

Honey I shrunk the car

Downgrades up says AA Insurance

Auckland – 20 August 2009 – Some 16 percent of people said they had recently downsized their main vehicle, with 52 percent citing fuel economy as the main reason, according to the 2009 AA Insurance Drivers Index. Other reasons people gave for reducing the size of the main car included managing the household budget (14 percent), no longer needing a large car (14 percent) and reducing maintenance costs (12 percent). Furthermore, 30 percent of those who had not already downsized their car said they would consider doing so, with half giving fuel economy as the reason.

AA Insurance surveyed 3,708 New Zealand drivers aged 18-65 for the 2009 AA Insurance Drivers Index.

Vehicle downgrades are strongly skewed towards the 45-54 and 55-64 age groups (17 percent) with lowest rates in the 18-24 age group (13 percent).

However, the index also suggests that New Zealanders' love affair with cars is a long term one, if not entirely monogamous. Some 46 percent of those surveyed said their household has two vehicles, 18 percent said they had three cars – and 11 percent said they had four cars or more.

According to the index, Wellington has more one car households (36 percent) and fewer multiple car households (only 7 percent of households have four cars or more) than other cities around New Zealand. In comparison, Christchurch has fewer one car households (23 percent) and more multiple car households (11 percent of households have four or more cars). This may reflect the higher rates of public transport use in Wellington. Respondents aged 18-24 were most likely to live in multiple car households which may reflect that they live in with flatmates.

“One pattern that has certainly changed this year is that we’re not seeing people upgrade their vehicles,” says Martin Fox, Deputy General Manager, AA Insurance. “Instead, our customers are staying with the cars they have, evaluating their motor insurance at renewal time and making adjustments. So far this year we’ve seen 22 percent more people downgrade their comprehensive car insurance to third party or third party, fire and theft coverage compared with the same period in

2007. We see this as positive because it means people have a better understanding of which insurance is best for them.”

A few people consider cancelling their insurance completely to save money but most achieve a compromise.

“Cancelling insurance altogether is a risky option,” says Martin. “There are better ways of managing your insurance costs if you’re on a tight budget. Without any insurance, having an accident or having your car stolen could really make things very tough.

“For instance, a car owner may think a low value car is not worth insuring, because they could replace it if they write it off. However, if this driver has an accident which causes damage to someone else’s car or property, they could also face a bill of thousands of dollars for the damage to other person’s property.

“Car insurance isn’t just about you and your car – it’s about the damage you might do to someone else’s property if you have an accident. That’s what third party insurance covers.

“People are also thinking about increasing their excess but being very careful about it. They know that they need to put some cash aside so they can pay the excess if they need to make a claim.”

How to tell if third party insurance is right for you

- 1. Can you afford comprehensive car insurance premiums?** If you are struggling to pay full car insurance premiums then check the cost of third party insurance. Third party insurance is basic cover that provides protection from the costs of damage to someone else’s property – but you will pay for damage you do to your own car.
- 2. What is your car worth?** If your car is worth less than \$10,000 then third party insurance could suit you. Many third party insurance policies provide a benefit of up to \$4,000 if you are hit by an uninsured driver so you aren’t left completely out of pocket if your car is written off in an accident.
- 3. Could you afford to replace your car if it was written off or stolen?** If you have enough saved to buy another car and want to take responsibility for this yourself if you have an accident, you may still want the insurer to take care of damage you accidentally do to someone else’s property.
- 4. Do you fully understand what third party insurance covers?** If you are serious about downgrading your insurance make sure you fully understand what is and isn’t covered by your new policy. The best value deal might not be the cheapest price – it’s no bargain if the company can’t offer the things which matter to you.

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About AA Insurance

AA Insurance was launched in 1994 and is a joint venture between New Zealand Automobile Association and Suncorp-Metway Limited.

AA Insurance has over 300 staff servicing 150,000 plus customers and manages over 300,000 policies. Over half of those policies cover motor insurance risks including cars, bikes, caravans and motor homes, and the remainder are house and contents insurance.

In 2008, AA Insurance was a finalist in the unlimited/JRA Best Places to Work Survey in the medium-large workplace category, making it one of the top places to work in New Zealand.

AA Insurance Limited has an A+ (Strong) Insurer Financial Strength Rating given by Standard and Poor's (Australia) Pty Ltd on 8 January 2009. For further information visit www.aainsurance.co.nz.

About the 2009 AA Insurance Drivers Index

The 2009 AA Insurance Drivers Index is an independent internet survey of 3,708 drivers aged 18 to 65 from around New Zealand.

For more information please contact:

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