

Car insurance premiums hit record levels due to rising costs

A rise in costs including for energy and repairs has contributed to annual car insurance premiums hitting a new record high, according to an industry body.

The Association of British Insurers (ABI) reported a 29% leap in paid-for average comprehensive cover during the third quarter of the year compared to the same period in 2022.

The £561 average figure marked a 9% rise on April to June's sum.

It reflected, the ABI said, continuing hikes to cover insurers' costs, which took off last year.

The body highlighted a study by accountancy giant EY that showed for every £1 motor insurers received in premiums last year, they paid out £1.10 in claims and operating costs.

Insurers' financial results since have showed little let-up in that pressure during 2023.

Insurers reported that the cost of paint increased by 16% and spare parts by 11% year on year during the third quarter.

Other bills, largely driven by the price of energy, were up by 46%, the ABI's report said.

Rising premiums are not only another financial headache for drivers and businesses to bear during the continuing [cost of living](#) squeeze but also risk a growing number of motorists driving without insurance.

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There were an estimated one million of them on the roads last year, according to the Motor Insurers Bureau scheme.

Such drivers also pose an increased risk to premiums.

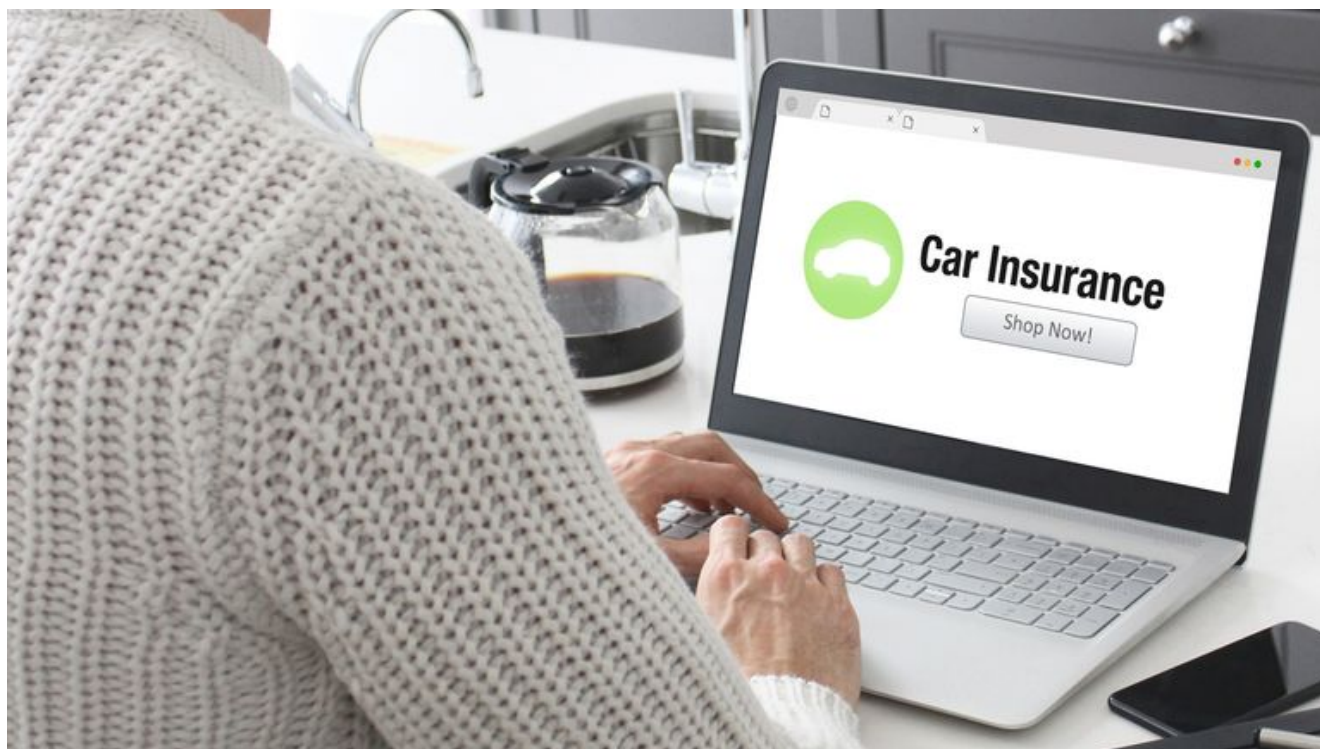


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The ABI says drivers looking for a new policy should shop around and make sure it fits their needs

The ABI said the government could help ease the financial burden by reducing the rate of Insurance Premium Tax at the looming autumn statement mini-budget.

It currently accounts for £60 of the average premium.

Mervyn Skeet, director of general insurance policy at the ABI, said: "We appreciate that another quarter of increased motor insurance premiums will be concerning for households who are already grappling with rising costs in other areas.

"Insurers continue to do all they can to keep motor insurance as competitively priced as possible, despite facing substantial increases in costs outside of their control."

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He added: "We're bringing together representatives from across the sector to discuss issues such as vehicle safety and security. However, the government could help drivers with an immediate reduction in costs by reducing Insurance Premium Tax.

"If your insurance is coming up for renewal, we would always recommend shopping around and find the best policy for you.

"But be sure to choose a policy that meets your needs, not just based on price. If you're struggling to pay your premium, speak to your insurer who may be able to help."