

# The Young Driver Rip-Off Report

September 2019



by

**honcho**

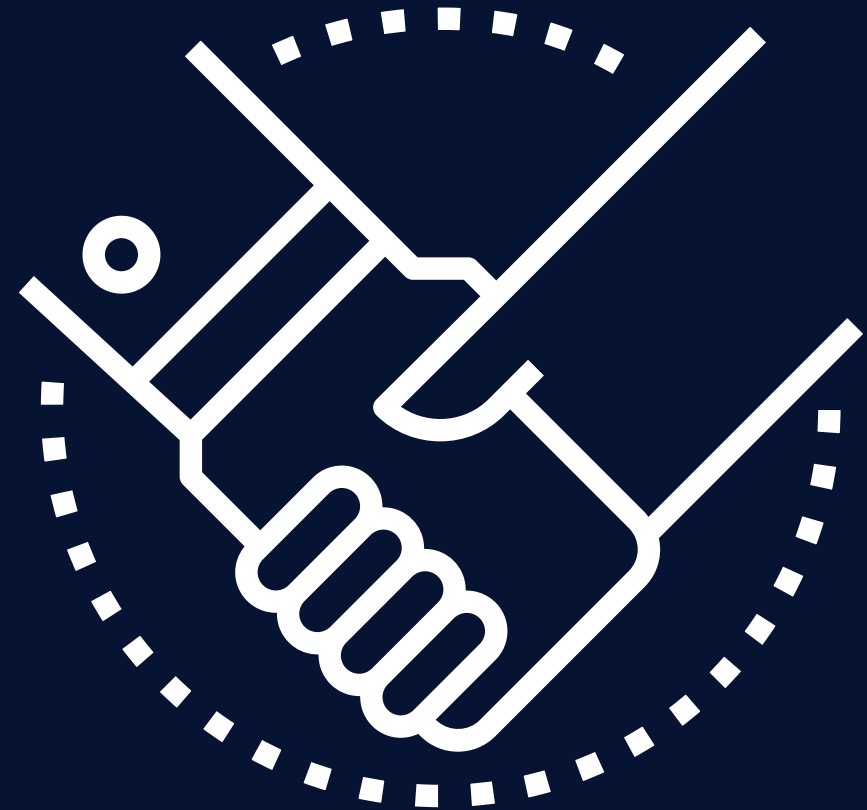
## About honcho

honcho is the first online reverse auction marketplace for financial services which is revolutionising the way people buy products and services, saving them time and money.

A reverse auction is where consumers receive bids and become the focus of the auction. Companies compete against each other to win consumers' custom, which is how we think it should be.

Disruptive and innovative, honcho is the future of car insurance.

For more information, visit [www.gethoncho.com](http://www.gethoncho.com)



## Introduction

It is common knowledge that young motorists in Britain today face by far the highest insurance premiums (149% above the average according to our research), but what impact is this having on the lives of young people also struggling financially with paying off expensive student loans, attempting to get on the property ladder and the rising cost of living?

To uncover the hidden effects caused by high premiums, we commissioned a survey of 750 UK-based motorists aged 17-24.

We asked respondents about everything to do with how the cost of driving affects their lives - from just how much they actually pay for their motor insurance, to how (if at all) they are able to afford it, and (when they have not actually been able to afford to drive) what impact this has on their lives.

The results make fascinating reading and show that more needs to be done to help young people overcome the negative impact of being priced out of having the freedom driving brings.

This report clearly identifies what the real life 'young driver disadvantage' actually looks like – including its far-reaching effects that have an impact on everything from people's social lives and self-esteem, to education and job opportunities.

Crucially, we've also identified a number of ways in which the insurance industry is not necessarily helping its youngest drivers, as well as some shocking gaps in young drivers' knowledge about how to ascertain the best deals.

We hope both young drivers themselves and stakeholders from across the insurance industry find the results as insightful as we did.

**Gavin Sewell, CEO at honcho**

\*Research carried out by 3Gem.





# Executive Summary

Car insurance premiums are by far the most prohibitive factor that prevent young people from having the freedom to drive (55% of young drivers)

Car insurance is an even bigger prohibitive cost than actually acquiring a vehicle in the first place, which was a problem for just 25%

17 – 24 year olds pay an average of £1176.80 per year for their car insurance - 149% higher than the average British motorist



More than 1 in 3 (36%) motorists aged 17 – 24 year rely on their parents to pay for some or all of their premiums

Almost 1 in 3 (29%) say not being able to afford to drive has limited the number of jobs for which they have been able to apply



For 1 in 4 (25%), not being able to afford to drive affects their social lives, by limiting the number of social activities and occasions in which they can participate, while almost 1 in 5 (17%) say that it has negatively affected their social lives

Almost 1 in 3 (28%) have had to start working in order to fund their driving



For 1 in 3 (31%), not being able to drive has limited how independently they can live from their family

1 in 4 (26%) say they believe not being able to afford to drive has limited how desirable they are as a potential employee and reduced the number of job offers they've received

More than 1 in 3 (37%) have been tempted to increase the voluntary excess on their policy, to make their premiums affordable



Nearly half (42%) of young drivers have either actually taken out or been tempted to take out a policy which offers less cover in order to receive a better quote



# Executive Summary

92% believe it is unfair that young drivers are charged higher premiums



Just 11% approached other insurers directly for quotes

1 in 4 (23%) said they simply didn't have the time to obtain quotes from different sources

61% are of the opinion that price comparison websites offer the best prices



1 in 4 (25%) would go as far as to say that these types of businesses have their best interests at heart



1 in 5 (20%) drivers aged 17-24 simply auto-renewed their current motor insurance policy, while 39% always renew with their existing supplier

The single main reason young drivers don't shop around is because they believe that price comparison websites offer the best prices, and so they don't feel the need to look elsewhere (28%)



88% don't know that insurers are charged expensive commissions to sell their products on PCWs

Almost all young drivers – 92% - have no idea that these costs are often passed onto the consumer in their premiums, but once informed about this, almost everyone (97%) in this age group felt this practice was unfair

1 in 4 (27%) failed to shop around at all when they bought their insurance policy



PCWs

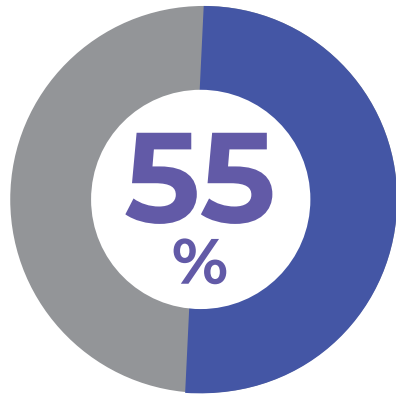
- PCWs were the second most popular way young drivers purchase insurance – with 31%
- saying they obtained their current policy from these
- and 79% having used them to provide quotes in the past



££££

## What is the 'Young Driver Disadvantage'?

It's no secret that the cost of driving is one of the biggest financial strains faced by young people, usually second only to living expenses (if they are living away from the family home) and tuition fees.



Of this cost, our research shows that car insurance premiums are by far the most prohibitive factor that prevent young people from having the freedom to drive (55% of respondents) – an even bigger prohibitive cost than actually acquiring a vehicle in the first place, which was a problem for just 25%.

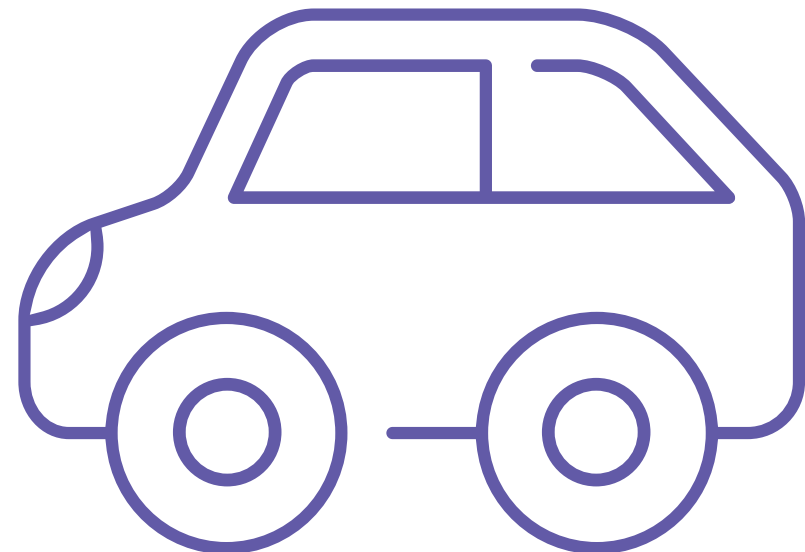
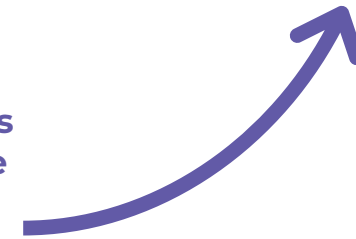
The reason for this lies in the fact that, from the outset, this age group is charged the highest premiums.

Indeed, our data shows that those aged 17 – 24 pay an average of £1176.80 per year - higher than the Association of British Insurers (ABI) found was the average a British motorist paid for their annual insurance (according to industry data).

Indeed, our data shows that those aged 17 – 24 pay an average of £1176.80 per year - 149% higher than the £471 the Association of British Insurers (ABI) found was the average a British motorist paid for their annual insurance (according to [industry data from Q3 2018](#)).

**149**  
%  
higher than  
the average  
British motorist

**17 – 24 year olds  
pay an average  
of £1176.80  
per year**



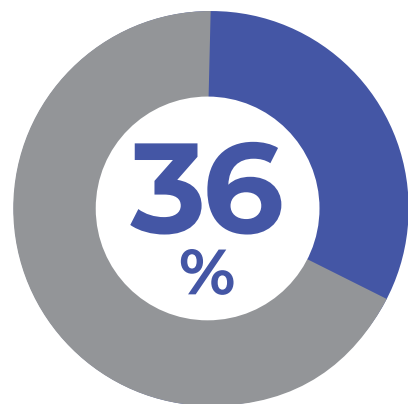
Predictably, the youngest of drivers are hit with the biggest fees – indeed, those aged 17 – 18 pay an eye-watering £1490.67 on average, per year.

Depressingly for this age group, the seven years between 17 and 24 sees this figure drop by just 28%, to £1071.28.

These figures are particularly hard to swallow for young drivers when it is considered that even graduates – who are amongst the oldest and most qualified in this age group - take home just £1,471.74 in wages per month on average\*.

It is not surprising, then, that more than 1 in 3 (36%) motorists aged 17 – 24 rely on their parents to pay for some or all of their premiums. Indeed, this same number admit that they couldn't afford to drive if they didn't receive this help.

[\\*Bridgewater Graduates, 2018](#)



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## How This Disadvantage Affects Young Drivers

These findings beg the question of why young drivers are going to such lengths in order to be able to drive. If it is so expensive, why are they committing themselves to spending almost a month's salary or calling on the bank of mum and dad simply in order to drive, when it is not perhaps essential?



The research highlighted a number of ways in which young people's lives are negatively affected as a result of being unable to afford to drive. We examine these factors below.

### Education and Employability

A key factor is that young people who are priced out of driving find themselves at a significant disadvantage when trying to find work and maximise their earning potential.

Almost 1 in 3 (29%) say not driving has limited the number of jobs for which they have been able to apply, while 1 in 4 (26%) say they believe it has even limited how desirable they are as a potential employee and reduced the number of job offers they've received.

Those still in full time education who need to drive may also find that their studies are compromised by the need to take on paid work in order to afford the high cost of motoring.



Almost 1 in 3 (28%) young drivers have had to start working in order to fund their driving.

This at a time in their lives when many may be in full-time education and could need to dedicate themselves completely to this in order to excel and achieve the qualifications they need.



## What impact would you say not being able to drive has had on your life?

It has limited how independently I am able to live from my parents and / or family

31.3%

It has limited the number of jobs I have been able to apply for

29.1%

It has limited the job offers I have received when applying for jobs

26.3%

It has limited the number of social activities I am able to participate in

25.3%

It has limited my sense of freedom

20.4%

It has affected my social life negatively

16.8%

I don't think not being able to drive due to the cost of driving has had any impact on my life

5.7%

0 10 20 30 40 50

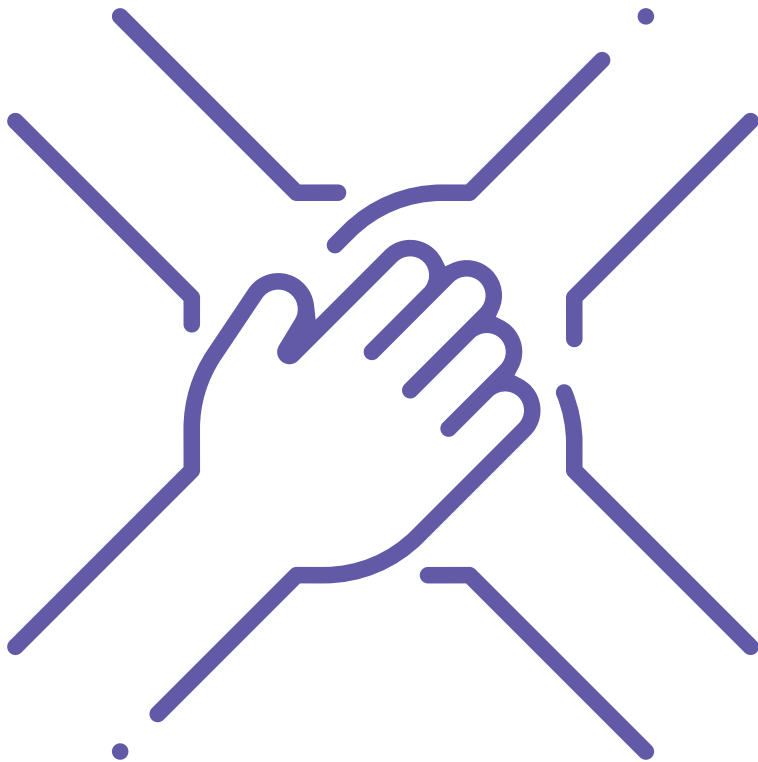


## Confidence and Social Lives

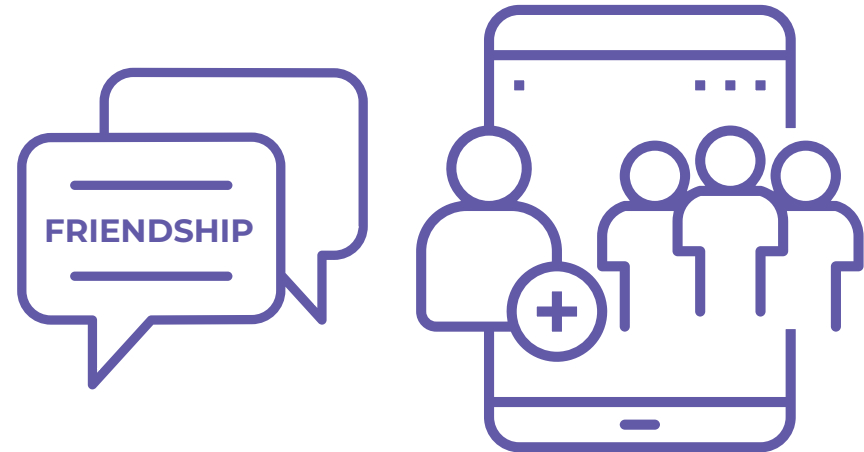
The results of this study also show that not being able to afford to drive limits young people's friendships, social networks and (as a result) their confidence in social situations.

For 1 in 4 (25%), not being able to drive affects their social lives by limiting the number of social activities and occasions in which they can participate.

And almost 1 in 5 (17%) say that it has negatively affected their social lives.



This finding is concerning considering how important a role friendship plays during adolescence, having been proven to affect everything from mental health and stress resilience during adulthood\* to improved academic success\*\*.



Not being able to afford to drive doesn't just affect young people's confidence in terms of how they feel in social situations, but the data shows it can also prevent them from becoming fully independent adults.

For 1 in 3 (31%), not being able to drive has limited how independently they can live from their family.

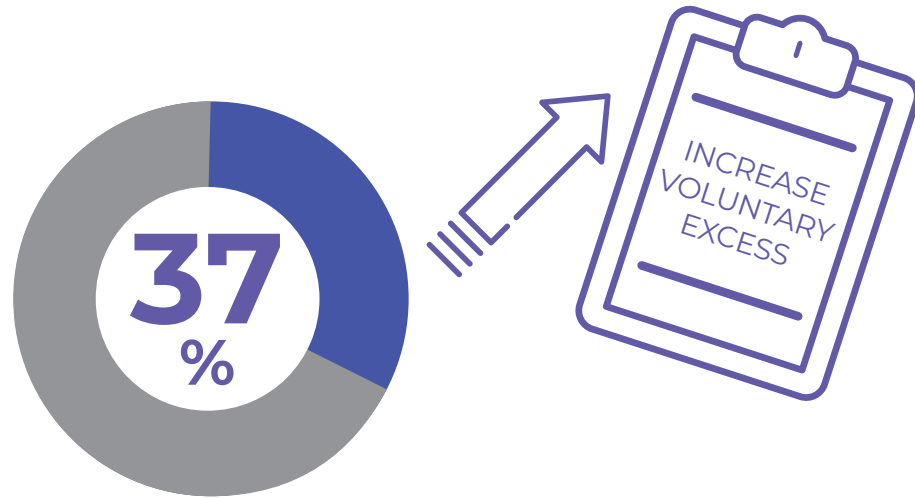
And for 1 in 5 (20%), their sense of freedom during early adulthood has also been restricted.

[\\*University of Newcastle, 2009](#)

[\\*\\*Harvard Medical School, 2006](#)

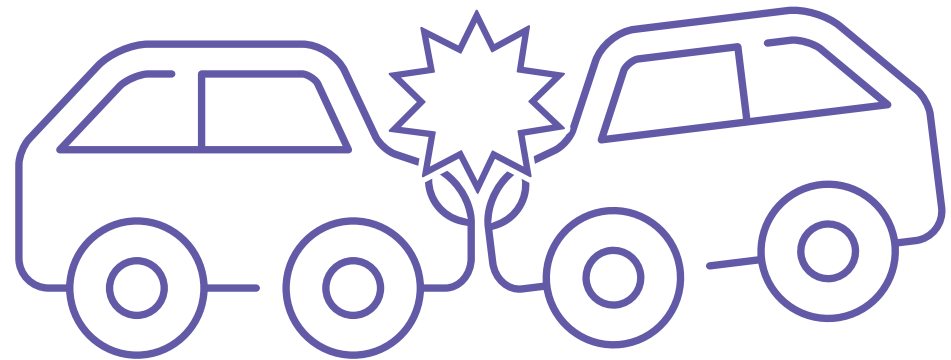
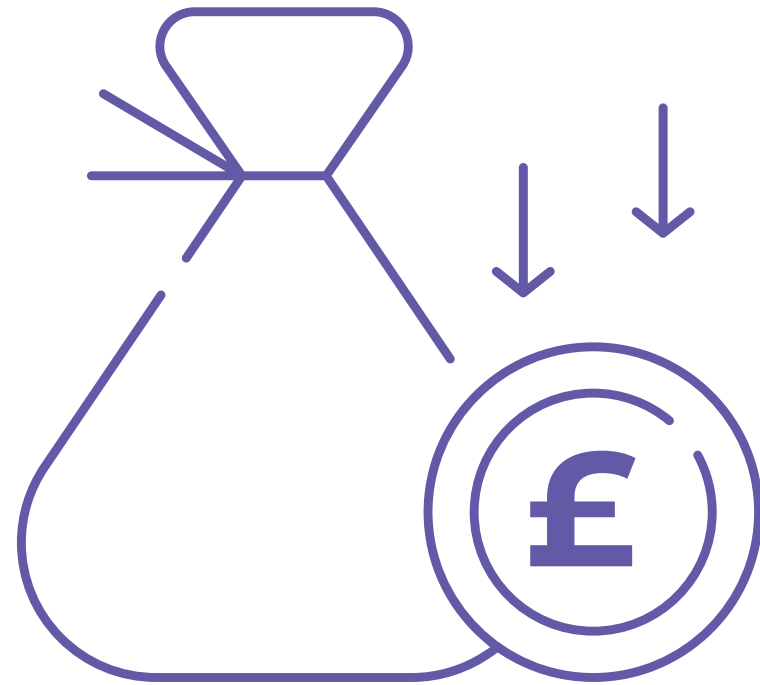
## Finances and False Economy

For many young drivers, the costs associated with driving also create a false economy, as they find themselves compromising on the level of cover they opt for, in order to bring their premiums down to an affordable rate.



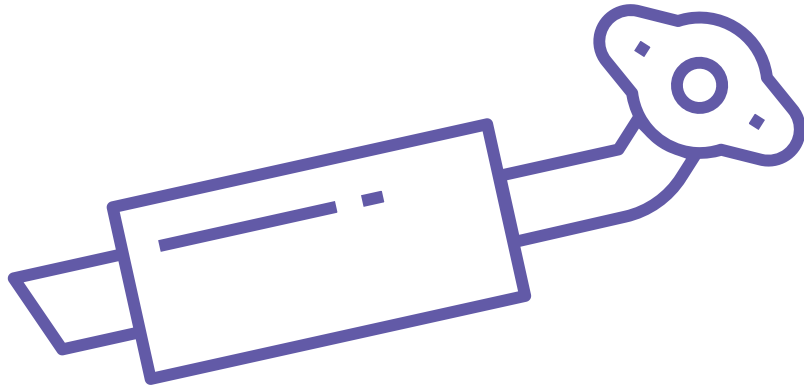
More than 1 in 3 (37%) have been tempted to increase the voluntary excess on their policy, to achieve the same end. For many this would create a false economy, as in most cases voluntary excess has to be drastically increased in order to generate an impactful saving on the premium price.

This practice could also leave drivers unprotected by their insurance following minor accidents, when this inflated voluntary excess may be more than the cost of the repairs being claimed.



More worryingly, nearly half (42%) of young drivers have either actually taken out or been tempted to take out a policy which is less comprehensive – such as Third Party or Third Party, Fire and Theft - in order to receive a better quote.

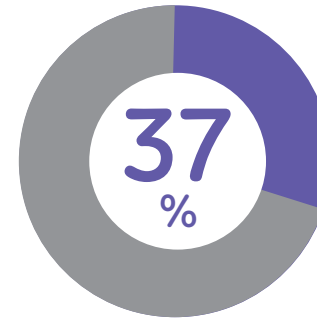
This type of cover leaves young motorists in quite a vulnerable situation if they find themselves involved in a collision as their policy would only cover the other driver's costs.



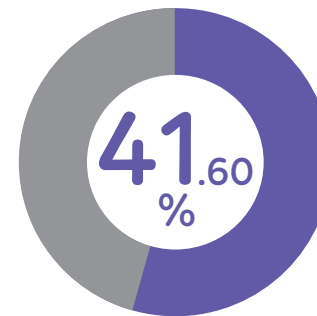
For many, this could mean game over, as they would find themselves having to fund vehicle repairs or even a replacement vehicle themselves, in order to continue driving.

And in cases where drivers have newer cars or cars requiring more expensive repairs, the cost of repairing or replacing their vehicle could far exceed the original premium quote.

### How young drivers cut corners to be able to afford their car insurance premiums



I have or have been tempted to take out a less comprehensive insurance policy (e.g. third party, fire and theft policy) because I couldn't afford to go fully comp



I have taken out a motor insurance policy with a higher voluntary excess because I couldn't afford to pay premiums involved with the suggested voluntary excess



## Why Does This Disadvantage Exist?

The hefty premiums young drivers are forced to pay in order to be able to drive are a point of contention for the youngest age group on the road, with the overwhelming majority (92%) believing this to be unfair.



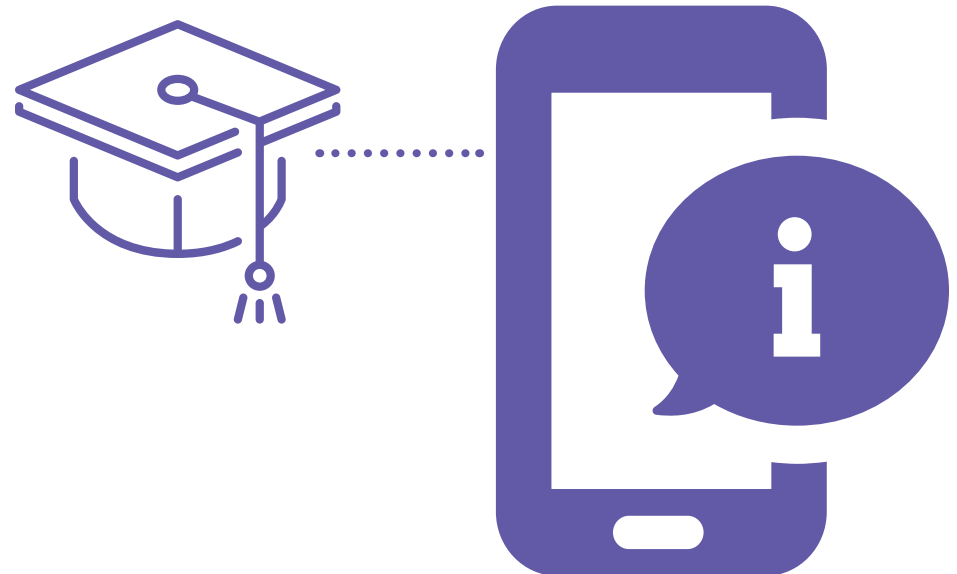
However, it is an unfortunate truth that young drivers are more likely than any other age group to make a claim, and that they also tend to make amongst the most expensive claims, too\* - and in many cases the costs of their premiums are an unfortunate reflection of this.

Therefore, for as long as this is the case, insurance premiums for 17 – 24 year olds are unlikely to see any significant drop.

But there are things that young drivers – and even the insurance industry itself - can do to make premiums a little more affordable for this age group.

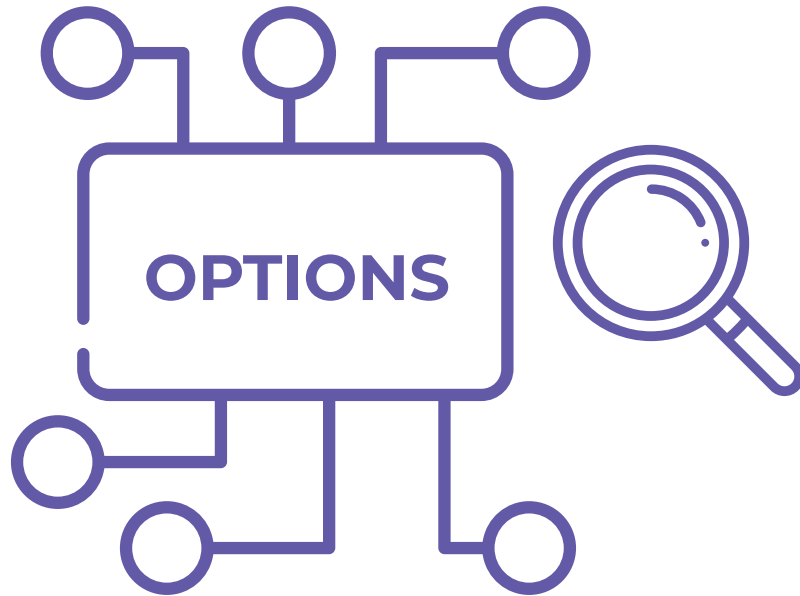
Our research has identified a need for young drivers to be better educated about how to go about shopping for car insurance, as there are a number of choices they are making during this process which are contributing to them receiving even higher premiums.

[\\*Association of British Insurers, 2017](#)



## Reducing the Young Driver Disadvantage Through Smarter Shopping

It is not all bad news, however, as our research highlighted a number of ways in which young drivers can obtain cheaper quotes. Most of these are to do with adapting the way they search for and buy car insurance both first time, and on renewal.



The research identified that many younger motorists are unknowingly making it even harder for themselves to receive competitive insurance quotes by failing to shop around effectively.

Shockingly – as many as 1 in 5 (20%) simply auto-renewed their current motor insurance policy (which can lead to losses of up to £1.4 billion per year\*), while 39% always renewed with their existing supplier.

A further 1 in 4 (27%) failed to shop around at all when they bought their insurance policy, suggesting a huge number are unwisely accepting the first quote they receive. Just 11% approached other insurers directly for quotes.

[\\*Go Compare, 2018](#)



What's more, as many as 1 in 5 (20%) are also accepting the renewal quote they receive from their current insurer without obtaining any alternative quotes whatsoever.

For many, the decision to not shop around was to do with the time involved – with 1 in 4 (23%) saying they simply didn't have the time to obtain quotes from different sources – suggesting more convenient ways of getting quotes (like honcho and other services which have speedier user journeys) could result in greater numbers of young drivers getting more competitive quotes.

This highlights a need for the insurance industry to not only call for application processes to be streamlined, but to also educate new drivers on the best way to obtain insurance quotes.



## The PCW Factor

There was another interesting finding which highlighted a knowledge gap prevalent in young drivers which could be contributing to them receiving higher than necessary quotes.

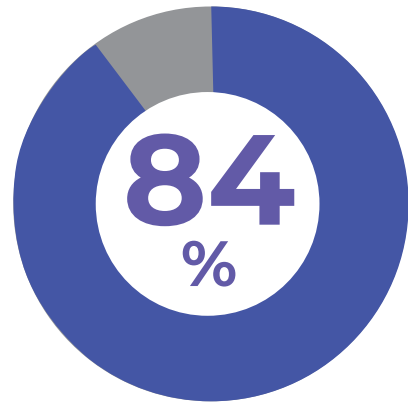
Young drivers in our survey said the single main reason they don't shop around is because they believe that price comparison websites offer the best prices, and so they don't feel the need to look elsewhere (28%).



However, young drivers might be mistaken if they believe that PCWs have their best interests at heart.

## The PCW Myth Luring in Young Drivers

Our research shows that the extensive marketing of PCWs is having a significant effect, as the majority of young drivers – 61% - wrongly believe they offer the best prices.



84% also wrongly believed that these sites are truly independent and are unaware that several of the major PCWs are actually owned by insurers.

But generally, the UK Price Comparison Websites (PCW) business model means that these beliefs simply aren't true.

In most cases, the typical PCW makes its money by charging insurance companies significant commissions to sell their products via their website – which are often so costly that the insurer is forced to pass some or all of these costs onto policyholders, via more expensive premiums.

This is one of the reasons why certain insurers do not appear on any PCWs at all.

### Why young drivers failed to shop around when purchasing their current policy

I believed that Price Comparison Websites (PCWs) offered the cheapest deals and so I didn't think I needed to obtain a quote

28.4%

I didn't have time to gather quotes from different places

22.9%

I couldn't be bothered to obtain a number of different quotes due to how much time / effort it would take

22.4%

I thought that insurers would put me under pressure to take out insurance with them if I contacted them directly

15.9%

I didn't want to share my details with a number of different insurers in order to obtain quotes from them

5%

Somebody else made the decision for me and paid the premium

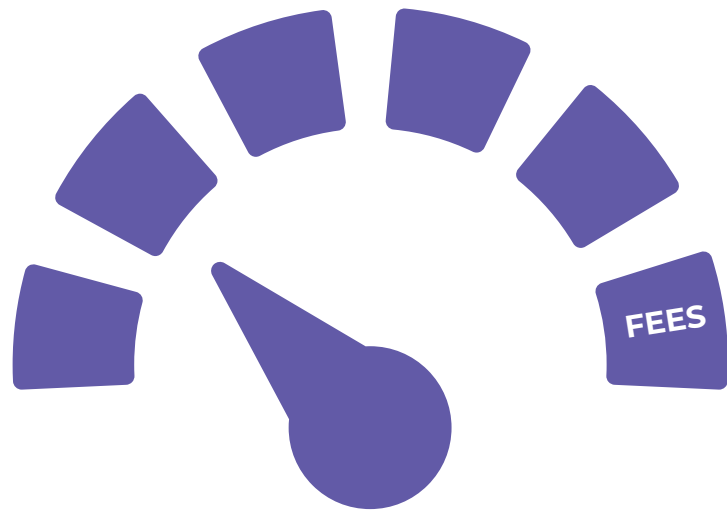
3.5%





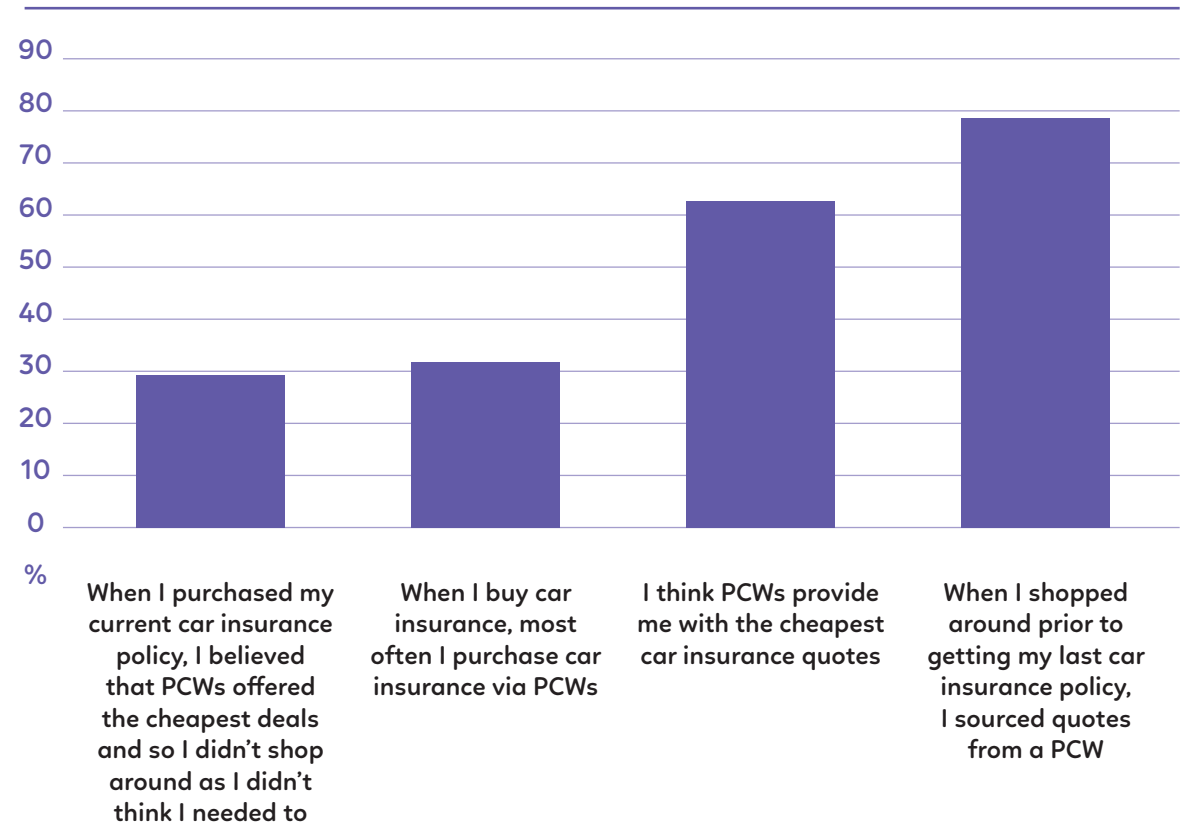
Furthermore, PCWs charge different fees to different insurance companies meaning that there isn't a level playing field for insurers to offer the best price.

A policy which may be cheaper without the fee becomes more expensive when a more hefty PCW fee is added in.

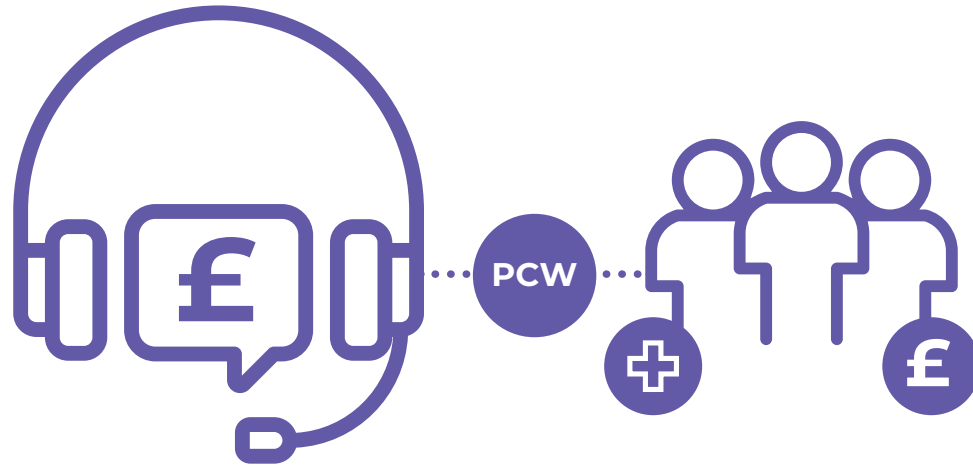


And despite the fact that using PCWs was the second most popular way young drivers purchase insurance – with 31% saying they obtained their current policy from these and 79% having used them to provide quotes in the past - the majority of young drivers (and most of the UK driving population in general) are completely unaware of these practices.

Young drivers' beliefs about price comparison websites (PCWs)



Our research found that 88% of young drivers are unaware that insurers are charged commissions to sell their products on PCWs, while almost all – 92% – have no idea that these costs are often passed onto the consumer in their premiums.



Once informed about this, almost everyone (97%) in this age group – which already receives quotes 149% more expensive than the average motorist – felt this practice was unfair, suggesting more transparency is needed.





## Conclusion

Reading these findings, we'd challenge anyone to not feel the plight of this age group.

17–24 year olds are not only charged significantly more than their older counterparts for the privilege of driving – but they are also poorly educated about the best way to shop for policies, and so aren't even in a position to find themselves the most competitive deals. It's little wonder that car insurance is the single most prohibitive cost associated with driving that they face.

Worse, many are shopping for policies without being armed with the necessary information and facts about how the pricing of insurance works – having been taken in by marketing from businesses like Price Comparison Websites (PCWs).

Clearly, in many cases this is leading to misunderstandings and misguided beliefs about the best way to shop around to get a fair premium.

Many young drivers – the age group who tend to earn the very least in society – then find themselves having to take drastic steps in order to be able to drive. And for those who find they can't drive at all, the impact is wide ranging – affecting everything from work opportunities to their confidence.

Clearly, there is a need for both insurers and insurance marketplaces like Price Comparison Websites to be more transparent, perhaps even actively arming this demographic with more information and guidance.



**honcho**

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