

Why has my premium increased?

The calculation of a premium is the result of a complex interaction between many rating factors. Even though there does not appear to be any change in individual circumstances from the time of the previous renewal, some of the ratings change merely through the passing of time (e.g., the age of the policyholder and vehicle) and these factors can contribute to an increase in the premium. There may also have been changes in our approach to pricing the various risk factors, or the introduction of a new pricing risk factor, which may then apply to your individual circumstances.

As a concept, insurance works by pooling the funds of many to pay for the claims of a few. Every customer contributes their premium to a larger fund from which we as insurers are able to compensate a customer who has a valid claim, e.g., vehicle damage or an injury to a third party. Therefore, increases in the costs of the total costs of claims and/or the increases in the total number of claims will have a knock-on effect on the overall pool and will result in higher premiums.

Please find below a list of the types of factors – both customer-specific and general – which are most likely to be relevant in explaining any increase in your premium. However, if you believe that you require more information in relation to the price of your premium renewal, you should refer to the customer service team through your insurance company.

Customer-Specific Factors:

Some of the customer-specific rating factors which lead to a change in risk and/or our view of that risk are:

- **Age of Vehicle:** The risk actually changes every year as the vehicle itself is now a year older, potentially putting it into a different rating category.
- **Type of Vehicle:** You may have changed your vehicle in the past year, again potentially putting it into a different rating category. The make and model, engine capacity, weight, fuel type, transmission, safety features and the cost of repairs are among the relevant factors here.

Also, based on the most recent analysis of claims, pricing models are regularly reviewed and this result in changes in our approach to pricing their various risk factors or the introduction of a new pricing risk factor, which may then apply to your individual circumstances. An example of this is where our view of the vehicle has changed and we have introduced a new rating factor in that respect, like using fuel type or transmission as a rating factor for the first time. So, ratings may change from being based on engine size/cubic capacity (CC) to brake horse power (BHP) as our view of vehicle technology and engines evolve with the car market.

- **Named Drivers / “Open Driving”:** Any change in the number or circumstances of the drivers named on your policy may affect your premium. Certain driving options like “Open Driving” may result in an increased premium due to the risk associated with such driving options.
- **Age of Driver:** The risk actually changes every year as the drivers are now a year older, potentially putting him/her into a different rating category. Your experience and that of the drivers who may drive your car is one of the main rating factors used by insurers. Statistics show that younger, less experienced drivers are a higher risk (more likely to be involved in accidents and make claims). More experienced drivers will benefit from lower premiums; however, at a point the risk starts to increase again and this is reflected in the pricing of motor insurance. Also, the type of driving licence you hold and the number of years for which it has been held is an indicator of an individual’s driving experience and this is often reflected in your premium as a rating factor.

- **Location of Risk:** The area you live or work in may have a bearing on the cost of your motor insurance. Normally, in areas where the risk of accidents is greater (typically more urban and densely populated areas), you'll pay more. The same applies if you live somewhere which has high levels of vehicle crime. Insurers may assess each address individually or at an overall county level, looking at claims, traffic, theft and malicious damage statistics together with the frequency of accidents in that area. More accidents tend to result in more claims, so it could cost more to insure vehicles in those areas. Again, we continuously review and analysis relevant data so that even if you have not changed address, our view of this risk factor may have altered since your last renewal.
- **Occupation:** If you use your car for business purposes, you're likely to pay more for cover, as you'll be driving more when the roads are busy. Your annual mileage may also be an important consideration. After all, the more you drive, the more likely you are to be involved in an accident. Also, the nature of your journeys could affect your price. For example, if you use your car to commute to work when traffic is busy, insuring your car may cost more than if you only used your car socially. Again, we continuously review and analysis relevant data so that even if you have not changed job, our view of this risk factor may have altered since your last renewal.
- **Mid-Term Amendments:** If you made a change to the policy during the year (particularly if made towards the end of the term), this is possibly affecting your premium this year. Any mid-term changes will have been charged on a pro-rata basis until renewal but the new renewal price will have been calculated using the new policy details for a full 12 months.
- **Loss of No Claims Discount (NCD):** This would be as a result of claim(s) submitted/processed within the past 12 months.
- **Claims and Convictions:** A loading may have been applied to your policy due to the number or severity of claims and/or convictions incurred by you or any person who will drive your vehicle. Claims within the last five years can still affect the premium and multiple claims will attract a higher loading, particularly for the same cause.
- **Penalty Points:** You or any person who will drive the vehicle may have incurred Penalty Points, therefore impacting on the premium.
- **Payment Method:** The payment method used by you may have caused an increase in your premium.

External Factors:

External factors are those costs which affect the cost and number of the claims we have to pay. The cost of paying claims is the single largest factor which contributes to your premium. Given that the cost of claims is the most significant cost associated with insurance, it is vital that insurers set premiums which are sufficient to meet these costs so the business is sustainable and that we are there to pay claims for our customers in the long term.

The main components of the total cost of claims are:

- The size of awards for injury claims and medical inflation
- Legal costs associated with handling claims
- Cost of parts
- Labour for repairs