



Association of British Insurers

DRIVING WITH CONFIDENCE

MAKING SENSE OF CAR INSURANCE

2007



WHY IT IS IMPORTANT TO HAVE INSURANCE

If you cause a collision while driving uninsured, it could cost you millions of pounds



You are required by law to have car insurance if you use a car. This is to ensure that if you cause a collision and injure another person, or damage another person's property, you will be able to meet the cost of any claim made against you. Where you injure another person, the cost could run to several million pounds.

Driving without insurance is a serious offence. If you are caught driving uninsured, the police may seize and destroy your vehicle and leave you on the roadside. If you are convicted, you could face between six and eight penalty points on your licence, a maximum fine of £5,000, and you could be disqualified from driving. If you cause a collision while driving uninsured, you may be legally liable for the cost of providing care and compensation to anyone injured or for any property you damage. Assets such as your car, house, investments and business could be taken and sold to pay for

these costs. The cost of collisions involving uninsured drivers adds around £30 to the annual premium of every honest motorist.

Keeping a vehicle without insurance will be a criminal offence from 2009. If you are the registered keeper of a vehicle, you will be obliged to make sure that the vehicle is insured, unless you have notified the Driver and Vehicle Licensing Agency (DVLA) that it is off the road. Repeated failure to insure will lead to your vehicle being clamped, and it may ultimately be seized and destroyed.

Car insurance can also protect you against the cost of accidental damage, theft, fire and flood damage to your own vehicle. The level of cover you have will depend on the type of policy you buy.

TYPES OF POLICIES

In 2006, the UK insurance industry paid out £18.7 million in car insurance claims every day



There are three main levels of car insurance cover:

- Third party – this provides the minimum level of cover required by law. It pays for compensation to anyone you might injure, or whose property you might damage.
- Third party, fire and theft – in addition to the level of cover provided by third party insurance, this pays for loss of or damage to your car by fire or theft.
- Comprehensive – this includes the same level of protection as third party, fire and theft, but also provides cover for your car against accidental damage. Comprehensive policies will often cover personal belongings left in your car and medical expenses, and may provide personal accident benefits.

Driving other cars

Some policies will cover you while driving a car which belongs to someone else, as long as you have the owner's permission to do so. This can be helpful in emergencies. However, cover will usually be limited to third party only, even if you have a comprehensive policy for your own car. Accidental damage to the borrowed car will not be covered by your insurance. If you drive another car regularly, the policyholder should add you to their policy as a named driver.

Legal expenses insurance

Many car insurance policies will include legal expenses insurance as standard, while others will offer it as an optional extra. Legal expenses insurance provides access to legal advice, and cover for the legal costs of pursuing an action arising from a collision. It can help you recover financial losses - such as your policy excess, or car hire charges for a temporary replacement vehicle - if you are involved in a collision which is not your fault; and provide legal support in bringing a personal injury claim against the negligent third party. Policies may also provide a legal advice helpline, cover for defence costs in motor prosecution cases and assistance with claims arising from collisions overseas.



HOW PREMIUMS ARE CALCULATED

Premiums don't just pay for vehicle repairs, but also for compensating anyone you may injure



Your car insurance premium depends on your chosen level of cover and the level of risk you represent as a driver. This risk is calculated according to the probability of you making a claim, and the probable size of that claim.

How likely are you to make a claim?

The likelihood of you making a claim will vary according to your age and gender; your driving history (such as previous claims made or driving convictions); where you live; the type of vehicle you drive, its age, where it is kept, and annual mileage. For example, one in five newly qualified drivers are involved in a collision in their first year of driving, and young drivers are more than twice as likely to make an insurance claim as other drivers.

How large is your claim likely to be?

The size of any claim will be determined by the cost of compensating for any injuries or damage you cause and, if you have comprehensive cover, the type of car you drive and how much it costs to repair. While insurance does not provide compensation for any injuries to the driver who causes the collision, it will provide compensation to others injured in the collision. This could include a passenger in the car that causes the collision; the driver of the car that is hit, and their passengers; or another road user.

For example, the average value of each claim made by a young driver is more than three times greater than those of other drivers. Young drivers are more likely than other drivers to be carrying young

passengers and therefore potential personal injury costs are higher. A young person with a serious long-term injury will receive higher levels of compensation than an older person because they will require care and compensation for a longer period.

Keep your policy up to date

It is your responsibility to make sure that information relating to all drivers covered by your policy is accurate. This includes information that changes after a policy has started, such as moving house, or changing your car. If you are unsure whether any changes are relevant, tell your insurer so that they can decide. If you do not tell your insurer about any relevant changes, your claim may be rejected and your policy may be cancelled.

Young drivers are more than twice as likely to make a claim as other drivers

HOW YOU CAN REDUCE YOUR RISK AND SAVE MONEY

Just one year without a claim can result in a 30% premium reduction

Driving safely and securing your car against theft could reduce your risk and your premium.

Drive safely

Slow down – many collisions and injuries are caused by over-confidence and driving too fast. Speeding convictions will often be reflected in a higher insurance premium. Keep your premium down by keeping your speed down.

Improve your driving – many insurers offer premium discounts to drivers who undertake additional training. The level of discounts offered will vary between insurers, so it is important to shop around.

Check your tyres – you need good tyres to drive safely. Tyres affect the steering, braking and acceleration of your car, so you should always make sure that they are pumped up to the correct level. Soft tyres can also add 2% to your fuel bills.

Secure your car

Premium discounts may be available if your car is fitted with additional security devices, ranging from a simple steering wheel lock to a vehicle tracking system. Storing your car in a garage or on a driveway may also save you money.

Drive less

Many insurers take annual mileage into account when calculating premiums. Less time on the road means a lower risk of collision.

No-claims discounts

Insurers will partly base their expectations of you making a claim on your past driving record. The best way to illustrate that you are a safe driver is to make fewer insurance claims or, even better, no claims. Just one year without a claim can result in substantial premium reductions in the second year, with 30% discounts common.

For novice drivers who, by definition, will not have a significant claims history, accelerated no-claims discounts are often available. Periods of safe driving on a parent's policy, or other periods of accompanied driving, may also be rewarded with lower premiums.



BUY THE RIGHT INSURANCE FOR YOU

You could save more than a third on your premium by shopping around

Shop around

Hundreds of companies offer car insurance in the UK, and different insurers target different groups of drivers, so don't settle for the first quote you get – you could save a significant amount on your premium by shopping around. For example, many insurers specialise in cover for older drivers. Additionally, paying annually can often be cheaper than paying monthly premiums. You can also save money by opting for a higher excess (the amount you have to pay if you make a claim).

Tailor your level of cover

Make sure you buy the right cover to meet your needs. Having the correct cover is very important – if you are stopped by the police when using your vehicle outside of the cover granted by your insurance policy, your vehicle could be seized at the roadside and you could be prosecuted for uninsured driving.

If you use your car to commute to work, even if for only part of your journey (such as from your home to the train station), make sure that commuting is specifically

covered in your policy. If you use your car for a work-related journey, such as travelling to a training day, or visiting premises you do not usually go to, make sure that you are covered for this use – standard cover for commuting is usually limited to journeys to and from your normal place of business. Similarly, tell your insurer if you only drive your car for personal use, and consider whether you really need cover to drive other cars.

Telematics-based insurance

Some insurers offer telematics-based insurance, which uses in-vehicle technology to record your individual driving habits, such as how far your car is driven and at what times of day. By driving fewer miles, and at times of the day when fewer crashes tend to occur, you lower the risk of a collision and could benefit from a lower premium.

Peace of mind

After your home, your car is likely to be your most expensive purchase. Motor insurance is not only a legal requirement; it gives you peace of mind that, should the worst happen, you are not left with what could be financially crippling costs.



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