

Choppy waters ahead?

In the 10th quarterly price comparison watch, Tom Cooper finds no slowdown in quote volumes but converting them into sales represents a growing challenge.

IN THE LATEST price comparison watch — the 10th consecutive quarterly study — we have once again seen premium increases that will help the move back towards profitability. Insurers appear to have well and truly got to grips with the aggregator channel and Aviva's recent decision to 'officially' come back into the arena is further proof that, if you want to be a serious player in private motor, you have to participate on these sites.

However, if insurers are beginning to enjoy profitable aggregator strategies, is this at someone else's expense? Instinctively one might assume it would be the consumer facing some hefty annual hikes in their premiums. But our analysis shows that, while rises have been experienced across the board, the brunt of this is being borne by particular segments, such as young drivers.

Conversion challenges

What we do know is that all aggregators are facing quite acute conversion challenges. They continue to spend extraordinary amounts on above-the-line advertising, which is generating growing numbers of quotes, but without the same increase in sales.

There will be several reasons for this. Consumers are visiting multiple sites and generating quotes for different cover and excess levels as they struggle to find the right price to suit them. Also, as more participating brands follow the direct insurers in narrowing

their competitive footprint, this creates a self-perpetuating spiral. Aggregators are left with a narrower footprint as brands target areas of clear conversion and profitability, while factoring in an assessment of their, at times, misaligned commercial arrangements with aggregators.

What has been very noticeable is that across the 500 quote sample there has been a month-on-month decrease in the number of brands returning a price for each risk. This has to be a worrying trend — particularly in aggregators' quote cold spots, like previous large claimants and certain conviction types.

Failure to diversify

In the face of these challenges, aggregators continue to try and lessen their dependency on motor but with varying degrees of success. Many commentators have bemoaned the move towards commoditisation of the property market. Although there has undoubtedly been an element of this, a mass move towards price comparison in this field has not occurred. Cover and security still hold sway and, with the additional challenge that the numbers need to add up for both parties, this trend is likely to continue.

Of course the UK represents only a small part of the global market and it has been interesting to see how the price comparison approach has struggled to take hold in other developed countries. BGL acquired the French site Courtanet in December and there are other sites, such

» CAN AGGREGATORS DIVERSIFY OFFERINGS? Keep abreast of the latest developments www.postonline.co.uk/tag/aggregator

AGGREGATOR HIGHLIGHTS — SUMMER 2011

No signs of a slowdown in growing aggregator quote volumes

Converting quotes into sales represents a growing challenge

Aggregators' competitive footprint narrows as brands concentrate on profitable business

Change in underwriting approach looms large on the horizon — how will aggregators respond?



Cooper: the traditional underwriting approach in private motor will be obsolete within 10 years.

as Hippo in South Africa and Ratecity in Australia. But it is clear there is no discernible appetite from either consumers or insurers abroad to upset current distribution trends.

Aggregators therefore face something of a challenge moving forward if they are unable to successfully diversify their product range or branch into new territories. Their continuing reliance on motor is where we see an even bigger challenge looming over the coming years.

Over the past 40 years, there have been dramatic moves in the way personal lines insurance is distributed. This has moved almost seamlessly from the high street, through Yellow Pages, to the direct writer on the telephone and now onto aggregators. What has stayed constant has been the underwriting approach adopted for calculating premiums.

The recent EU gender ruling has sent shockwaves throughout the industry and could finally signal a more sophisticated pricing mechanism to ensure consumers are paying an equitable premium for the risk

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

they truly represent. Pioneers such as Coverbox, Insure the Box, I-Kube and Co-operative Insurance have introduced telematics to the market with varying degrees of success.

It is, however, the bigger toes of some of the biggest names in the market being dipped into these waters that could signal a stampede and land grab in this arena. With all new vehicles required to have black box technology by 2015 — albeit an ever moving date — the traditional, current and, some would say, outdated underwriting approach in private motor will inevitably become obsolete within 10 years.

Gearing up for the challenge

It is this change that signals the biggest challenge to the aggregator sector. Some are already gearing up for the challenge and working out how they can compare future premiums based on actual driving experience. Others are reluctant to embrace this new approach and risk being left behind.

Of course, an aggregated approach has been around far longer than aggregators: brokers have been doing this throughout their existence. There are also a number of different ways of aggregating offerings. Google and other search engines base their natural search on the content and relevance of a site rather than the price of its product. Even the sponsored section combines both the bid price and the mystical quality score to determine an order.

There is also an argument that, as you never truly appreciate the value of your cover until you have a claim, a Trip-Advisor-style approach to the experience of consumers with regards to the service they received should be valued every bit as much as the price paid. Obviously this would put aggregators firmly into the social media arena — warts and all — but feels like a natural next step. Indeed Money Supermarket, ever the innovator and narrowly behind Confused as the cheapest car aggregator most often this quarter, is already piloting providing consumers with additional means of measuring its participating brands by a variety of factors.

But it is clear aggregators face real challenges in private motor and that maintaining impressive results could be tough. **POST**

Tom Cooper is executive director of Igo4

IGO4 PRICE COMPARISON WATCH — SUMMER 2011

Period	Motor*			Home		
	Movement of best price	Last 12 months	Cheapest most often	Movement of best price	Last 12 months	Cheapest most often
2009	+ 7.71%	+ 7.71%	Confused	+ 4.93%		Money Supermarket
Spring 10	+ 7.15%	+ 14.74%	Confused	+ 0.51%	N/A	Money Supermarket
Summer 10	+ 6.30%	+ 21.38%	Compare the Market	+ 5.23%	N/A	Money Supermarket
Autumn 10	+ 5.97%	+ 27.42%	Confused	- 0.04%	+ 10.63%	Compare the Market
Winter 10	+ 3.60%	+ 23.02%	Compare the Market	+ 0.60%	+ 6.30%	Go Compare
2010	+ 23.02%		Confused	+ 6.30%		Money Supermarket
Spring 11	+ 4.18%	+ 20.05%	Compare the Market	+ 1.44%	+ 7.23%	Go Compare
Summer 11	+ 5.44%	+ 19.19%	Confused	+ 2.72%	+ 4.72%	Go Compare