

Car Insurance Hits "Record"

Britons could be spending a record proportion of their motor loan on car insurance as new figures indicate premiums are at an all-time high....

July 3, 2007 (FPRC) -- According to the AA's British Insurance Premium Index, the average quote for annual comprehensive car increased by 2.5 per cent over the last quarter to more than £822 - over twice the number recorded in the firm's first study conducted in July 1994. Overall, premiums are said to have risen by over six per cent since last year, which consequently could see motorists struggle to meet payments on other forms of borrowing such as loans and credit cards.

Commenting on the figures, Kevin Sinclair, managing director of AA Insurance, said: "There is still a large gap between premium income and the cost of claims so I'm not surprised to see the generally upward trend of the previous year resuming. I think this trend is likely to continue."

Research from the financial company also indicated that third party, fire and theft (TPFT) insurance is also currently standing at a record level as it has surpassed the £1,000 barrier for the first-ever time. Increasing by some 1.32 per cent, the rise in the cost of claims for TPFT cover was reported to be reflected due to its uptake among "young and inexperienced drivers with little no-claims bonus".

Younger drivers looking to reduce the amount of money spent on insurance from their car loan, meanwhile, have been advised to avoid purchasing an expensive vehicle altogether. Graeme Trudgill, technical services manager for the British Insurance Brokers Association, pointed out that a lower-priced car could consequently reduce general unsecured loan costs for the automobile altogether. Otherwise, "if you buy something that's grouped a level higher it's going to be expensive on insurance and cost a lot of money," he commented. Mr Trudgill also reported that those who look to add the likes of alloy wheels to their car face "a bit of an insurance nightmare" which will consequently increase their premium.

However, those Britons with home insurance could find attempts at debt management and making personal loan payments eased as the cost of the cover was reported to have fallen. During the first three-month period of this year, home buildings premiums were reported to have fallen by some 1.89 per cent to £206.68, with cover costs down by 0.20 per cent on a year-on-year basis. Meanwhile, the AA claimed that home contents insurance had decreased by 1.32 per cent to £147.14 over 2007's first quarter.

Mr Sinclair claimed: "Home insurance represents particularly good value having changed little over the past decade and while the trend of car insurance is firmly upward, there are still deals to be had. Things have never been better for customers in terms of choice but make sure you're comparing like for like and not just price for price."

The managing director also suggested that following floods in Yorkshire and the Midlands consumers should look to ensure that they have sufficient insurance cover while the cost of premiums are said to "remain low". However, for the two-thirds of victims of the recent deluge who are said to be under-insured a quick loan could be a solution in helping them to replace items which have either been lost or damaged.

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