

Motoring on

With motor rates leaping up by 15%, Tom Cooper assesses whether prudent, profitable pricing is finally on the horizon.



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THE sharp increase in motor insurance rates experienced in the last quarter of 2009 has continued through the opening months of 2010 — with a further 7% increase in the first quarter. This equates to a whopping 15% uplift in the past six months alone.

While the Igo4 price comparison watch is the only index that has tracked prices for a fixed basket of risks for the past two years, on all of the major price comparison sites, our findings would appear to be very much in line with other indices that are reflecting this remarkable shift in distribution.

With the results season now behind us, it will be interesting to see whether this trend continues into the summer or whether the pressure to maintain market share wins out over prudent and profitable pricing.

Directs fight back

The battle between direct writers and brokers continues to be keenly fought with the directs narrowly winning the day this time around — interestingly one of the most dominant brands was the troubled Quinn.

While the brands within the Royal Bank of Scotland camp have taken another backward step, the majority of the direct writers — including the Admiral and Esure brands as well as the consistently competitive Swiftcover, and 1st Central — remain competitive albeit in their narrowing target underwriting footprints. Therefore, as a collective they continue to compete with brokers and their extensive panels.

On the broker side, Kwik Fit continues to evolve into the most effective player with a multi-brand offering — incorporating Green insurance, Express and its parent brands. It very much appears to have taken the airline industry's approach of including optional extras and offering a wide and varied number of additional benefits.

This month we finally saw the first risk quoting the same 'best price' across all four major players — step forward LV, which doesn't

appear to have any mapping issues to worry about. We have also seen another upswing in participating brand numbers — now up to 160 with Go Compare offering 130 of these, 50% more than Confused or Compare the Market. This has not stopped Confused continuing the trend identified in the winter 2009 analysis of minimising the upward direction in rates to the extent that, once again, it is offering the cheapest motor price, most often (see table below).

Home is tracking two years behind motor insurance — with a huge 37% increase in quotes in Q1.

In terms of the price comparison space, there have been a range of welcome developments recently. Most striking has been the relaunch of the Moneysupermarket customer journey. For our user group, this has taken Moneysupermarket from the least impressive to most impressive site in an instant. While, historically, it has not always enjoyed the best of reputations in terms of underwriting performance or account management, this site has made giant strides in the past year to address both areas. The

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

redesign was put together with full participation and input from key partners and the benefits of this will no doubt ensure Moneysupermarket reaps the rewards in the long run.

Targeted marketing

Much has been made of the continued fight among major aggregators for market share and whether this will prompt the sale or merger of one or more of the main players. Given some of the parent groups involved, this has always been unlikely.

The marketing spend continues to run at enormous levels and this is where we may see a shift, with a greater emphasis on clearly profitable direct-response driven spend and a focus, by all sites, on canvassing past and potential visitors with targeted offers.

Tesco Compare is in the final throes of bringing its platform in-house — and with 13 million Tesco Clubcard holders, it has a ready-made audience of brand-aware consumers. The first task for Tesco will be to move away

from the likes of Quotezone and Beat That Quote and establish itself as the number five player. The latter two, however, are the fastest growing sites with a 50% increase in motor quotes in comparison to last year.

Beat That Quote also has the fastest growing panel, with 26 additional brands added in the last quarter. It takes a white-label approach, with the likes of the *Daily Mail*, MSN, Argos and *The Independent* helping it achieve this growth alongside a first-class site experience.

Evolutionary challenges

In terms of total motor quotes generated, this continues to grow — albeit at a slower pace; this element of the market should start to reach maturity at the back end of 2010.

Whether it then stagnates or falls will be largely down to whether or not price comparison sites can continue to evolve into consumer-led propositions and manage to convince the public they offer the best route to market. This will be in the face of dangers posed by the less-than-subtle approach of the likes of Direct Line and the potential risk posed by the ever present online social networking medium.

The same can't be said of home insurance, which appears to be tracking two years behind motor — with a huge 37% increase in quotes in the first quarter of 2010. Although the greater complexity and emotional status of home insurance may prevent it from attaining the lofty heights of motor, it would appear to have every chance of establishing itself as a major force in distribution, which has shifted from a mortgage base to direct in the past 20 years.

The next analysis will include a more in-depth look at home insurance and where it appears to be heading, alongside careful consideration as to whether the recent rate strengthening in motor has continued. **POST**

Tom Cooper is founding director of Igo4

AGGREGATOR HIGHLIGHTS DURING THE FIRST QUARTER OF 2010

Massive 15% uplift in motor rates in last six months but will the pressure to maintain market share win the day over prudent and profitable pricing?

Direct writers and brokers continue to stand toe-to-toe.

Further increase in number of brands appearing on price comparison sites.

Home tracking around two years behind motor in its evolution — although there was a 37% increase in quotes in Q1 2010.

IGO4 PRICE COMPARISON WATCH — FIRST QUARTER 2010

Period	Movement of best price	Motor* Most brands	Cheapest most often	Movement of best price	Home Most brands	Cheapest most often
Winter 08		Moneysupermarket	Moneysupermarket			
Spring 09	+0.12%	Go Compare	Go Compare			
Summer 09	-0.34%	Go Compare	Compare the market			
Autumn 09	-0.07%	Go Compare/ Moneysupermarket	Compare the market		Moneysupermarket	Moneysupermarket
Winter 09	+ 8.00%	Go Compare	Confused	+ 4.93%	Moneysupermarket	Moneysupermarket
Spring 10	+ 7.15%	Go Compare	Confused	+ 0.51%	Moneysupermarket	Moneysupermarket