



Tell Me About Car Insurance

WHY DO I HAVE TO HAVE INSURANCE?

The law states that you must have at least third-party insurance so that if you are in fault in an accident, your insurance can pay for the damage you have caused to other persons and their property. This damage can be to other people's cars, property or themselves, or even to pay for the repair of any damage to the road or signs etc. The potential cost for a major accident, especially one involving the emergency services and any form of medical care can be astronomical, so make sure you are well covered so you are not held personally liable.

WHAT DIFFERENT TYPES OF INSURANCE ARE THERE?

There are many different types of insurance cover available - here are the most common;

- Third party only: This is the most basic form of insurance, and does not cover your own car at all – instead it will cover other people and their property if you are judged at fault in an accident.
- Third party, fire and theft: This adds cover to your own vehicle in case of fire damage or theft. If you crash your own car however, you are not covered and will have to pay for your own repairs.
- Fully comprehensive: This as the name suggests will cover (almost) all risks you will face, including repairs to your car if you accidentally damage it, subject to some kind of excess (this is a payment you have to make if you claim on your policy). The extra cost of this type of insurance is worth considering if your car is reasonably new and worth a few thousand pounds.
- Short-term: Insurance arranged for a much shorter period than usual - for example a day, week or month. Naturally the cost is much higher than a comparable period of normal (12 month) insurance, but this option might be useful in some situations, for example borrowing a car.
- Learner: Special insurance for when you are learning to drive, this is usually over a short time period. Once you have passed your test it will become invalid so make sure you tell your insurer.

HOW DO THEY DECIDE THE COST?

Insurers have to decide how much of a risk you and your car are to insure, and therefore how much they need to charge you to be profitable. To do this they rank the risk involved for many factors – these include; how old you are, where you live, the model of car you drive, your driving experience and accident history, your expected mileage, and how secure your car is. Some of these factors are out of your control of course, but if you choose a sensible model of car and drive it safely you can minimize your insurance cost.

HOW CAN I PAY FOR IT?

Most insurance is arranged on a yearly basis, and you can either pay in full at the start of the year, or if you are over 18 in a series of payments throughout the year. Spreading the payments over the year makes budgeting easier but will cost slightly more as the insurers normally charge extra for this facility.

WHAT IS A NO CLAIMS BONUS?

A 'no claims bonus' is a discount you receive for completing a year's insurance without making a claim. This discount will increase as subsequent years are completed up to a maximum of around 70% discount from your premium. It normally takes around 5 years of claim-free driving to reach this maximum, however if you do have an accident and need to claim you usually lose 2 years worth of



your 'no claims' rather than the whole lot. Once at the maximum discount many insurers will offer you the option of protecting your full discount for an extra fee, so that if you are unlucky you will still keep the full discount for next year.

HOW CAN I REDUCE THE COST OF MY INSURANCE?

There are many ways to reduce the cost of your insurance - here are a few ideas;

- Use comparison websites to quickly search through hundreds of insurers to find the best deals. Be careful though as not all insurance policies are the same – check the features you need are included.
- Have a 'black box' fitted to your car. These boxes monitor your driving and record how smoothly you drive, if you speed or not, and also the time of day. If you drive well, and do not mind the restrictions on night time driving often applied you will pay far less than a comparable normal policy.
- Complete the Pass Plus course for new drivers. This course comprises an extra 6 hours of lessons and aims to give you a head start on gaining your experience on the road. Some insurers will then reward you with up to 30% discount so it can save you more in the first year than the course actually costs.
- Choose a car with a low insurance group. Cars are ranked according to how expensive, how fast, how cheap to repair, and how easily stolen they are, so choose a car with a lower insurance group to save money.
- Keep your car on the drive or in a garage. This reduces the risk of damage, so the insurer will often give a discount.
- Have an older named driver on your policy. If you add a parent on as an occasional named driver this might lower your premium, as some of the time the car will be driven by a lower-risk driver.
- Agree to have a higher excess. If you choose to raise your excess to a higher figure (for example from a default £150 up to £500) then the policy might be cheaper. This is a gamble though, as if you have to make a claim you will lose an extra £350 from your settlement cheque.

HOW CAN I MAKE MY INSURANCE MORE EXPENSIVE?

If you modify your car (for example a better hi-fi, alloy wheels, extra power etc) in any way you should tell your insurance company. If you don't they can refuse to pay out in the event of a claim, leaving you uninsured. It is great to make your car individual, but make sure you check any extra insurance fees are affordable before doing your modifications.

WHAT IS 'INSURANCE FRONTING'?

This is where a lower risk driver (usually a parent) insures themselves as the main driver on a car, and adds another higher-risk driver (usually a son or daughter) as a named driver for occasional use, but in fact the high-risk driver is actually the main user of the car. This is sometimes done to try and save money, but they are in fact misleading the insurer (which is fraud), who if they detect what is going on can refuse to pay out in the event of a claim. The correct option is for the high-risk driver to arrange the insurance in their name, as not only will they be properly insured, they will start to earn no-claims discount for future years.

WHAT HAPPENS IF I DRIVE WITHOUT INSURANCE?

If caught by the Police driving without valid insurance you can be awarded up to 8 penalty points on your license and fined up to £2500. Be very careful driving other people's cars as you must ensure you are properly insured to do so – saying you 'thought' or 'assumed' you were insured will not help you in court.