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Car Insurance War Is Over In Germany

It seems like the long war between car insurance companies in Germany is finally at an end. No longer will the price wars continue, and although prices are still far below the higher 20 billion euro market world (\$28.57 billion) that exists in rest of the insurance world, German insurance companies still need to be profitable. At least that is the opinion, as stated last Tuesday by the large German insurer HUK Coburg. For now, the price lowering seems to have stopped, said Wolfgang Weiler, chief executive for HUK Coburg, when attending the insurance annual results news conference.

HUK is one of the leading car insurance companies in Germany, and in continual competition with Allianz, Germany's other biggest insurer. Weiler suggested that the goals of HUK were to offer a fair price while making a profit by saying: "we still aim to offer the most competitive policies, even if we do have to raise prices to meet insurance standards."

Insurance companies like Allianz, Generali, and AXA, up until now have been competing with the not-for-profit mutual insurers like HUK. Insurance premiums in Germany have been drifting downward for years, reaching levels not seen since the 1980s, but this is not as good a news as it would seem. This causes insurance company profit losses and ultimately, is not good for the economy. As expected many car insurance companies in Germany continued to lose money through last year. It is estimated that costs and claims totaled 170 percent of all the premiums sold. However HUK was not experience the loss since the late 1990s until last year when the combined ratio rose to 102.3 percent. Still other German insurance companies have seen immense losses.

Chief executive Weiler blamed this loss on higher damage claims due to excessive cold weather in 2010, but he expects profitability to improve in 2011. Although he did not specify how these higher profits were to be obtained. He continued to explain that there was already a decline in damage claims for the first quarter of this year.

He seemed optimistic in the fact that HUK increased its insurance policy sales by 90,000 by the end of last year, totaling 8.77 million policy holders.

Premiums have already gone up since last year, rising by as much as 3.3 percent which is much higher than the overall market gain of just 0.6 percent. HUK and other German car insurance companies expect to see premiums rise even further this year. However this rise in premiums is still lower than that in other European countries where premiums have risen by 11.5% or more.

HUK believes that the solution is to reach a happy medium, raising premiums so insurance companies can make a profit, but not so much as to substantially hurt the consumer either. So while insurance premiums in Germany must rise, the objective is to keep the amount they rise to a minimum. Only time will tell what the future brings for the German insurance market, but it is worth watching the new policy implementations, and the effects these may have on the German consumer.

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