

Price peaks remain remote

THOSE involved in the car insurance industry that were expecting to see double-digit rate increases in 2009 may be surprised to learn that the average cheapest premium on each of the three leading price comparison sites fell by just under 1% in January. This was one of the key findings of the inaugural *Igo4 Price Comparison Watch*.

The public appears to have responded in their millions to the recent surge in marketing activity of these providers: close to four million unique visitors searched for six million car insurance quotes across all price comparison sites in January, which represents an incredible 50% year-on-year increase. Many commentators agreed that price comparison sites were accounting for 50% of all new car insurance sales as 2008 drew to a close and the January spike means that, increasingly, price comparison sites define what is the car insurance market.

Since its launch in July 2008, Igo4 has run hundreds of fixed quotes across Go Compare, Confused and Moneysupermarket. The basket of risks has been constructed carefully to reflect both the nature of quotes being generated on these sites and the types of customer most likely to buy — for example, while aggregators attract a lot of quotes from young drivers, this segment does not necessarily make up the majority of sales. The recent advertising of both Confused and Moneysupermarket has focused on the improvements made to their websites and the public appears to have responded favourably to this approach.

It has only been possible to make a true like-for-like comparison since the end of November, when Moneysupermarket introduced an enhanced question set that now asks whether or not a customer wants to protect their bonus.

Other benchmarking indices tend to concentrate on quoted premiums and these may well go up in 2009. But with regards to the challenge of being the cheapest, there are 136 brands now appearing on the various aggregators and the moment that one brand tries to take a rating step forward, invariably they run the risk of losing top spot to someone that does not follow suit.

Given these circumstances, consumers have an outstanding chance of sourcing a competitive

Tom Cooper asserts that despite predictions of motor rates increasing, recent analysis of the price comparison site market leaders reveals rates are actually continuing to fall.



THE IGO4 PRICE COMPARISON WATCH — JANUARY 2009

Average Premium of Cheapest Car Insurance Price*			
Month	Go Compare	Confused	Moneysupermarket
December 2008	£385.53	£393.86	£384.94
January 2009	£381.93	£389.33	£382.19
Change	-0.93%	-1.15%	-0.72%

*Comprehensive and non-comprehensive private motor

premium, whichever of the three leading sites they choose. Go Compare has more than 90 providers and recorded an average premium of £381.93 in January (down 0.93%; see table above). Meanwhile, the average on Moneysupermarket is just a few pence behind at £382.19 across its 80-plus providers, with the absence of the Royal Bank of Scotland brands not appearing to make a material difference to its competitive position. Confused, with in excess of 70 brands, is also in the same ball-park at £389.33, differing a little due to its slightly smaller panel and customer-centric approach to policy excesses.

Comparethemarket has also stepped up its marketing activity significantly, introducing 20 additional external brands in the past three months to enhance its competitive position: close to 50 brands are now live. With Debra Williams, the former head at Confused, moving to Tesco Compare, this is likely to coincide with growth from its current 35-strong panel as it attempts to establish itself as a major player.

Despite this minute difference between the average best prices on the three leading sites and all three having now adopted a comprehensive question set, there are still frequent discrepancies among prices at the individual quote level — even where the leading brand is the same across the discrete sites. Only 15% of cases, for example, had the exact same price on both Go Compare and Confused, while in a further 42% of cases the difference was up to 5%.

There is potential for significant numbers of consumers to find a minimum 5% saving by using

more than one aggregator due both to the contrasting make-up of each panel of providers and the pricing approach of those brands that can adopt strategic variants through the month. While many consumers go to more than one price comparison site already, the challenge for the aggregator is to convince the user that its site has trawled the entire market and so the consumer does not need to go elsewhere. By and large, this message is reaching consumers, with no discernable material rise in multiple site visits.

Despite the slight drop in the cheapest price, overall rates do appear to be stable at present. On Go Compare, for example, the same provider was cheapest in both December and January on 57% of occasions. Even where the number one position has shifted, quite often this will be taken by a brand within the same parent company as the previous month, particularly in respect of Halifax Bank of Scotland and BGL.

Despite the 4% fall in the Libor rate and the likely drop in the cost of premium finance arrangements between mid-October 2008 and mid-January

2009, the vast majority of providers have kept their charges for paying by instalment at the same levels for the past three months. While brands such as Saga and Virgin do not charge customers extra for paying monthly, the majority of providers add between 10% and 12% to the quoted premium. There are even a dozen or so brands that charge in excess of 20% — or even 30% in a few cases.

Only a small handful of providers reduced this charge in the last quarter, while 12 brands have actually increased their charges by up to 3%. As commission on the core insurance product comes under continued pressure, providers are becoming reluctant to give up income in other areas and it is noticeable how many are now starting to charge extra for areas such as personal accident, windscreen cover and courtesy car provision, which have traditionally been included in car insurance policies as standard.

While the enormous marketing spends across so many competing sites are unlikely to be sustained in the long term, for now this price comparison marketplace is the only place to be for any brand that aspires to write private car insurance business in any significant volume. **POST**

Tom Cooper is founding director of Igo4

BREAKDOWN OF FINDINGS

50% year-on-year increase in consumers seeking quotes for car insurance on price comparison sites.

Car insurance prices fell by 1% on the three leading sites in January against predictions of rises over 10%

In many cases, brokers are bearing the pain by holding down the rate through reduced commissions, despite insurers putting through much-needed base-rate increases.

Overall rates are stable. On Go Compare, the same provider was cheapest 57% of the time in both December 2008 and January 2009.

Only 15% of profiles input on sites resulted in the same price being displayed on Go Compare and Confused, so it pays to visit more than one aggregator: 42% of cases showed a variance of up to 5%.

Monthly direct debit interest charged by the majority of brands (10% to 12% interest) does not reflect the fall of 4% in interbank lending rate.

Extra charges are increasingly being made for previously standard features, such as windscreen cover.