

# Driving down the cost of car insurance



The Consumer Council

All you need to know about car  
insurance and getting the best deal



Association of British Insurers





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# Introduction

If you are a driver or owner of a car, motorbike, lorry or any other type of motor vehicle, you must be insured by law.

The world of motor insurance can be complex as there are often hundreds of different policies to choose from. It's important to shop around to get an insurance policy that is right for you and that fits your budget. Research shows that shopping around could save you a significant amount.



# Types of Cover

There are different types of cover:

## Third Party only

The minimum legal cover you can buy is called 'third party only'. This covers you if you injure someone else or damage their property. It does not cover you or your vehicle for your own losses.

## Third Party Fire And Theft

This provides protection if your vehicle is damaged by fire or stolen but it will not protect you against damage to your vehicle if you are involved in an accident, or if it is vandalised.



## **Comprehensive Insurance**

Covers damage to your vehicle from a wide range of causes, including accidents and fire and theft. Other benefits sometimes include limited cover for items stolen from your vehicle, windscreen repair or replacement, medical expenses and personal accident protection.

The extent of cover and exclusions can differ greatly between insurers and some insurers will request that you have this type of cover depending on the value of your car.

## **Uninsured Loss Recovery (ULR) / Legal Expenses Insurance (LEI)**

Provides you with cover for legal expenses to pay for a solicitor to pursue a third party in order to recover your uninsured losses, policy excess, reasonable hire car charge, any other out of pocket expenses caused by the third party negligence, as well as costs to pursue a personal injury claim.

It is especially useful for third party fire & theft policyholders and will attempt to recover not only the losses mentioned above, but also their vehicle damage costs (from a negligent third party).

## **Guaranteed Asset Protection (GAP) insurance**

Gives you added protection if your car is written off. There are different types of GAP insurance: Return to Invoice (RTI) pays out the difference between the original purchase price and the car's pre-accident value.

If you have used a finance agreement to buy your car, other types of GAP insurance will pay out the difference between the car's pre-accident value and your outstanding loan.

## Cover when driving another person's car

Many policies state that if you are over 25 you can drive another person's car provided you have their permission. This means that your insurance is automatically transferred over to their car.



### Top Tip

*Check the details of your policy – When driving another person's car you are usually only covered for third party liability. There may also be restrictions on the use of the car (e.g. for emergency use only).*

## What is an insurance excess?

Insurance excess is the amount you'll need to pay out towards the cost of a claim before your insurer will make a contribution.

### Example:

<b>Claim</b>	<b>£500</b>
<b>Excess</b>	<b>£100</b>
<b>Amount to be paid by insurer</b>	<b>£400</b>

You can benefit from a discount with a voluntary excess but remember you will already have a compulsory excess as well.

# What affects the price of my motor insurance?

The cost of motor insurance can vary enormously. Many factors will influence the premium you have to pay.

- The **type of vehicle**. The engine size, make and model, and the age of the vehicle can affect the premium.
- Your premium will usually be higher if you make any **modifications to your vehicle**.
- The **area you live in** and where your car is parked.
- The **use** of your car: Domestic and pleasure use only is usually the cheapest. Some providers may charge more if you use the car to commute to work so it is worth shopping around.
- Your **occupation**. Insurers rely on statistical results. Some occupations prove to be lower or higher risk than others.
- **Driver options**. Costs can be kept lower by restricting the drivers to you only, your legal partner only or naming other drivers you share the car with. Policies including a named driver under 25 can be the most expensive.
- Drivers **age and driving experience** are a major factor.
- If you have been **convicted** of motoring offences in the past, or have a bad **accident record**, you will probably have to pay a higher premium as insurance providers will view you as more likely to be involved in another accident.

- **If you use security devices** most insurance providers acknowledge the benefits of recognised devices and give you discounts.
- Before an insurance provider gives you a quote they will need to know the risks involved. They will have to ask a lot of detailed questions - **if you fail to provide accurate information a subsequent claim may be refused.**



### Top Tip

*If your circumstances change, you move house, make modifications to your car or change car, contact your insurance provider to let them know. Otherwise your insurance could be invalid.*

## How to shop around for the best deal

It's worth shopping around for your motor insurance to get the best value for money.

- Don't just buy the first policy quoted.
- Do not automatically accept a renewal quote from your existing insurance provider. It's worth contacting them for a review.
- The content of the policies can vary - always compare the cover each policy offers rather than just the price.

There are various methods you can use to shop around as follows:

### **Go to an Insurance Broker**

An insurance broker will shop around for you, advise you on the most suitable cover and explain the options. You can find a broker at [www.biba.org.uk](http://www.biba.org.uk) or call the find a broker service on 0870 950 1790.

### **Telephone several insurance providers**

Call a number of different insurance providers directly and ask them to give you quotes. Compare the quotes to see which policies are most suitable for your needs and offer value for money.

### **Comparison websites**

Comparison websites can be used to get quotes from a number of insurers. Simply fill in your personal details and information about your vehicle. You can instantly get a range of quotes. Comparison websites don't all cover the same providers, so you may have to look at other insurance company websites too.

Always check the terms and conditions when using comparison websites.

## **Tips for cutting the cost when shopping around**

If your policy does not have a compulsory excess, you can often decide to include an excess to lower the overall price of the insurance.

Try adjusting the excess amount up and down as this may change the price. If you do opt to pay a higher excess make sure it is an affordable amount. If you have an accident you will have to pay the full excess to make a claim.

Once you have had motor insurance for a year or more without making a claim, you should be eligible for a 'no claim discount'. Make sure your insurer knows how many years that you have no claims for.

Be precise about your occupation. Insurers keep a record of claims history against specific job titles and this can affect your premium.

## Accidents and claims

### If you are involved in an accident...

#### Sharing Information

If you have an accident which causes injury or damage, you must give your name, address and details of your insurance policy to anyone involved and call the police. You must also get these details from the other driver.

Take a photo if possible.

If someone else's property has been damaged and the owner cannot be found, the accident must still be reported to the police within 24 hours.



## Top Tip

*You must tell your insurance company about the accident even if you do not intend making a claim.*

### Deciding if it's worth it to make a claim

Small claims up to £500 can cost you more in the long run. Your premium costs could increase the following year and if you have made a number of claims in one year your insurer could refuse to cover you again. Your no claim bonus could also be reduced or disallowed if it is not protected.

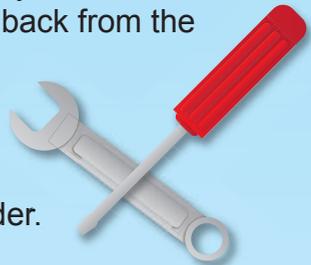
If the cost of repairing damage to your car isn't too high you should consider covering it yourself.

### Paying the excess

When claiming, your excess must be paid no matter what damage occurs to your car, or for whatever reason the claim is made. You have to pay your excess irrespective of who was to blame for the accident. If you were not at fault, you are legally entitled to claim it back from the other party's insurance company.

### Getting your car repaired

If you intend to claim you will have to contact your broker or insurance provider.



Wait for approval from your insurance company before having your vehicle repaired. They may want a damage assessor to look at it, or you may have to supply estimates before the work is done.

If you go ahead with the repair yourself, you are responsible for the cost until your insurers have agreed to pay. If the insurer can show repairs could have been done cheaper somewhere else they may pay a smaller amount than you claim.

If it would cost more money to repair your vehicle than to scrap it, the insurer will offer you a cash lump sum in settlement for it. This is known as a 'write-off' or 'total-loss'. The damaged vehicle then belongs to them. There is sometimes an option to buy the car back from the insurer at market value.

### **Claiming other expenses**

After an accident, you may incur expenses which are not covered by your policy - such as the cost of hiring a car while yours is repaired or compensation for personal injury. You may be able to claim these expenses against a third party.

### **What if the accident was not your fault?**

If you have protected or guaranteed your 'no claim bonus' this should be preserved following an incident. If it is not protected it will be stepped back until the claim is resolved. If the insurer is able to recover the cost of the claim from the party who was to blame, your no claim bonus should not be affected.

### **If your vehicle is stolen**

If your vehicle is stolen, you must inform the police immediately and obtain a crime reference number. You should also tell your insurance broker or provider as quickly as possible.

You may have to wait up to six weeks with some insurance providers before they will settle any claim. This time is to allow the police to investigate the crime and hopefully recover the vehicle. However, many insurers operate shorter timescales.

If your vehicle is found, tell your insurance company and give them precise details of its whereabouts.



### Top Tip

*Personal property stolen from a vehicle may be covered under a comprehensive policy up to a certain limit. If you can't claim on your car insurance, you should check the details of your home contents insurance to see if you can claim for items that have been removed from your house.*

### **What should I do if I am hit by an uninsured driver?**

If you are hit by a car driven by an uninsured driver, you should contact the Motor Insurers' Bureau (MIB). See the contact details on the contacts page.

The MIB will help pay compensation to victims of uninsured drivers if the motorist cannot be identified. The accident must be reported to the police within 5 days and a claim made within 9 months. If you have been injured you must report the accident within 14 days to the police or as soon as reasonably possible.

# How to make a claim

- Write down the details of the event.
- Inform your insurance provider's claims department as soon as you can after the damage to your car has occurred; most car insurance companies have 24-hour help lines.
- When you do make a claim you should expect to be sent an accident report form, however, some insurance providers are happy to take all of the details over the telephone.
- Ask the broker or insurer exactly what they need you to do and what evidence they will be expecting to support your claim.
- Keep all documents safe and photocopy correspondence that is relevant to the claim.
- Make sure the staff of the insurance claim department can get in touch with you when necessary.

## What if the insurance claim is rejected?

There are circumstances where you may in fact have the legal right to be reimbursed for your loss, even if your insurance claim is rejected. Ask your company to identify specifically the clause in your contract that they are referring to. If you do not have a copy of your current policy make sure they supply one.

You can then make a complaint to the Financial Ombudsman Service who will investigate the case at no cost to you. If the complaint is upheld, the insurer must pay.

### How can I check if I am insured?

Your insurer will provide you with a 'Certificate of Motor Insurance', which is the only acceptable proof that insurance cover is in place.

Northern Ireland motorists can also look on-line for free at **www.askmid.com** to ensure that their vehicle's insurance record is on the Motor Insurance Database.

## What if I'm not happy with the service from my insurance provider?

If your insurer does not feel entirely happy in paying a claim, they may downsize or even refuse to pay the claim amount filed with them.

If the insurer believes that your claim is being made as a result of the car being used or kept in a way not declared in the application they may reject the claim.

Inform your insurer that you wish to dispute the claim, ask for a copy of their complaints process and follow it. If you are not happy with their response, the Financial Ombudsman Service deals with disputes between insurance companies and their policyholders.

# Contacts

## **British Insurance Brokers' Association**

8th Floor  
John Stow House  
18 Bevis Marks  
London  
EC3A 7JB

**Find a broker line:** 0870 950 1790

**Fax:** 020 7626 9676

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## **Association of British Insurers**

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## **Motor Insurers' Bureau**

Linford Wood House  
6-12 Capital Drive  
Linford Wood  
Milton Keynes  
MK14 6XT

**Tel:** 01908 830001

**E-mail:** [enquiries@mib.org.uk](mailto:enquiries@mib.org.uk)

**Web:** [www.mib.org.uk](http://www.mib.org.uk)

## **Financial Ombudsman Service**

South Quay Plaza  
183 Marsh Wall  
London  
E14 9SR

**Tel:** 080 0023 4567 from a fixed line

**Tel:** 0300 1239 123 from a mobile

**E-mail:** [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk)

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