



DRIVING UP COSTS: THE CAR INSURANCE POVERTY PREMIUM IN 2024

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Summary

- Previous research has highlighted how car insurance is a key part of the poverty premium, with those living in more deprived areas often charged more a higher premium than those elsewhere.
- In this briefing note, we present new research exploring this issue. This includes analysis of over 1,000 insurance quotes, covering a range of different types of area. We find that those living in the most deprived areas could pay as much as 29-48% extra on their car insurance premiums (equivalent to £234-314).
- Through further analysis we attempted to take into account not just deprivation, but also other factors which might affect how 'risky' insurers deem it to insure a person in a given area – such as the level of car-related crime in the area, the number of road traffic collisions and the age profile of the local population.
- Removing the impact of these other factors (as far as practically possible), we find that the same driver, in the same car, could pay 15-20% more (equivalent to £131-156 for our case study) to get insured in a more deprived area, compared to the average area.
- Separately, we find that those living in more ethnically diverse areas were quoted premiums around 20% higher (or £180) than those in less ethnically diverse areas, even if only obtaining quotes for areas that were broadly comparable in terms of crime, collision and deprivation levels.
- In addition to area-based premiums, we explored the poverty premium associated with paying monthly, rather than annually, for car insurance. This is something that many low-income households may be forced to do, as they cannot afford the entire annual lump sum in one go. We find that paying monthly can cost as much as 41% (or £384) extra, though this drops to 10% (or £86) if they are able to take advantage of the cheapest available quote.
- A useful first step therefore would be for the Financial Conduct Authority to use its powers to request data from insurers, which would allow it to assess the extent to which current pricing structures represent fair value for consumers, including those on low incomes, as well as how the market is driving up premiums for people on low incomes and/or with protected characteristics, such as race.

About this briefing note

Since 2016, the Personal Finance Research Centre (PFRC) at the University of Bristol has worked with organisations and programmes such as *Fair By Design* to measure different components of the ‘Poverty Premium’ – the extra costs that low-income households face when accessing essential goods and services.¹ An ongoing focus of this research has been low-income households’ difficulties in accessing car insurance.

While vehicle ownership is generally lower among poorer households² (which itself can cause further poverty premiums³), those who do own a car may find themselves paying more for insurance than higher-income households. This can occur either because they are forced to pay in monthly instalments (rather than in a single annual lump-sum) or as a result of living in more deprived areas.

This briefing note gives an overview of the findings of new research conducted in 2024, which aims to quantify the size of the car insurance-related poverty premiums. We obtained over 1,000 quotes to insure a single female aged 40 driving a five-year-old hatchback (valued at £10,000), but changed the location of the quote. To enable an improved like-for-like comparison, areas were selected taking into account a range of criteria – including their deprivation ranking, region, the level of crime (car-related and total crime), the frequency of collisions and the characteristics of the population (age and ethnic background). For each area we recorded the cheapest six quotes if paying annually and the cheapest six if paying monthly.

Findings: the price of deprivation

We find that the same driver, in the same car, will cost extra to insure if they live in a more deprived area – even if we take into account (to some extent at least) the impact of other factors which may make them more ‘risky’ to insure.

We conduct two main analyses. The first approach attempts to remove the impact of crime, collisions, age and ethnicity (herein referred to as ‘other factors’), focusing solely on the impact of deprivation on insurance premiums. It does this by collating insurance quotes only for a sample of areas that are broadly similar in terms of these other factors. Within this sample, we compare a group of more deprived areas with a group of areas that are more ‘average’ in terms of deprivation (those that are in the 5th decile of deprivation rankings). By choosing areas without dramatically different crime or collision levels, we

¹ Davies, Finney & Hartfree (2016) [Paying to be poor: uncovering the scale and nature of the poverty premium.](#)

² See, for example: ONS (2019) [Percentage of households with cars by income group, tenure and household composition: Table A47.](#)

³ Such as being forced to shop at smaller food stores, which we [found in 2022](#) added an extra £84 per year to low-income households’ grocery costs.

are removing these from the equation at least to some extent.⁴ We label this our 'theoretical, like-for-like comparison'. The second approach, meanwhile, recognises that – in reality – deprived areas tend to have higher crime levels, be more ethnically diverse, have younger populations, etc. than less deprived areas. So approach two involves identifying the 'typical' profile of more and less deprived areas⁵, collating quotes for (deprived and non-deprived) areas that resemble these typical profiles, and comparing the results based on deprivation. We label this our 'actual differences for typical deprived areas' analysis, as it better reflects the poverty premium likely to be paid by the typical person in a deprived area.

As Table 1 shows, approach one (the 'theoretical, like-for-like comparison') shows that average insurance quotes in deprived areas were 15% higher than for the median area, equivalent to £131 per year for the driver and car in our example. If taking only the cheapest quotes available, this rises to 20% or £156. Approach two (the 'actual differences for typical deprived areas') meanwhile shows that the average quote was £234 higher for areas typical of the most deprived 20% of areas. This equated to an extra 29%. If taking only the cheapest available quote, the poverty premium was higher: £314 or 48% – though this appeared to be more reflective of the availability of cheaper deals in less deprived areas, rather than unusually high quotes in the more deprived areas.

Collectively, the fact that these results are lower in the like-for-like comparison than the actual comparison demonstrates that a sizeable proportion of this poverty premium is likely to be caused by the increased risk of insuring drivers in these areas, i.e. because drivers who live in these areas are more likely to be victims of crime or to be in a collision. There is, however, a sizeable deprivation-related premium that remains somewhat unexplained – and a broader philosophical question about the extent to which low-income households should pick up the bill for social problems in their area that are simply not within their control. Households in such areas may not be able to afford to move from this area, and the existence of the poverty premium will only reduce their ability to do so, acting therefore as a form of self-fulfilling prophecy.

⁴ While we are able to compare quotes for areas with similar levels of crime/collisions etc, we do not take into account the areas surrounding the neighbourhood in which someone lives. A quote may therefore be obtained for an area which appears to have a low rate of collisions but nearby neighbourhoods may have higher rates, which could increase the risk of someone from the low-collision neighbourhood experiencing a collision. In other words, the collision data we use gives the location of the collision, not the address of the driver in the collision, which is arguably more relevant from the perspective of insurance premium pricing.

⁵ We analysed data for all ~33,000 neighbourhoods in England and identified what the average deprived and non-deprived area looks like in terms of crime rate, level of collisions, ethnic composition and age breakdown. From this, we then selected a sample of 15 areas that best represent the typical neighbourhood within the most deprived 10% of areas, the second most deprived 10% and the middle 10%. 90 quotes were obtained across these fifteen areas.

Table 1 – Comparison of car insurance quotes obtained for the most deprived quintile of areas in comparison to the median area

	1. Theoretical, like-for-like comparison		2. Actual differences for typical deprived areas	
	Comparing deprived and non-deprived areas, while holding 'other factors' broadly the same		Comparing deprived and non-deprived areas, but not holding 'other factors' the same	
	Average of all quotes	Average of cheapest quotes	Average of all quotes	Average of cheapest quotes
Most deprived 20% of areas	£1,032	£948	£1,046	£971
Median area	£900	£791	£812	£657
Difference (i.e. the 'poverty premium')	£131	£156	£234	£314
% difference	15%	20%	29%	48%

Notes: The sample of areas for approach one was based on 180 quotes across 30 areas. The sample of areas for approach two was based on 90 quotes across 15 areas. The 'average of all quotes' column represents the mean average (across the sample of areas) of the first six quotes obtained for each area, while the 'average of cheapest quotes' column gives the mean average (across the sample of areas) of the cheapest quote obtained for each area.

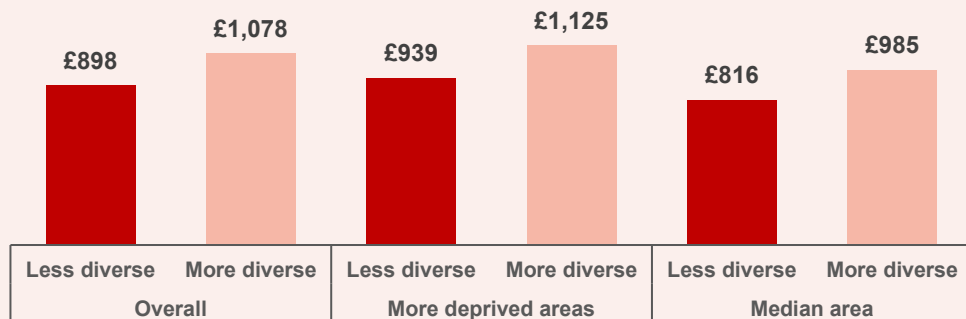
Has the cost of the poverty premium changed over time?

Previously, in 2023, we conducted analysis based on a much smaller sample of nearly 50 quotes across eight areas. This found that those in the most deprived quintile of areas were quoted £335 or 35% more than those in the median area. In 2024, we conducted quotes for the same areas (using the same driver profile and a near-identical car) and found that the difference – while actually lower than before – was still £264 or 32%. (This is broadly consistent with the analysis for the larger sample of areas above, finding a 29% difference between more and less deprived areas.)

Box 1 – An ethnicity premium?

While our primary focus was on the impact of deprivation on car insurance quotes, given evidence elsewhere of an ‘ethnicity premium’ in car insurance, we also collected quotes to compare a sample of more ethnically diverse areas with a sample of less ethnically diverse areas (but which were otherwise largely similar in terms of deprivation levels and the other factors already mentioned). As Figure 1 shows, across both deprived and non-deprived areas, quotes were higher in more ethnically diverse places. Overall, ethnically diverse areas were quoted an average £180 higher (20%) than less ethnically diverse places, with this rising to £186 in the most deprived quintile of areas (but remaining at 20%).

Figure 1 – Average insurance quote in more and less ethnically diverse areas, by level of deprivation



Notes: Based on 180 quotes across 30 areas, 15 of which were more ethnically diverse and 15 less ethnically diverse. Within each of these 15, 10 areas were in the bottom quintile for deprivation, while 5 were in the 5th decile for deprivation (the ‘median’ areas).

Findings: the price of paying monthly

As we have previously seen, low-income households face a poverty premium if they cannot pay for their car insurance in a single annual lump sum and are forced instead to pay via more expensive monthly instalments.⁶ In 2023, we collated 72 quotes across six areas, finding that paying monthly would be £122 (or 11%) more expensive than paying annually. In 2024, we obtained quotes for the same areas, finding that this difference had grown to £319 (or 32%). This matches the findings of previous research conducted this year by Which?.

To further extend this analysis in 2024, we also collated data for a range of other areas, taking the total number of quotes to over 1,000 – approximately 500 annual and 500 pay monthly quotes. As shown in Table 2, this sample of

⁶ See: Davies & Evans (2023) [The poverty premium in 2022. Progress & problems](#), and Which? (2024) [Difference between what motorists pay monthly and annually for car insurance grows to over £300 a year. Which? research finds](#).

areas (covering the first five deprivation deciles⁷) finds a £384 poverty premium per year if paying monthly rather than annually, with the average annual quote coming to £933 and the average pay monthly quote coming to £1,318. This was equivalent to paying an extra 41%.

An alternative way of measuring this is to use the cheapest possible quote, rather than the average of the six cheapest quotes. This gives a lower poverty premium, with the cheapest annual quote averaging £826 and the cheapest pay monthly quote averaging £911, representing a difference of £86 or 10%. The precise terms of the quotes offered, however, may mean that the cheapest available quote is not always the most suitable.

Table 2 – Comparison of the cost of paying annually for car insurance versus paying monthly

	Average of all quotes	Average of cheapest quotes
Paying annually	£933	£826
Paying monthly	£1,318	£911
Difference	£384	£86
% difference	41%	10%

Policy implications

The results of this analysis suggest a need for Government to ‘get under the bonnet’ of how car insurers are currently operating their pricing structures. A useful first step therefore would be for the Financial Conduct Authority to use its powers to request data from insurers, which would allow it to assess the extent to which current pricing structures represent fair value for consumers, including those on low incomes, as well as how the market is driving up premiums for people on low incomes and/or with protected characteristics, such as race.

This data should include not just information on quotes/prices paid by different types of consumers in different areas (a larger-scale version of the analysis undertaken here) but should also include data on insurance claims made by consumers. The latter is the missing piece of the puzzle in the analysis undertaken in this report, as it would better allow for an assessment of whether insurance pricing reflects the actual ‘risk’ of insuring consumers in different areas. It should be noted though that even if it is established that pricing does reflect risk, there is a secondary question of the extent to which this practice is ethical and whether it violates the fundamental purpose of insurance to share the burden of risk more evenly across the population.

Prior to the 2024 General Election, Labour leader Sir Keir Starmer outlined his party’s intention to “take action on soaring costs [in the insurance market] by

⁷ We found no significant difference in the level of the poverty premium for paying monthly by deprivation decile.

calling in the Competition and Markets Authority and urging the Financial Conduct Authority to launch urgent investigations into the rising cost of car insurance, including investigating whether postcode pricing practices are unfairly targeting ethnic minorities and those on lower incomes.”⁸ This is part of the Labour party’s manifesto commitment to “further support drivers by tackling the soaring cost of car insurance”⁹ and is likely to represent a key pillar of its promised financial inclusion strategy.¹⁰

Earlier in 2024, the Association of British Insurers (ABI) announced an agreement among its members to tackle certain aspects of the poverty premium.¹¹ This focuses predominantly on the cost of paying monthly for car insurance, with an aim of ensuring that such charges are ‘reasonable’ and take into account the difficulties that low-income consumers may have in affording annual payments. Action was also announced to give potential customers clearer price comparisons between paying monthly and annually, with the aim of improving transparency. While these are welcome steps, they are no substitute for robust independent evaluation of firm practices by the FCA.

Longer-term, Government needs to consider how best to balance different approaches to tackling the poverty premium (and poverty more broadly). Poverty can be ‘solved’ in one of two ways: by increasing incomes or by reducing costs. The regulatory approach described above may help to reduce costs for those with low incomes, while broader social policy can be used to both cross-subsidise costs and/or increase the incomes of the poorest in society and level-up more deprived parts of the country. Both approaches clearly have advantages and disadvantages, some practical and some political, but with many families across the UK facing real hardship it is imperative that political leaders do not neglect one at the expense of the other.

⁸ MoneySavingExpert (2024) [General Election 2024: The MSE Leaders’ Debate.](#)

⁹ Labour Party (2024) [Change. Labour Party Manifesto 2024.](#)

¹⁰ Labour Party (2024) [Financing Growth. Labour’s plan for financial services.](#)

¹¹ The Guardian (2024) [Car insurance firms agree to crack down on ‘poverty premium’.](#)

Appendix: Additional methodology notes

Quotes obtained

Quotes were obtained for comprehensive insurance for a 40 year-old single female driver who works in retail, with five years' no claims discount, driving a five year-old car (a five-door Ford Focus hatchback) with an assumed value of £10,000. Quotes were obtained from CompareTheMarket.com between the 3rd and 17th April 2024, with the renewal date always adjusted to 15 days ahead. Quotes requiring telematics were excluded from the analysis. For each address, the six cheapest pay annual and the six cheapest pay monthly quotes were obtained.

Sampling areas

To select areas for obtaining quotes, data at the lower-layer super output area (LSOA) level was collected from the [Census 2021](#) (% aged over 50; % White British); from Department for Transport [road safety data](#) (collisions in 2022-mid-2023); and from [Data.Police.UK](#) (vehicle crime statistics aggregated to LSOA-level for all months of 2023 and converted to a rate per 1,000 people).

LSOAs in England and Wales were ranked from 1 to 35,797 on each of the above factors, and also split into thirds based on these factors. We then designed the sample so that we were comparing areas that differed on the variable that we were interested in (e.g. deprivation or ethnicity) but were as close as possible in ranking on the other factors (e.g. age, collisions and crime). This left us with a sample of areas that had the following profile:

Appendix Table 1 – Profile of areas sampled in different approaches to measuring deprivation-based car insurance poverty premium

Characteristic	Approach 1		Approach 2	
	Most deprived 20% of areas	Median area (5 th deprivation decile)	Most deprived 20% of areas	Median area (5 th deprivation decile)
Deprivation ranking (1=most deprived)	3,693	14,892	3,577	14,017
Ethnic diversity ranking (1=least ethnic diverse)	19,187	19,294	23,121	18,316
Population age ranking(1=oldest)	23,097	17,108	25,653	19,155
Vehicle crime ranking (1= more crime)	18,629	16,507	14,195	17,190
Traffic collisions ranking (1 = more collisions)	18,538	16,253	15,137	15,545
Number of areas	20	10	10	5
Number of quotes (pay annual only)	120	60	60	30

The deprived areas within approach 1 were therefore very similar to the median area in terms of ethnic profile and actually slightly lower in terms of rate of vehicle crime and traffic collisions. This means that these factors are unlikely to explain the difference we see in insurance premiums quoted. The deprived areas were, however, slightly younger than the median areas, though not dramatically.

In approach 2, which is based on the typical profile of deprived and non-deprived areas, we see that the deprived group were much more ethnically diverse, much younger, with higher rates of vehicle crime and marginally higher rates of traffic collisions.

For the ethnicity-based comparison, the profile of areas is shown in Table 2. This led to areas that were very comparable in terms of deprivation, crime and collisions, while being dramatically different in terms of ethnic composition. Again, age was a slightly more difficult factor to align between the two samples, with the ethnically diverse areas generally being somewhat younger in terms of their age profile.

Appendix Table 2 – Profile of areas sampled in different approaches to measuring ethnicity penalty in car insurance

Characteristic	Ethnicity-based comparison	
	Most ethnically diverse areas	Least ethnically diverse areas
Deprivation ranking (1=most deprived)	7,581	7,271
Ethnic diversity ranking (1=least ethnic diverse)	30,812	7,633
Population age ranking(1=oldest)	23,520	18,682
Vehicle crime ranking (1= more crime)	17,316	18,528
Traffic collisions ranking (1 = more collisions)	17,451	18,101
Number of areas	15	15
Number of quotes (pay annual only)	90	90

Once areas were selected, we identified suitable addresses based on those that were close to the population weighted centroid of the LSOA and that were broadly representative of other addresses in the area.



Fair By Design is dedicated to reshaping essential services such as energy, credit, insurance and payments so that they don't cost more if you're poor – also known as the poverty premium. We work with regulators, Government, Parliament and industry to eliminate the poverty premium.

Fair By Design is managed by the Barrow Cadbury Trust on behalf of a group of foundations. Charity number: 1115476. Registered in England No: 5836950.

The Fair By Design Fund provides capital to grow new scalable ventures to innovate the market and design out the poverty premium. Ascension manages the Fair by Design Fund.

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