

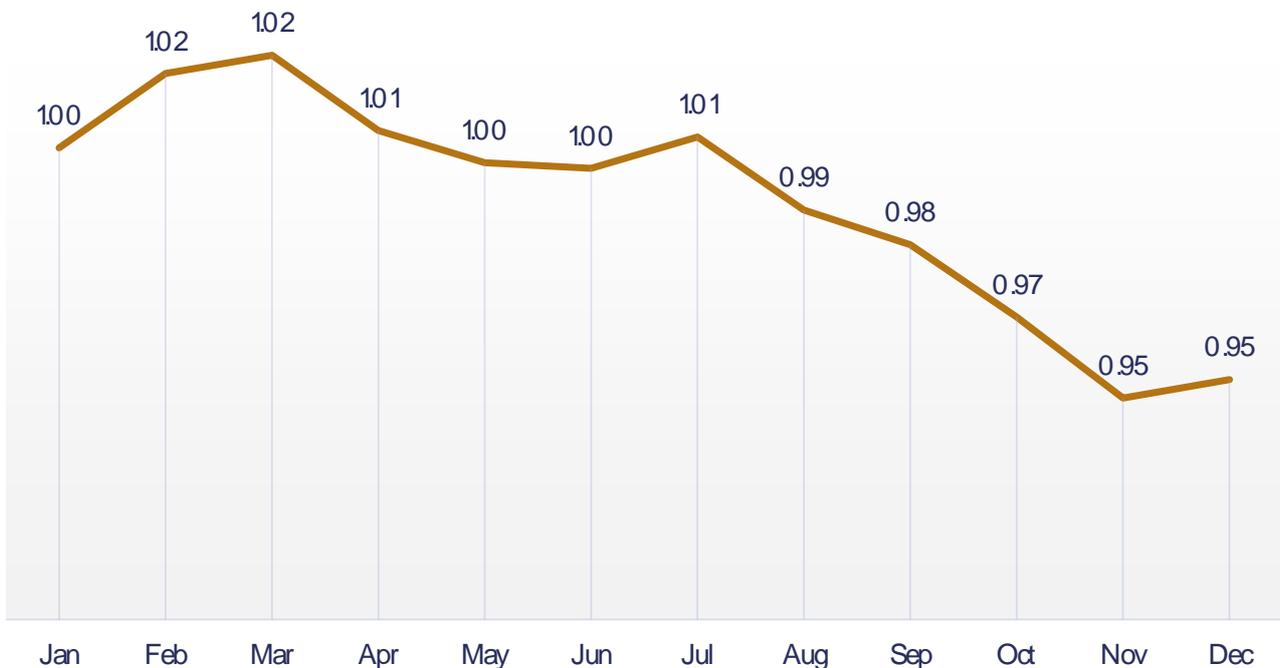
## PRESS RELEASE

### Motor and home insurance pricing to be unstable until 2023

14 April 2021 - UK motor and home insurance premiums have continued the downward trend that started in 2020 but the road ahead is looking increasingly bumpy. The impending action by the Financial Conduct Authority on pricing practices, combined with the post lockdown impact on claims, will herald a period of price fluctuation as insurers adapt their business models to address issues such as 'price walking' ahead of the reforms' implementation.

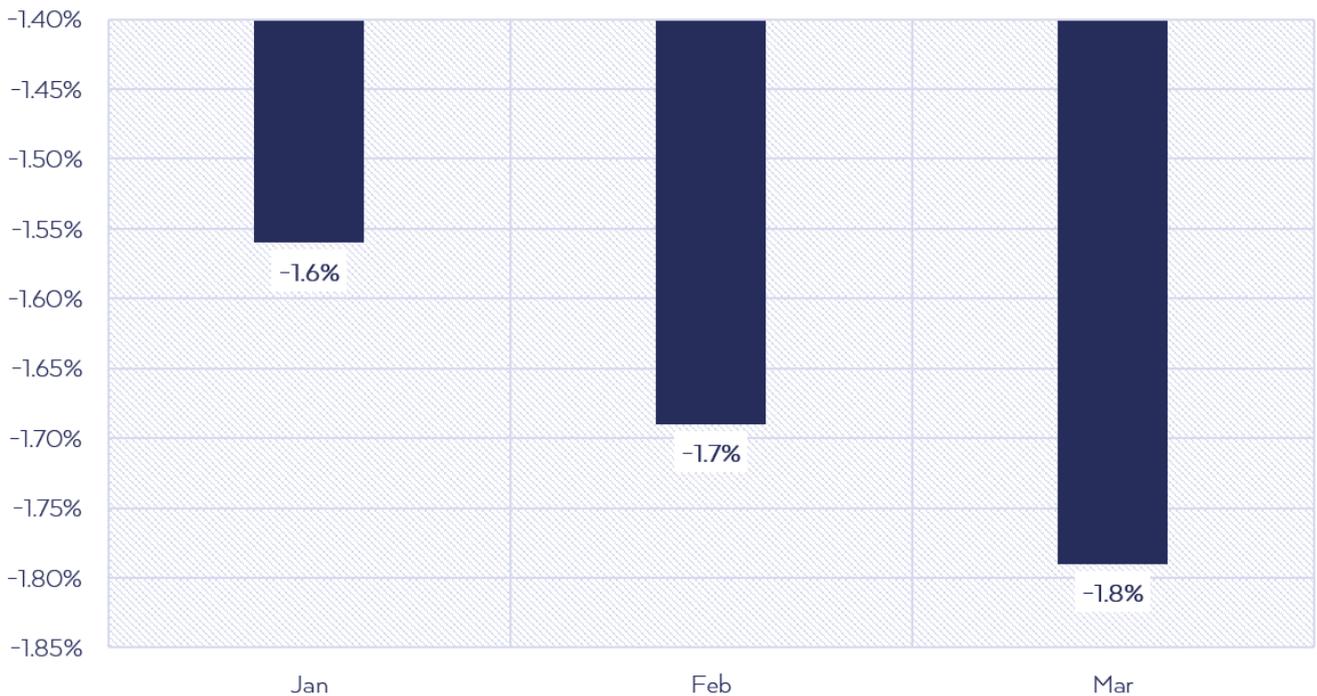
According to data from the latest Pearson Ham Quarterly Market Price Index both personal lines motor and home insurance premiums saw marked price reductions in the first quarter of 2021.

Private Car Insurance Indexed Price Movement 2020





### Motor Price Movements Q1 2021

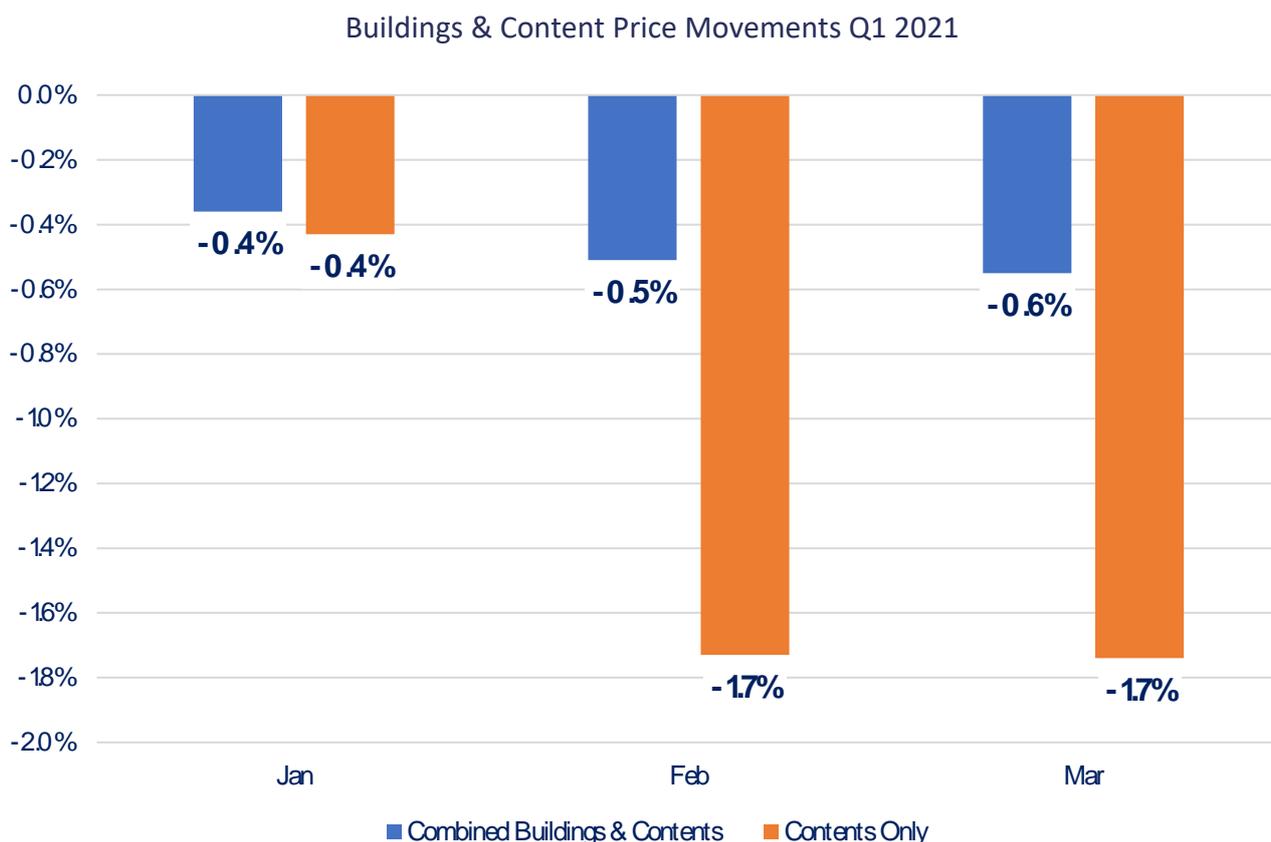


Motor pricing in 2020 dropped overall by around 5%. Increases in the first quarter of the year were in part related to moves by insurers to put pandemic working practices in place including the use of pricing as a mechanism to reduce both business volumes and quotability. In the second quarter price reductions followed on from a significant fall in the number of vehicles on the roads, a shift in the mix of use by drivers and a reduction in claims the pandemic.

Motor insurance prices in the first quarter of 2021 have reduced by 5%, the same level of reduction as was seen for the whole of 2020.

Commenting on motor insurance pricing, Stephen Kennedy, Director, Insurance Pricing at Pearson Ham, said: “At the beginning of 2020 prices had started to rise following reductions at the end of 2019, and it began to look like the start of an uplift in the cycle - and then the pandemic hit. Reductions have continued against a backdrop of intense competition with many insurers chasing the same volume of business at the same time. However, price reductions did not drive the levels of volume insurers were expecting.”

On home insurance pricing the Index found that combined buildings and contents premiums reduced by 1.4% over the first three months of 2021. There was a more marked reduction in the pricing of contents only cover which dropped by 4% in the quarter. Pearson Ham started its home insurance pricing monitoring in November 2020 and data for the last two months of the year showed that combined cover premiums had flattened while those for contents only had showed increases.



While Covid-19 has been the main driver for pricing reductions throughout 2020 and into the start of 2021, the Financial Conduct Authority’s pricing remedies will influence pricing dynamics as we move through 2021. The implementation of the new rules and its governance and reporting frameworks will see a period of pricing fluctuations that are expected to last into and beyond 2022.

Kennedy commented: “Up until September 2021 we expect to see insurers jockeying for position using ‘land grab’ price reduction strategies to drive business acquisition ahead of the new rules.

“During the summer, if we are in a position where restrictions and lockdowns have eased and claims level start to increase, we expect there to be a levelling off in pricing. Then, from September when



some of the initial price remedies governance frameworks are introduced, we expect insurers to make final refinements to their models as they digest how their peers and the market is responding. The moves to rebalance new and renewal business pricing will see increases starting to be implemented from October onwards.

“Moving into 2022, we will see the scale of variances in premiums that will inevitably impact on retention levels and increased shopping around by customers. It may not be until 2023 before we see more pricing stability.”

ENDS

#### **Notes to editors:**

##### 2021 Insurance - Quarterly Market Price Index methodology

- The index is compiled using data from Pearson Ham’s consumer panel.
- The panel is comprised of individuals, representative of the relevant UK insurance markets, who have given their permission for Pearson Ham to obtain insurance quotations on their behalf.
- Price movement data is based on ‘comparable’ profiles only, where no material details have changed between months (e.g., panellist has had a birthday, number of years licence has been held has increased, number of years no claims bonus has increased, etc)
- Prices were collected from Compare the Market, Confused.com, GoCompare, and MoneySupermarket.
- The average number of Private Car Insurance panel members by month in Quarter 1 2021 was 2,513, of which 1,923 were ‘comparable’ and included in the movement data.
- The average number of Combined Buildings & Contents Home Insurance panel members by month in Quarter 1 2021 was 1,979, of which 1,815 were ‘comparable’ and included in the movement data.
- The average number of Contents Only Home Insurance panel members by month in Quarter 1 2021 was 602, of which 560 were ‘comparable’ and included in the movement data.



## **About Pearson Ham**

Pearson Ham is an award-winning consultancy specialising in pricing and commercial excellence. The firm works with a wide range of insurance sector clients focused on helping them maximise profits and make pricing decisions with confidence through pricing solutions that blend robust analytics, consumer pricing, and competitor analysis, in a commercially oriented, dynamic environment. Its insurance market price tracking and insights for Car and Home help its clients maintain a competitive advantage, optimise comparison site positions, and prepare for regulatory change.

Find out more at [www.pearsonham.com/insights/](http://www.pearsonham.com/insights/)