

Aggregator Assessment



By Tom Cooper
Executive director, Igo4

NO COMPARE

Price comparison sites have plateaued on motor, with 60% of all private car policies sold via aggregators, as gender ruling hits prices

It became clear from the price analysis carried out during the course of 2012 that the impact of gender on pricing declined since the change in legislation was first announced earlier in the year. Many insurers immediately started to narrow the gap between the sexes — particularly older drivers — despite the legislation only coming into effect on 21 December.

The Igo4 price comparison watch compares prices for the same risk details across 1000 quotes so, for the latest quarterly analysis, the effective quote date was set past the gender ruling cut-off date in order to capture and monitor its immediate impact. The results were quite startling — on motor, males have seen almost double-digit falls in some cases from September to December, while the female rate has gone up by 3.4% over the same period.

These headline figures do not tell the whole story, however, as females aged under 20 have seen rises of 13% while those over 30 have barely seen prices move upwards at all. Males of all ages — but especially younger drivers — have enjoyed huge reductions in the fourth and final quarter. So the fear that insurers would use this as an opportunity to merely increase rates across the board has not materialised in what continues to be a soft market.

The motor quote basket has also seen shifts for some brands in terms of competitive pricing. Admiral reasserted its position in the final quarter, particularly through its Diamond brand and we also saw Privilege coming to the fore alongside a couple of usual suspects on the direct front in LV and Octagon.

Significantly, the ever-rising dominance of price comparison sites in

the private car market finally matured and flattened out in 2012. That said, in the space of just 10 years since their inception, aggregators now generate 10 to 11 million quotes every month and 60% of every new car insurance policy sold.

Leading the way and cementing its position in 2012 was Compare the Market with a 32% market share of quotes, followed by Money Supermarket with 27% and Confused and Go Compare jointly in third spot with 18% each. The other 5% is made up of a number of smaller players with Quotezone and Tesco Compare vying for places five and six.

Challenges ahead

As 2013 gets underway, price comparison sites face many interesting challenges and there are a number of potential stories to look out for — including continued speculation about a change of ownership at Go Compare. Having recently announced another impressive set of profit numbers, the firm has now secured its position at the top table, displaying a continued knack of timely innovation demonstrated by its approach to telematics. Given the shareholding of the other three major players and the lack of challenge to that status quo, the list of potential suitors will likely be extensive.

Another development has been Money Supermarket's proactive lobbying of its partner brands, denouncing the use of 'best price in market' clauses in commercial arrangements with other aggregators. Since the first Igo4 watch in 2008, it

has been highlighted how rarely you are able to generate the same price across sites — it happened in only 7% of cases in the last analysis. While part of this will be down to different question sets and response mapping, it has long been suspected that many brands have tailored their pricing strategies to each price comparison site. There are signs that Money Supermarket's approach will shortly be followed by others but there are still differences of view in the market as to the interpretation of findings from the Office of Fair Trading report.

In terms of the overall landscape, there is nothing to suggest anyone below the big four is going to make a significant move anytime soon, so the next interesting development will be how quickly telematics takes hold and the pace at which the price comparison sector reacts. Money Supermarket and Confused have pinned their colours to the mast and are fully embracing telematics brands, accepting this will

be a slow burn in terms of gaining real traction and market standard conversion rates. Go Compare has opted for splitting its standard and telematics panels, albeit with the best telematics price visible on its conventional panel.

Household price drop

In the autumn analysis, the fact household prices had fallen in the third quarter of 2012 was potentially a consequence of the enlarged panels of major aggregators. Looking at the fourth quarter, pricing has definitely reduced, despite the extensive flooding events witnessed in the year. Swinton and Budget remain strong players from the broker world and the AA has also returned to prominence. On the



“ The fear that insurers would use the Gender Directive as an opportunity to merely increase rates across the board has not materialised

propositions to meet its compliance requirements while ensuring sites deliver on customer experience in an increasingly regulated world. In 2013 there is little doubt these challenges will continue, and the use of assumptive answers will become one of the next battlegrounds. Their use could be described as dangerous at best, particularly on certain product lines, and many insurers have stories of costly claims resulting from the misinterpretation of material facts between customers, price comparison sites and the transfer of that data to a brand's own site.

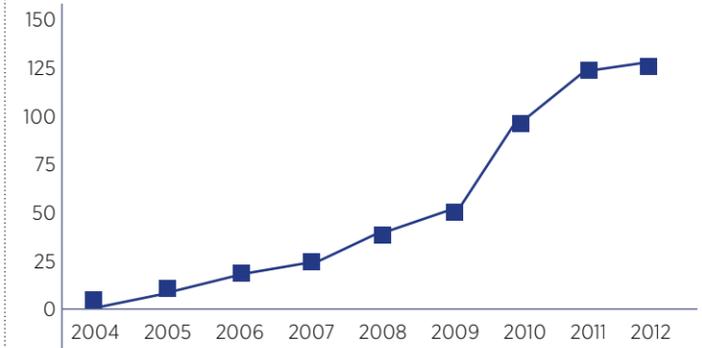
Back in 2008, we suggested it was the sites of the participating brands that were as deserving of closer scrutiny as the aggregators themselves and this is now starting to be seen with the use of bundled ancillary products. The assumptive inclusion of ancillary products and the significant cost to customers of spreading their payments on instalments are both clearly on the agenda for the Financial Services Conduct Authority — soon to be Financial Conduct Authority.

Meanwhile, the motor market seems to be in a real mess. While it is impossible to blame the price comparison site phenomenon for this, unfortunately the way in which brokers and insurers have developed their models to compete on aggregators has led to a new world of insurance. A claim has morphed from the event that insurers would want to avoid, to being the most lucrative part of the policy life cycle. It will be interesting to see whether the market is able to demonstrate resolve in 2013 and put its house in order. ■

Throughout 2012, Money Supermarket has led home in terms of frequency of best price, with Confused and Go Compare just behind, reflective of the panel size and strength of each. The trajectory of quotes continues to rise and, while still only representing 12.5% of the private car total, the household market is slowly closing the gap and is a long way from maturity.

In terms of market share on quotes, Compare the Market and Money Supermarket have opened up clear daylight between themselves and the opposition — with the two providers accounting for 74% of the aggregator total between them. Sitting in fifth position, Tesco Compare has almost doubled its quotes in 2012 with a 2.4% market share, while Quotezone has seen even greater growth to obtain a 1.3% share — although both of these fast risers remain a fair distance behind the second tier of Confused and Go Compare.

Annual private car insurance quotes on aggregators (millions)



IGO4 Price comparison watch Winter 2012 — Motor*

Period	Movement of best price	Rolling 12 months	Cheapest most often
2009	+7.71%		C
2010	+23.02%		C
2011	+4.08%		MSM
Spring 2012	-3.90%	-1.99%	CTM
Summer 2012	-4.20%	-13.64%	MSM
Autumn 2012	-3.25%	-13.97%	MSM
Winter 2012	-4.26%	-15.61%	MSM
2012 total	-15.61%		MSM

IGO4 Price comparison watch Winter 2012 — Home

Period	Movement of best price	Rolling 12 months	Cheapest most often
2009	+4.93%		MSM
2010	+6.30%		MSM
2011	+7.73%		GC
Spring 2012	+2.00%	+5.10%	MSM
Summer 2012	+1.95%	+7.52%	MSM
Autumn 2012	-1.28%	+2.79%	MSM
Winter 2012	-4.54%	-1.75%	MSM
2012 total	-1.87%		MSM

Key: C = Confused; CTM = Compare The Market; MSM = Money Supermarket; GC = Go Compare

*The Igo4 price comparison watch seeks the most competitive quotes for comprehensive and non-comprehensive private car insurance

Aggregator highlights Winter 2012/13

- Private car rates fall for sixth consecutive quarter by a further 4.26%
- Rates for males fall dramatically, but females under 20 see a rise of 13%
- Motor quote volumes reach maturity on price comparison sites, but that is still 60% of the market
- Home quote volumes are still rising but market is also softening
- Go Compare search for investment partners likely to attract multiple suitors