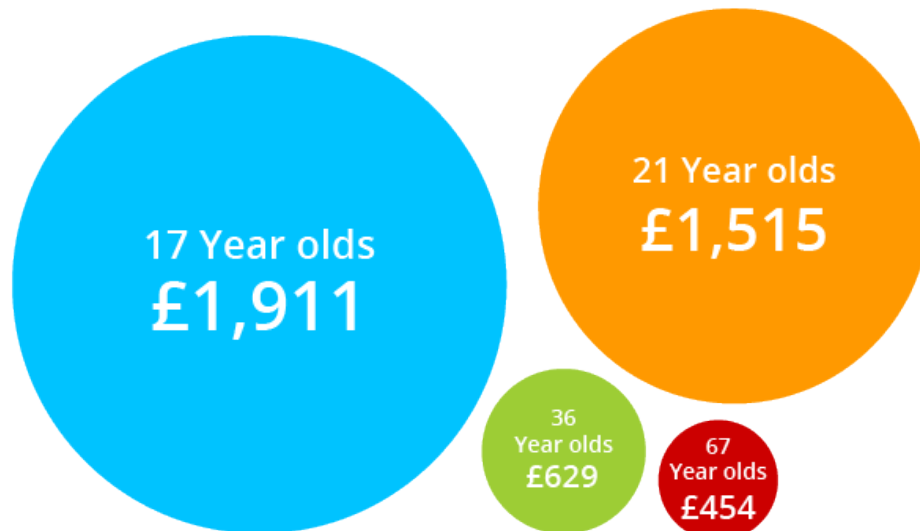
must offer renewing customers prices that are no more expensive than if they were a new customer. This ruling is due to come into effect towards the end of 2021.

However, this doesn't mean that drivers should think they will never get a more expensive renewal price than if they were a new customer. Insurers could still review the way their prices are calculated at any time.

That's why Louise O'Shea, CEO at Confused.com, urges drivers to shop around. It's the only way that they will truly know that they're getting the best price available to them.

# Price by age

Who is seeing the biggest savings?



During the quarter, there was good news for drivers aged between 19 and 23, as they saw their car insurance prices drop between £34 and £92 this past year. The fall may be due to the fact that fewer younger drivers will have been shopping for their car insurance in the past six months, as driving tests have been cancelled.

Just about every other age group benefitted from savings this quarter, yet some did see prices go up. For example, 17 and 18-year olds are now paying up to £24 (1%) more compared to 12 months ago. In fact, 18-year-olds are now paying £2,091 and are the only age group to be paying more than £2,000.

Other age groups have seen price increases too. For example, 33-year-olds are now paying £13 (2%) more than three months ago, forking out £705, on average. Similarly, many drivers in their 50s and 60s are paying more this quarter.

# Prices by region

Are prices falling everywhere?

## Inner London



**£1,234**  
**↓ 2%**

In the past three months, just about every region across the UK has seen insurance prices fall. The only exception is Inner London, where motorists are now paying £21 (2%) more than last year. Drivers in the region can now expect to pay £1,234 for their car insurance, on average. That's the most expensive price paid anywhere in the UK.

# Prices by region

North West



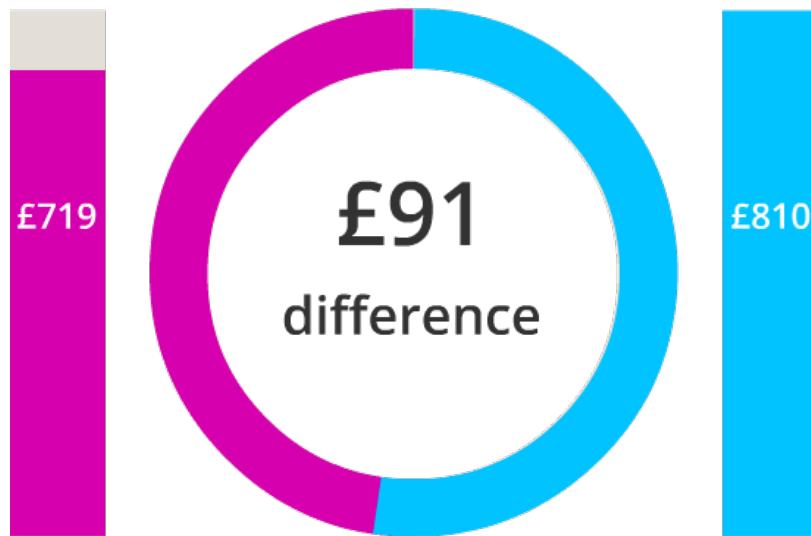
South Wales



The steepest falls in the cost of car insurance were in the North West and South Wales, where prices dropped by £41 (5%) and £35 (5%), respectively.

# Prices by gender

Who is paying more for their car insurance?



Thanks to the EU Gender Directive, insurers aren't allowed to calculate insurance prices based on whether a driver is male or female. But there are other risk factors that mean men have higher premiums(6).

For example, men tend to drive more expensive cars, with bigger engines and newer technology. So, in the event of an accident, men tend to make higher-value claims.

That's why men still pay more for their car insurance. The average cost for car insurance for men is now £805, while it's £714 for women. Prices for both men and women have fallen at a similar rate in comparison with last year, with a drop of £16 (2%) for men and a drop of £23 (3%) for women.

The gap between the cost of insurance for men and women is £91, on average, which is exactly the same as the gap in the last quarter.



# Expert view

Louise O'Shea, CEO at Confused.com, says:

"The FCA announcing measures to stop insurers pricing renewing customers unfairly was bound to come as good news to drivers. For too long, people have been penalised for staying loyal, and that shouldn't be the case. However, it's so important to understand that this doesn't mean they're getting the best price available to them in the market.

"Car insurance prices have dropped, more good news for drivers. But they'll only find this if they shop around, as there will be an insurer out there offering a cheaper price than their current insurer. At Confused.com we're so certain of this that we're offering to beat their renewal quote or give them the difference, plus £20( 7).



# Note to editors

More than six 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.

(1 & 7) Terms & conditions apply. Must be a like-for-like policy. <https://www.confused.com/beat-your-renewal>.

(2) Based on Confused.com data for Q1 vs. Q3 2020.

(3) <https://www.gov.uk/performance.sorn>

(4) Statistics obtained from a nationally representative survey of 2,000 UK motorists who own or rent a home, carried out by One Poll on behalf of Confused.com. The survey ran between 01/10/2020 and 06/10/2020.

(5) <https://www.fca.org.uk/news/press-releases/fca-sets-out-proposals-tackle-concerns-about-general-insurance-pricing>

(6) While the EU gender directive prohibits insurers from assessing a driver based on their sex, there are other risk factors which cause men to have higher premiums. For example, men tend to drive more expensive cars with larger engines and loaded with new technology, on average, which makes for higher-value claims. They also tend to have significantly more motoring convictions than women.

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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).**

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