

Expert Analysis



Aggregator Assessment



By Tom Cooper
Executive director, Igo4

This is the twenty-third Igo4 price comparison watch and, as long ago as 2010, there has been speculation as to when aggregators for private motor would reach maturity in the UK. There were already signs back then that long-established sites were finding it challenging to maintain their incredible growth. Indeed had it not been for the remarkable success of the Compare the Market meerkat, there would have been a decline in this market two years ago.

The reasons for this are complex and not immediately obvious. It is true that each of the major player's definition of a quote may differ, and indeed always has done, but Igo4's measure has been consistent since 2008. The general consensus in the mass media has been of rising insurance costs fuelled by uninsured drivers, the compensation culture and profiteering by insurers; all of which will drive a certain consumer mindset. As their renewal approaches, this media stance leads customers to expect a sizeable increase in their premium. On realising that actually it remains within the range of what they might consider reasonable, their desire and enthusiasm to embark on rate comparison is reduced.

Nor is the answer as straightforward as insurers withdrawing from demographic segments that are unprofitable. This could be as a result of the increased use of external data insurers and brokers review before producing a price. This includes the widening use of credit scoring software and identity checks. An eminently

sensible practice, this might lead to fewer truly competitive prices being offered to consumers and extend the growing number that are becoming disillusioned, as they fail to obtain a better rate than via other distribution methods.

There has also been talk of young drivers turning their backs on price comparison sites as participating brands decide against offering quotes for this sector. Certainly there has been evidence that the number of quotes returned for young drivers has reduced over the past year, but this trend is starting to reverse as the aggregator market begins to include telematics propositions.

Embracing telematics

Money Supermarket and Confused continue to embrace telematics fully by including these brands in their standard tables, while Go Compare has now gone live with an approach that allows consumers to decide if they would like telematics quotes or not – though this requires that they look mostly beyond the best price table.

Money Supermarket's modus operandi has seen it quote the best price for almost 50% of the risks during spring 2013, with the likes of Bell, Drive Like a Girl, Hastings Smart Miles and Insure the Box all featuring prominently. It is still very much a market in its infancy and consumers taking out telematics are still early adopters. In November 2011, Igo4 predicted it would take 15 years for these products to dominate the private motor landscape and, presently, this small market is oversubscribed with providers following the launch of so many new offerings in the past 12 months. At the last count there were nearly 20 different brands already competing in this space.

Allied to a need for aggregators to adopt a different mentality when measuring telematics brand performance, there are two big changes required in order for this sector to take significant

steps forward. First, the lowering of technology costs, which may come through greater adoption of mobile devices. Second, the creation of a central data hub to ensure consumers are not stuck with their original provider once committed; though it would be surprising if either of these areas makes huge strides in 2013.

Last autumn, a number of brands had moved away from price comparison sites but this particular trend has been well and truly reversed. In fact, there has not been a single significant parting of the ways to report in the past six months. This follows the integration of several telematics brands and the launch of Southern Rock's direct offering, Go Skippy, and Sheila's Wheels Broker

to complement the Esure Broker brand. The recent flotation of Esure has coincided with it stepping up in terms of competitive position, and the last quarter has seen the firm putting pressure on Admiral for the number one spot.

Emerging results

While predictions have previously featured the decline in the number of motor quotes processed by price comparison sites, it is surprising to see the same result emerge this quarter on household insurance. There are around one million quotes being fed through aggregators each month and sales are thought to represent approximately 15% of the market. Given that 60% of all private motor new business

Aggregator highlights Spring 2013

- Total motor quotes in quarter one down 6% on 2012
- Rates fall for seventh consecutive quarter by a further 2%
- Too many telematics providers in such a small, nascent market
- Big surprise as quotes also fall in the immature home market
- Aggregators return impressive profit numbers for 2012

Follow us on Facebook
facebook.com/post1840

Follow us on Twitter
twitter.com/insurance_post



“ The regulator continues to stretch its tentacles deep into the private motor value chain and with good reason

one might expect to see pressure on their bottom lines. In reality this could not be further from the truth, as the main firms turned in some impressive numbers. Money Supermarket saw revenues increase by 13% to over £200m and profits after tax were £24.8m, up 48% on 2011. Of the sites that are part of wider groups, Compare the Market owner BGL's profit to June 2012 was £88m up 22% on the previous year and Admiral recently confirmed that Confused contributed £18.2m to its colossal £344.6m profits, up 13% on the £16.1m made in 2011.

Restricting opportunities

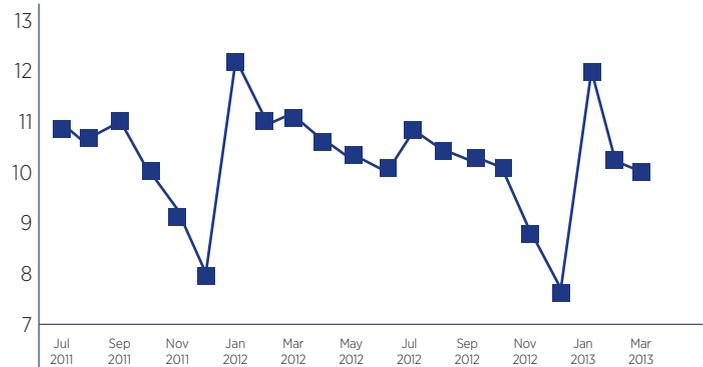
The regulator continues to stretch its tentacles deep into the private motor value chain and with good reason. Legislative changes restricting opportunities to derive significant income from an individual's claims experience will be welcomed by many in the market. The added focus on ancillary income and premium finance charges is interesting, though it is difficult to see how this will ultimately benefit consumers? Income minus expenditure will still need to be a positive number at the end of the day based on whatever payback model firms are working to. How that income is made up is something of a moot point – indeed might there be a return to brokers taking commission rather than using other income streams to part-fund the insurer premium and a return to saner times? ■

originates on a price comparison site, it was expected that home insurance would continue to grow towards this figure, though never to that degree of penetration. Passive renewals will play a part in quote shrinkage, as the home market has seen a major softening through 2012 and, with so many consumers paying by monthly direct debit, there will be less desire to shop around with such smaller underlying premiums.

For the third consecutive quarter there was a small reduction in home rates, despite the weather events and continued rise in escape of water claims during 2012. This was driven in the main by strong results from brokers; especially Swinton, which was the dominant player through its parent and Its 4 Me brands, which were particularly prominent on Confused and, as a result, for the first time this site returned the cheapest home price most often.

So, with aggregators seeing their main source of enquiries falling back and facing the challenges of broadening into other product lines,

Private car insurance quotes on aggregators (millions)



IGO4 Price comparison watch
Spring 2013 – Motor*

Period	Movement of best price	Rolling 12 months	Cheapest most often
2009	+7.71%		C
2010	+23.02%		C
2011	+4.08%		MSM
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
Spring 2013	-2.09%	-13.80%	MSM

IGO4 Price comparison watch
Spring 2013 – Home

Period	Movement of best price	Rolling 12 months	Cheapest most often
2009	+4.93%		MSM
2010	+6.30%		MSM
2011	+7.73%		GC
Summer 2012	+1.95%	+7.52%	MSM
Autumn 2012	-1.28%	+2.79%	MSM
Winter 2012	-4.54%	-1.87%	MSM
2012 total	-1.87%		MSM
Spring 2013	-1.43%	-5.30%	C

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