

## 8% of car insurance policies do not offer new car replacement cover

With the end of the Car Scrappage Scheme at the end of this month and the release of the new 10 registrations, we could see a rush of new car sales in the final weeks of March.

But Defaqto warns that the excitement of buying a new car and choosing the 'cool' options like metallic paint, satellite navigation or alloy wheels can overshadow the important financial decisions such as the cover provided under comprehensive car insurance.

Car insurance is obligatory but often way down the to-do list as consumers perceive comprehensive car insurance policies to all be the same. Defaqto urges consumers to check the policy features important to them and their lifestyle before purchase.

Mike Powell, Insight Analyst at Defaqto said: "If you're buying a brand new car then we would say new car replacement is an essential feature to look out for when buying your insurance. This benefit means that if your new car is damaged and the cost of repair is above a certain percentage (typically 60%) of its UK list price, or it is stolen and not recovered, then your insurance provider will replace it with a brand new car."

Mr Powell warned: "there are a number of conditions to look out for. For example, most policies will only provide cover for cars up to 12 months old, or state that the policyholder or their partner must be the **first and only** registered owner of the car in order for cover to apply. This means that if the car has been 'pre-registered' in the name of the manufacturer or supplying dealer, new car replacement cover may not be available. There are a few insurance providers who will include cover for cars that have been 'pre-registered' in the name of the manufacturer or supplying dealer, but stipulate that the car must not be above a certain mileage".

New car replacement is one of the criteria assessed for comprehensive motor insurance Star Ratings. Defaqto analysed 215 standard<sup>1</sup> comprehensive car insurance policies and found that:

1. 8% of policies did not include 'new car replacement cover';
2. 10% of policies apply a 50% cost of repair threshold before they would provide new car replacement;
3. 82% of policies apply a 60% cost of repair threshold before they would provide new car replacement;
4. Only two insurers (1%) NFU Mutual and Saga, provide 'new car replacement' cover for cars less than two years old with the rest of the market (99%) providing cover for cars less than one year old.

Mr Powell concluded: "Whichever car insurance policy you purchase, always check the policy wording as the cover provided is not always the same with each insurance provider."

<sup>1</sup> Excludes high-net-worth and restricted access comprehensive car insurance products.

-Ends-

### Notes to Editors:

#### New car replacement cover checklist

1. Check the limit applicable for the cost of damage at which an insurance provider will consider replacing your car with a brand new one.

2. Check the policy to confirm the length of ownership for which an insurance provider will consider replacing your car with a brand new one.
3. Check the policy to confirm the acceptable number of registered owners for which an insurance provider will consider replacing your car with a brand new one.

### **About Michael Powell**

Mike joined Defaqto in November 2003 from MCE insurance brokers where he held the role of project manager. Prior to that he has held various management roles with high street brokers such as Colonnade and Endsleigh. He has been in the industry for over 25 years working within the personal and commercial lines broker market. Mike was our lead researcher at Defaqto in the commercial and motor insurance product areas until October 2007 when he was promoted to his current role.

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