

Car insurance premiums hit record highs

No-one likes to be told that their outgoings could potentially increase but it seems that for many motorists, this could soon be the case if recent research is anything to go by. According to the AA's market analysis of the car insurance market, car insurance premiums are rising at a record rate and faster than at any time over the past 15 years. Its latest British Insurance Premium Index which tracks the quarterly movement of car insurance quotes, has shown the greatest ever annual increase in car insurance premiums since the index started in 1994.

Staggeringly, it claims 14 per cent has been added to the average comprehensive premium in the last 12 months. This means the average quoted premium for an annual comprehensive car insurance policy now stands at over £821, (October 2009) compared with £778 in July 2009 and £721 in October 2008.*

What does this mean for car insurance premiums?

Well, the director of AA Insurance, Simon Douglas says it is likely most drivers will see sharp increases when they renew their annual insurance premiums. He said: "The index suggests that 89 per cent of insurers have increased their premiums by more than 5 per cent over the past quarter. Only 2.5 per cent reduced them."

Broken down, it seems the category of drivers most likely to be affected by a price hike is young drivers. The AA index suggests that third party, fire & theft premiums typically bought by young drivers rocketed 9.3 per cent in the three month period ending 30 September, 2009 and 17.6 per cent over the year to an average quote premium of £1,059.

What's driving up premiums?

According to the AA, car insurance providers are facing rising costs as reserves for paying claims have depleted, largely because of the recession. Douglas explained: "I estimate that across the industry, up to £110 is being paid in claims for every £100 taken in premiums - a situation that is clearly unsustainable. Despite motor insurance being one of the most competitive markets in the UK, insurers have little choice but to put premiums up."

Driving the increase in claims is in part, down to the fact there has been a rise in the theft of upmarket cars, with 20,000 cars worth at least £600m being stolen last year, the AA said. Fraud is also costing the insurance industry £1.9bn a year, equivalent to £44 for every household's insurance costs, it said.

What other data is there to support rising car insurance costs?

Latest Confused.com data can also shed some light on what is happening to [car insurance](#) premiums. It found that the average comprehensive car insurance premium rose by 7.5 per cent in the 12 months to September 2009. This is in contrast with the findings of the AA, which said premiums on a comprehensive policy rose by 14 per cent in the same period.

Meanwhile, in the three month period to September 2009, the best average comprehensive car insurance premium on Confused.com actually fell by 6.9 per cent, compared with the AA findings which said the average premium on a comprehensive policy rose by 5.6 per cent.

Saying this though, the fact cannot be ignored that for third party only policies in the three month period to September 2009, premiums actually rose by a staggering 10.1 per cent, Confused.com data shows.

The type of car being insured also played a part in determining the cost of the policy, with Coupe's being hit the hardest by rising premiums. According to Confused.com data, car insurance premiums for Coupe's rose by 8.8 per cent in the year to September 2009 and by 10.1 per cent in the three months to September 2009.

Premiums on estate cars also rose by 3.9 per cent in the year to September 2009 and by 6.1 per cent in the three months to September 2009. The life stage of a car owner also played a part in the overall cost of a car insurance policy with the over 65's experiencing an 8 per cent hike in car insurance premiums in the year to September 2009 and a rise of 3.8 per cent in the three months to September 2009.

Those least affected by rising premiums was the 25-34 age group who saw premiums rise by 0.7 per cent in the year to September 2009 and by 4 per cent in the three months to September 2009. Interestingly, students also saw a drop in car insurance premiums on Confused.com during the month of June 2009, with the average premium falling 1 per cent.

What should I do to beat rising costs?

The price of your insurance policy depends on a number of factors such as your age, the car you own as well as how many drivers are registered to operate the vehicle, amongst other different risk factors. But why just lie down and accept rising premiums when there are steps you can take to minimise this happening.

About the Author

There may be a rise in overall [car insurance](#) costs but in the face of such price hikes, it is more important than ever to ensure you net yourself the best deal. Essentially, what is important is that you take the time to shop around to find the best [car insurance](#) deal and avoid paying hundreds of pounds too much to insure your vehicle.

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