



## Managing the Cost of your Car Insurance Advice from the Association of British Insurers

After many years of stable prices, the cost of insuring a car is going up.

It is compulsory to have car insurance not only to cover any damage to you or a third party's car but also to cover the cost of injury to other people involved in any accident.

### **Dos and Don'ts of cutting the cost of your car insurance**

**DON'T** put your child on your insurance as a main driver if you are the main user of the car. This is fraud and your insurance will be invalid. If you are a parent and the main user of the car it is fine to include your children as a secondary driver but if the young driver is actually the main driver of the car and you have told the insurer otherwise you are committing fraud.

**DON'T** lie about your car or how you use it. If you modify your car (for example, deciding to install alloy wheels) you must notify your insurer. If you change any of the information you gave the insurer when taking out the insurance such as, your address, keeping your car on the road rather than in a garage, or starting to use your car for business, you must let your insurer know.

**DO** shop around. Motor insurance is a competitive market and premiums can be very different between different insurers. So it is worthwhile getting quotes from different insurers using an insurance broker or price comparison website. You may find better deals by phoning insurers and brokers directly rather than searching online. Always use a broker if you have specialist requirements, for example if you have lots of points on your license, a previous conviction or a sports car.

**DO** make your vehicle as secure as possible. Discounts are often available if you have an approved alarm or immobiliser fitted. Talk to your insurer for advice on suitable security devices. Parking your car in a garage can also reduce the cost.

**DO** consider paying a higher voluntary excess. This is the portion of the claim you pay yourself. If you increase the amount of money you are prepared to contribute to the cost of the claim in the event of an accident or theft of your vehicle, your premium will be cheaper.

**DO** limit the vehicle's use to social, domestic and pleasure purposes if you can. Using your car for business will push up the cost of your premium.

**DO** try to pay the premium in one go. You will often be charged more if you decide to pay by instalments.

**DO** choose a lower powered car if you need to keep the price as low as possible. Insurers take in to account a car's engine size. A lower engine size will normally mean a lower premium. Different models of cars are given an insurance group rating. The insurance group the car is in will decide the cost of your insurance. Usually, the lower the group, the lower the premium, for example a Ford KA will be cheaper to insure than a VW Golf. You can check what group a car is in at [www.thatcham.org](http://www.thatcham.org).

**DO** drive carefully. The best way to keep your insurance premium to a minimum is to prove you are a low-risk driver. Always drive safely to reduce the risk of an accident or getting points on your license. Claims-free driving means you can build up a no claims discount and see your premiums fall the more driving experience you gain. This is especially important for younger drivers.

## **Frequently Asked Questions**

### **Why has my motor insurance premium increased even though I have not made a claim?**

Because the cost of meeting claims has gone up very significantly. Insurers have not put their premiums up to increase their profits. In fact, insurers do not make massive profits from motor insurance because it is such a competitive market. The biggest thing driving up the cost of motor insurance is the increase of the compensation culture and the cost of lawyers. The ABI estimates that 10% of every motor insurance premium is going to the legal profession. UK consumers are paying £2.7m a day to the legal profession through their motor insurance premiums.

Insurance fraud and uninsured driving are also growing problems. The ABI has calculated that insurance fraud adds £39 to the cost of every motor premium and uninsured driving an extra £30. This is not fair on law-abiding motorists.

### **Why is motor insurance for young drivers so expensive compared to other drivers?**

The cost of any type of insurance has to reflect the risk. The greater the risk of a claim being made the higher the premium. The evidence shows that, sadly, young drivers are much more at risk on our roads.

- 17-20 year old male drivers are nearly ten times more likely to be killed or seriously injured on the roads than more experienced drivers.
- Eight out of ten accidental deaths involving 15-19 year old males occur on the road.
- The crash risk for young drivers rises threefold when carrying three or more passengers

This increased risk means that young drivers between the ages of 17-20 are twice as likely to make an insurance claim as other drivers and, on average, their claim costs will be three times higher.

### **How can it be right that the cost of motor insurance, particularly for a young driver, is often more than the value of the vehicle?**

The biggest cost for an insurer is not repairing or replacing the car, but the potentially huge amounts to pay out for injuries to another person or damage to their property where their policyholder was at fault. One insurer, over three years, identified 27 claims involving young drivers each involving personal injury claims of between £1 - £5 million.

### **Why will some insurers offer cover to young drivers and others not?**

The motor insurance market is highly competitive. Insurers are able to choose to specialise in certain customer groups. This choice is important to enable insurers to design new products which best meet the needs of their target group. This does not mean that high-risk groups, such as young drivers, have limited choice: research commissioned

by the Government in 2009 found that there was significant choice for all ages, with one comparison website returning over thirty different policies for drivers aged under 21.

**Is not the cost of motor insurance encouraging some young drivers to drive uninsured?**

There can never be any excuse for driving without insurance - it is a crime which the police take very seriously. Uninsured drivers are more likely to get caught than ever before, and face prosecution and the loss of their vehicle. A conviction for driving without insurance will make motor and all types of insurance difficult to obtain and much more expensive in the future. It will also affect your credit rating and make it more difficult to borrow money and get a job.

**Association of British Insurers  
February 2011**