

Motor Insurance - UK - March 2011

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What is this report about?

The personal motor insurance sector has been subject to considerable change over the last 12 months. After many years of intense competition and downward pressure on premiums, insurers have reacted by raising premium rates across the market. Rising claims costs have contributed to 15 years of underwriting losses, culminating in a record loss of £1.5 billion in 2009, which prompted insurers to increase premiums by an average of more than 30% during 2010. Higher insurance premiums will continue to be a feature of the market in 2011 as insurers continue to tackle high claims costs – driven by high-cost personal injury claims and increased levels of insurance fraud.

What have we found out?

- Although shopping around for a better insurance deal is now commonplace, most people don't actually switch providers. Even though more than 70% of car insurance policyholders looked for a better deal at their last policy renewal, well over half of them stuck with their existing insurer.
- Premium rises have not been universal. Six in ten policyholders saw their premiums increase at their last renewal, but conversely almost four in ten saw little change or even a drop in premiums.
- Higher premiums do increase the likelihood to switch providers but not all those who switched insurers did so due to increased premiums. A quarter of those who switched at their last renewal had actually received a lower initial renewal quotation.
- Relatively few policyholders are willing to trade down on the quality of their cover or change their driving behaviour in order to lower their premiums. More than a third state that they would not compromise on quality, even if they have to pay more.
- People aged 17-24 are the most likely to be able to drive but not have car insurance, a situation which is likely to become worse as young drivers face steep premium rises.

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