Motor insurance bills made affordable

A blueprint for targeted support

December 2025

With modelling by:

Contents

About this report

This report has been developed through a collaboration between Citizens Advice, IPPR and Policy in Practice.

- **Citizens Advice** has led the design of the blueprints to propose effective and sustainable targeted bill support across essential markets.
- **IPPR** has led the economic modelling using IPPR's tax-benefit model, mapping the impact and costs of different levels of support across each market.
- **Policy in Practice** has led on how technology and data can increase up-take, drawing lessons from its partnerships with a third of UK councils and utilities across the country to improve access to social tariffs and other essential support.

With thanks to Chloe Maughan, Kat Dixon, Naomi Kelsey, Jess Kleyn, Emma Hemelik, David Mendes da Costa, Fabian Chessell, Henry Parkes and others for authorship and input into these blueprints.

Executive summary

For many people, access to a car is essential to fulfilling their day to day needs - from getting to work, to caring for family, or accessing essential shops or services. This is especially true for people living in rural areas, or where public transport is not a viable alternative. This is either because of a lack of infrastructure, or where it's not available at the times they need to travel.

However, a sharp increase in the cost of motor insurance since 2022 has made it harder for more people to cover the costs of this essential. These high prices have been felt especially sharply by people on low incomes, who also face higher than average costs than other users. This can see them pushed out of the market or forced into the red to retain their cover.

This is just one market where people are struggling with the cost of essentials that have simply become too high. In 2025, half of the people in debt who came to Citizens Advice for help were in a negative budget, where their essential expenses exceed their income.

Targeted bill support offers a clear route forward to tackle the inequality of rising bills. To protect low income households, effective targeted bill support focuses financial relief on people who feel these struggles the hardest.

In this blueprint report we give an overview of how targeted bill support could be delivered in the motor insurance market in Great Britain, based on using a voucher-based discount scheme to bring down the especially high prices for insurance faced by people in receipt of means-tested benefits.

This is one of 4 blueprints spanning essential markets - broadband, energy, motor insurance and water - with an overall approach facilitated by automation, co-created by Citizens Advice, IPPR and Policy in Practice,

As the motor insurance market currently has no existing model of targeted support, in this section we set out a possible model alongside key considerations underpinning our proposed design. The paper concludes with a focus on how much we would expect a scheme to cost, based on vouchers set at £100, £200 or £300 per year.

Our recommendations show that a voucher of £200 per year could support 3.2 million households to relieve pressure on their car insurance bills. In a cross-subsidy model, this would cost bill payers an average of £23 per year extra on their bills.

These blueprints are the culmination of a partnership project, which has released four reports since September 2024. These outline the guiding principles of targeted bill support (Securing Life's Essentials), the barriers people face to bill support (Barriers to Access), different methods of targeting bill support (Essential Potential) and practical ways to implement support (The Art of the Possible).

Motor insurance bill support blueprint

In the motor insurance market, the price someone pays for cover can vary substantially, depending on a range of factors that go into determining their level of risk. Some of these risk factors are within people's control. For example people with previous driving offences will typically pay higher prices for cover. But there are many factors that run beyond what an individual can control that can see the cost of their premium soar. This includes things like whether they live in an area with high levels of accidents or claims.

From an affordability perspective this can result in poor outcomes, with some people facing higher than average prices for cover, despite much lower ability to pay. For example, in our previous research we found that people in receipt of benefits were paying on average £290 more for motor insurance per year than other drivers.[1]

These additional costs have an impact, with this group more likely to be priced out of the market due to affordability issues, and more likely to be facing strain accessing the market (explained in more detail in the next section). We have also seen on the frontline how high costs are resulting in people having to give up driving, resulting in wider ripple effects, as Isla's story below shows.

Isla's Story[2]

Isla* is a single parent, living in a rural area within the South West of England. Increasing car insurance costs meant she could not afford to keep her car running, which she previously relied on for getting to work. As a result she had to give up her job, which she was unable to reach via public transport. Isla is currently searching for a new job that she can access without a car, and is relying on Universal Credit until she finds a new role.

At the time of writing, there is no form of targeted bill support delivered in the motor insurance market.

Some people may not consider car insurance to be an essential product in the same way as some of the other markets considered in this report. However, for individuals

[1] Citizens Advice, Driven apart: the unequal impacts of high car insurance costs, December 2024

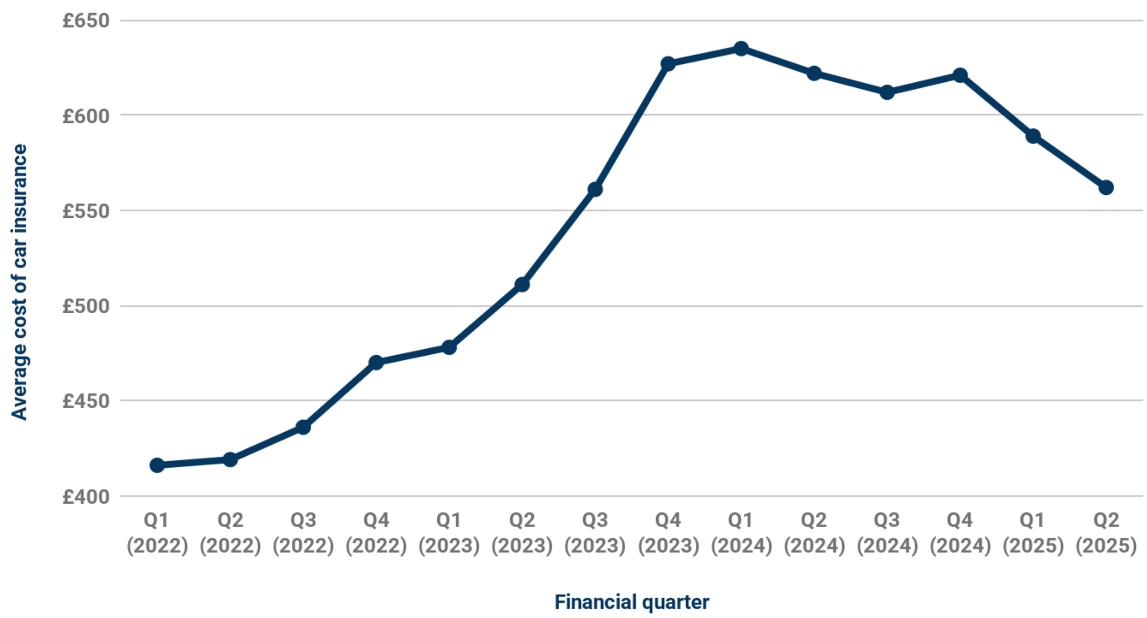
[2] Case studies are real life examples from people who have come to Citizens Advice for help. Names and certain details have been altered to protect anonymity.

living in rural areas with poor transport connectivity, or for those reliant on a vehicle to provide care to family members, driving can be an essential part of daily living. Without this, people can find themselves shut off from employment opportunities or unable to access local services.

The need for targeted bill support in this market has also become greater in recent years, as consumers have faced sharp increases in the costs of motor insurance since 2022. This has seen more people struggling to cover the costs of insurance, with disproportionate impacts on people on low incomes.

Whilst prices have begun to dip below peak costs experienced over 2024, they still remain at very high levels with average costs over one third (or £143) higher in the second quarter of 2025, compared with the same point in 2022. These high costs have seen some people pushed out of the motor insurance market, unable to renew their cover.

Figure 1: The average cost of car insurance since 2022



Source: Which?, What's happening to car insurance premiums?, August 2025

These increasing costs last year prompted the government to introduce a Motor Insurance Taskforce to identify the causes of increasing prices and set out recommendations to bring the costs of premiums down.[3] Whilst this work is welcome and should help to bring down prices on average, more targeted intervention is needed

[3] Department of Transport, Ministers bring together industry experts and consumer champions to tackle spiralling costs for drivers, October 2024

to support those on low incomes who currently pay substantially higher than average prices. This is the gap that would be filled by delivering targeted bill support in this market.

In the section below we set out how this could be delivered.

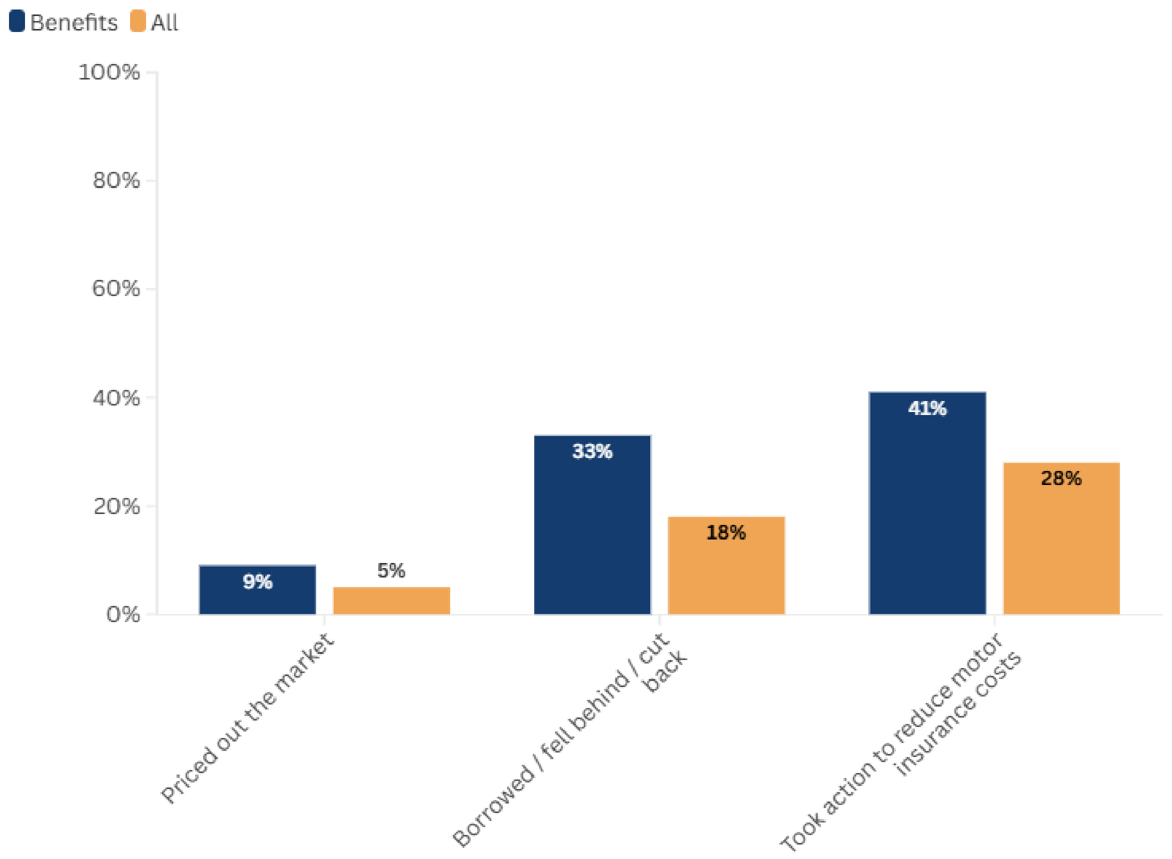
Blueprint design

Eligibility criteria

In the short term we suggest targeting this support to all people in receipt of means-tested benefits.

As set out above, people in receipt of benefits currently face higher than average costs for their motor insurance, paying on average £290 more for their cover than those not in receipt of benefits. Our previous research also showed that people in receipt of benefits are facing more strain accessing this market compared with other car users.[4] As set out in Figure 2, people in receipt of benefits were almost twice as likely to be priced out of the market due to affordability reasons. They were also more likely to have had to borrow, cut back on essentials, or fall behind on other bills to pay their motor insurance premium in the previous 12 months, in comparison to drivers overall.

Figure 2: The impact of high motor insurance costs on people in receipt of benefits



[4] Citizens Advice, Driven apart: the unequal impacts of high car insurance costs, December 2024

Levels of comprehensive cover are also lower among people in receipt of benefits compared to all insured drivers (80% vs 88%), suggesting that they are more likely to be opting for reduced levels of cover to bring their costs down. This leaves people in receipt of benefits at greater risk of financial shocks in the event they do have an accident or their vehicle is damaged. Provision of targeted bill support may help to close this coverage gap, in addition to helping people access this market.

Limitations

In the long term it would also be beneficial to widen eligibility criteria in order to capture other low income households, who are not in receipt of means-tested benefits. This includes workers on low wages who may fall just outside the eligibility for means-tested benefits. This would be especially beneficial for low paid workers who are reliant on a car to access their employment, for example care workers, or shift workers who are unable to access public transport due to poor availability or needing to travel at anti-social times.

However, in the short term it is difficult to target those just outside of means-tested benefits due to poor data availability around household income. In the future this could be resolved by the government improving processes for capturing household data.

Implementation

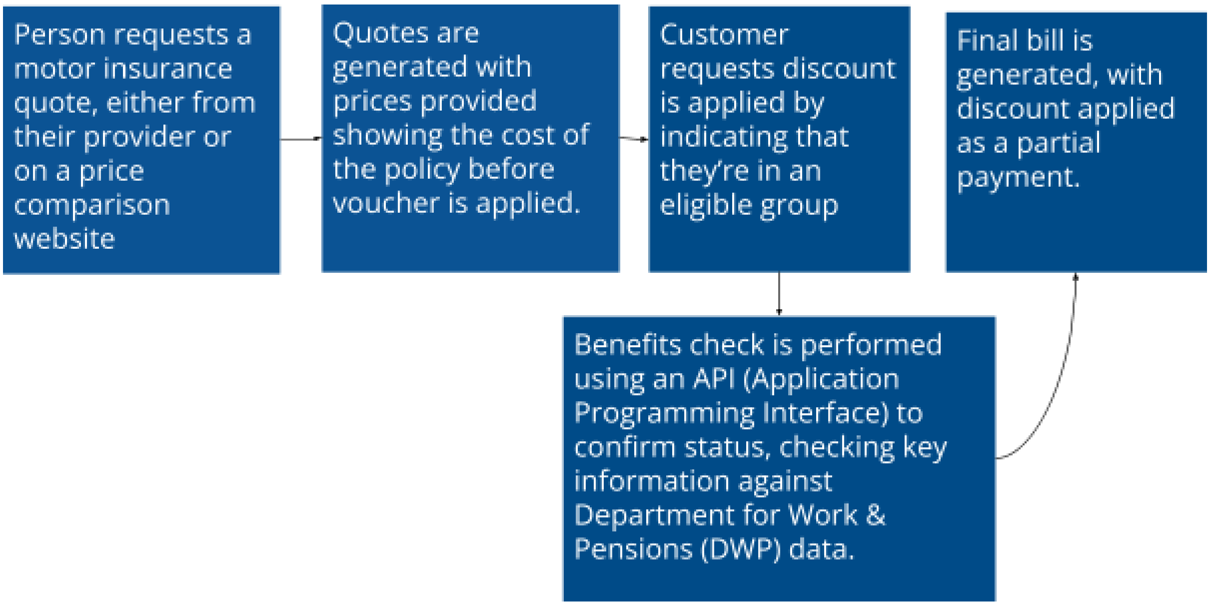
In motor insurance we think that the most effective way to deliver this support would be through a voucher scheme. This would entitle eligible recipients to a discount on their insurance premium, helping to close the gap in prices for low income consumers who face higher costs on average for their cover.

This should be offered as a fixed discount (for example £200), rather than based on a percentage of the premium. The alternative would add considerable complexity to the design, and make it harder to predict the ongoing costs of the scheme as individual premiums may vary considerably.

How it would work

The voucher scheme would be built into the process of arranging insurance, which is typically an annual process, where people apply for quotes.

The process would take the following steps:



There are 2 key considerations that have informed the proposed design:

1. Simplification

   It's important that the voucher is available to people at the point of purchase so that they are able to access the insurance products that they need. This could make the difference between someone accessing comprehensive cover or a lower level of coverage.

   People also may be arranging motor insurance at very short notice, for example in a carpark before they drive their car for the first time, so any verification process needs to be instantaneous. This is why we've suggested using an API (Application Programming Interface) tool to check eligibility.

2. Privacy and information sharing considerations

   People may be reluctant for insurers to capture information about their benefits, in case this impacts the headline quote they are offered. We therefore suggest that the discount is applied after the quotes have been calculated, and forms part of the payment process.

   The identification process should be delivered through an API so that detailed benefits information is not held by insurers. The Financial Conduct Authority (FCA) should also introduce rules to prevent insurers from embedding this data into their pricing tools/algorithms, to avoid the risk of unintended consequences.

The process will also need to support people who access insurance products in different ways. This includes the different ways people might apply for products, as well as the different ways they might pay.

As the discount is intended to reduce the overall amount paid by the customer, this would mean it could be applied regardless of whether the customer paid annually or via monthly instalments.

The same process could also be embedded regardless of whether someone began their quote journey through a price comparison website or directly through an insurer.

Motor insurance bill support blueprint: implementation and data matching

This section was written by Policy in Practice, to outline practical implementation and data matching needs.

- **Scheme outline**: £200 voucher for households on means-tested benefits
- **Most similar existing scheme:** Broadband benefits checker API

As the scheme with the simplest eligibility criteria, we have no concern over **data availability.**

The **implementation** model would be similar as for broadband providers. Once the customer has received and accepted a quote, then asked for the voucher to be applied, the insurer would check they are on means-tested benefits with DWP via an API. The only challenge we foresee is managing the number of insurers who would want access to the API. DWP would, not unreasonably, ask for some assurance that basic privacy processes are followed. With over 140 insurers in the UK, DWP may ask that this assurance is conducted externally. This is eminently feasible, we only ask that it is not too burdensome, out of a concern that insurers might decline to implement a checker and instead ask for manual documentation which we know acts as a barrier to take-up.

Similar to broadband, the main challenge is the **legal gateway** for sharing data, as no such gateway exists. Given that the scheme is expected to rely on new regulations, it would make sense to add a legal gateway at the same time. Otherwise, the data could be shared with consent.

For further information on implementation, please see this annex on Data Sharing for Implementing Targeted Bills Support.

Interaction with other products and discounts

Whilst there is no existing form of targeted bill support in the motor insurance market, there are existing discounts that enable people to access a reduced quote. For example, some providers offer discounts to people who take part in their existing membership schemes. It is also not uncommon for people to be offered a discount to arrange their motor insurance through a provider who already provides another form of insurance to them. For example, people might add motor insurance to a home insurance product to secure a loyalty discount from their provider (or vice versa).

The voucher designed for those in need of targeted bill support should be seen as additive, so that low income consumers are still able to benefit from these loyalty schemes that are available to other customers.

Design considerations and alternative options

As there is currently no model of targeted bill support in the motor insurance market, when we were developing this model we explored a range of options. This included considering what we might be able to learn from existing models in other sectors to identify what might be more or less applicable to this market.

We looked at capped bills - like those currently offered in parts of the water market. But we felt these were unlikely to garner support in the car insurance market as they would risk severing the link between price and risk.

We also considered whether alternative products could be developed, for example offering lower cost insurance. But this risked unintended consequences. Arguably lower priced insurance packages do already to some extent exist. Consumers can make a choice between fully comprehensive cover, third party only cover, or third party and theft. But this can already have negative impacts on low income consumers as lower monthly premiums in exchange for lower cover can bake in problems down the line if they have an accident and can't fully recover the costs. A lower level of cover could therefore leave lower income consumers open to unacceptable levels of risk. We, therefore, ruled out this option to ensure that greater affordability did not come at the cost of individuals being open to greater levels of risk.

Cliff edges and volatility

By targeting the scheme at people in receipt of means-tested benefits, there will be some people who miss out on the support because they fall outside of the eligibility. This could result in some people facing slightly higher premiums, despite having low overall income. In the long-term we would like to see this issue resolved through improvements to household data so that the scheme can be based on income, which would make it easier to design out cliff edges. But in the short-term this would be a limitation of the design.

Dealing with volatility

As motor insurance products are typically arranged over a year there is a risk that people may move in and out of eligibility for the voucher during this time, for example if someone's working hours increase and pull them out of eligibility for Universal Credit.

To reduce complexity in the scheme design, if someone's situation has improved (for example they move into work or increase their income), we suggest that eligibility is based on their circumstances at the time the product is taken out, and revisited when they renew. This would reduce the need for eligibility to be constantly reassessed which could add administrative burden and cost to the scheme. The trade off is that a small number of people will benefit from the support who fall out of eligibility within the year. However, this could help to smooth the transition from Universal Credit into employment.

We have also found that constantly reassessing someone's eligibility for bill reductions adds friction into the process and instability for recipients who find themselves being pulled in and out of eligibility and regularly having to reapply for support. For example, we have seen this in some areas where councils have data sharing in place to provide Council Tax Support based on Universal Credit (UC). This can create instability for people with variable incomes who may fall just over the threshold for support in some months, but who would be eligible in other months. This is not an isolated incident: Policy in Practice found over half of working households on UC fall out of eligibility for NHS prescriptions for at least one month each year - as just one example among many.[5] Automation is a key way to solve this issue, with councils increasingly adopting automatable Council Tax Reduction schemes to remove the friction of re-enrolling.

There will also be people who are ineligible at the time they most recently renewed their car insurance who become eligible over the year. For example this would apply if someone loses their job and becomes eligible for UC. In these cases it would be

[5] Policy in Practice, Cheques and imbalances: How income varies throughout the year for Universal Credit households, March 2025

beneficial for them to be able to access the support on a pro-rata basis. This would ensure that people who have experienced a sudden fall in income are able to receive the bill support they became eligible for. A worked example is provided below.

How could targeted bill support work?

Jim renewed his car insurance in April, but in July he was made redundant from his job. In April Jim was not eligible for a discount on his insurance, but he is now receiving Universal Credit whilst he searches for work.

Jim's insurer could use the knowledge of his change in circumstances to allow Jim to apply for a discount covering the remaining period of his insurance.

As Jim was ineligible in April, May and June his voucher would be reduced by 25% (equivalent to 3 months). If he paid annually this would mean his insurer would provide a part-refund on the premium he paid. If he pays monthly his monthly payments would be reduced equally based on the remaining voucher credit.

Cost and impact

Below we've explored the impact and possible costs of the scheme, based on the voucher being set at different levels from £100 to £300.

We propose setting the voucher at this rate as it would help to close the price differential experienced by people in receipt of means-tested benefits, who pay on average £290 more for cover, despite lower ability to pay.

Based on the average motor insurance cost in the second quarter of 2025,[6] this would provide a discount worth between 18% and 53% of the average motor insurance premium. However, as the price paid for motor insurance by people in receipt of means-tested benefits is typically higher than the average premium, we would expect the individual level of discount to be lower as a proportion of their bill.

We expect that a voucher set at £200 or £300 a year would also have a meaningful impact on reducing the poverty premium. Fair By Design found that those living in the most deprived areas pay around 29% to 48% or £234 to £314 per year more for motor insurance.[7] A discount would also help to put money back into the pockets of people who are struggling to make ends meet on a low income, like Zainab.

Zainab's Story

Zainab* lives with her children and her mum. Zainab has been unable to work whilst she is recovering from an operation. She hopes to return to work soon, but in the meantime her family have been forced to get by on a reduced income, made up of Universal Credit, Disability Living Allowance and a small amount of income from her mum's job.

Zainab came to Citizens Advice for help because she was building up debt each month trying to pay the bills. Our advisers found that her family's car insurance costs were especially high, at around £160 per month (around £1,920 per year). Zainab needs her car to get around because of her health issues, and her mum uses the car to get to work.

---

[6] The Association of British Insurers (ABI) report that the average car insurance premium in Q2 of 2025 was £562.

[7] Fair by Design, University of Bristol and PFRC, Driving up costs: The car insurance poverty premium 2024

If a £200 discount voucher was introduced in the car insurance market it could help to bring down their household costs, and close the gap between their income and expenditure.

How much would it cost to deliver and how would it be funded?

This section explores how much the scheme would cost to deliver, based on vouchers being set at £100, 200 or £300 per year.

We propose that this should be funded through a cross-subsidy model, with the costs of delivering support met by modest increases in premiums across other policyholders. This would ensure the costs of the policy are only borne by people who use the motor insurance market. To ensure all insurers were incentivised to offer the discount this would be supported by a levy process so the cost is shared across all insurers.

We have used estimates of current household insurance costs based on the Living Costs and Food Survey (LCFS) to understand what impact the vouchers would have on household costs. In calculating the costs of delivering the voucher scheme we've assumed that take up would be high (70%). This is based on take up for the Warm Home Discount which has similar design features.

This modelling assumes that one voucher would be administered to an eligible household. This is due to data availability issues, as the LCFS enables us to identify households who have motor insurance but not how many eligible individuals in that household are motor insurance policyholders. If vouchers were delivered on a household basis, this could also help to limit the overall costs of the scheme - and therefore the impact on non-recipients. However, it may be preferable to widen eligibility to individual policyholders. This would ensure people living in houses of multiple occupants are not disadvantaged, as these individuals are less likely to have shared finances, and there may be multiple people in the household who need motor insurance.

Based on the assumptions we've made above, we would expect that car insurance costs for households would go up by around £12 to £36 per year, depending on whether a discount was set at £100, £200 or £300 per year.[8] This would equate to a percentage uplift of between 1.6% and 4.7% depending on the level of discount provided.

[8] The cross-subsidy of the scheme would lead to the average annual net benefit of the £100 voucher to be £87, the £200 voucher to be £175, and the £300 voucher to be £262.

Table 1: Costs for each voucher scheme if funded by cross-subsidy.

Value of voucher	Eligible households, based on 70% take up rate	Annual cost of vouchers	Impact on household motor insurance costs from cross-subsidy	
			Average additional annual costs[9]	Percentage uplift[10]
£300	3.2 million	£960 million	£36 per year	4.7%
£200	3.2 million	£640 million	£23 per year	3.2%
£100	3.2 million	£320 million	£12 per year	1.6%

Our modelling covers households in Great Britain. For more information on this modelling, please see this annex on our methodology.

It should be noted that these costs relate to the ongoing costs associated with the voucher. This does not include costs for administering the scheme, such as the development of an API look-up or ongoing maintenance. This is an area where we expect it would be possible to achieve cost efficiencies through systems being developed centrally -this technology is already used in existing models like the Warm Home Discount. Based on the estimated administration costs for the 2025/26 Warm Home Discount,[11] we estimate a motor insurance scheme to cost £15 - £20 million to administer.

In determining the ideal level of support, decision makers will want to consider a range of factors, including the benefits and additional costs that would be borne by households to deliver the support. We suggest that a discount of £200 achieves a good balance. This would have a substantial positive impact on households struggling with essential costs - helping to boost financial inclusion - whilst only requiring an additional £23 (or £1.92 per month) to be added to average household insurance costs to fund the scheme.

---

[9] This cross-subsidy is presented as the median amount, households would pay more or less depending on their initial bill expenditure.

[10] Please note that this is calculated on the basis of household motor insurance costs, based on modelling using data from the LCFS. As a result the average insurance costs calculated will differ from the recorded data produced by the ABI, which is based on premiums, not household spend on motor insurance.

[11] Department for Energy Security and Net Zero, Expanding the Warm Home Discount Scheme 2025/26: Impact Assessment, April 2025.

In summary

- For many people, access to a car is essential to fulfilling their day to day needs, such as work, caring for family or accessing essential services. This is especially true for people living in rural areas, or where public transport is not an alternative.
- A sharp increase in the cost of motor insurance since 2022 has made it harder for more people to cover the costs of this essential and the cost is felt more keenly for low income households.
- The increased cost of motor insurance exists within a wider context of rising cost of living. In 2025, half of the people in debt who came to Citizens Advice for help were in a negative budget, where their essential expenses exceed their income.
- Targeted bill support offers a clear route forward to tackle the inequality of rising bills.
- We recommend introducing a voucher to support households receiving means tested benefits with the cost of car insurance. Effective targeted bill support focuses financial relief on those who feel the struggles of rising costs the hardest.
- Our recommendations show that a voucher of £200 per year could support 3.2 million households to relieve pressure on their motor insurance bills.

Citizens Advice helps people find a way forward.

We provide free, confidential and independent advice to help people overcome their problems. We are a voice for our clients and consumers on the issues that matter to them.

We value diversity, champion equality, and challenge discrimination and harassment.

We're here for everyone.

citizensadvice.org.uk

Published December 2025.

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.