

The Truth about Auto Insurance Rates

Although the word “accident,” by definition, means “unintentional,” many car accidents are the result of negligence by at least one driver. Consequently, higher insurance costs exist for *everyone*. These higher premiums particularly affect individuals who may be considered at a greater risk of having an accident. Here’s a quick look at some of the things that may be impacting your automobile insurance costs:

Age Matters. In order to arrive at equitable pricing, automobile insurers spread the cost of accidents over the insured population. According to the Insurance Institute for Highway Safety (IIHS, 2013), the highest death rates per mile driven occurs among teenagers, followed by elderly drivers. Therefore, premium rates are generally higher for drivers under 25 and older drivers.

Points for Safe Driving. Most automobile insurers use a safe driver rating plan, or some variation, to reward drivers who have clean driving records and penalize those who have a history of accidents and/or moving traffic violations. Therefore, the driving records of individuals listed on your policy directly affect your automobile insurance premiums.

Where You Live. Population density and the number of vehicles on the road are two other important factors that help determine your insurance costs. As people and cars compete more and more for limited space on the road, accidents are more likely to happen. Territories (a town, a large city, a county, or some defined geographical subdivision) are rated based on the losses, or “risk” profiles, for such areas. Premiums are weighted by the record of insurance losses, such as accidents, theft, and vandalism, as well as the history of police enforcement of traffic laws in each given territory.

Vehicle Category. Certain cars may cost more than others to insure, depending on a variety of factors. Vehicles will generally be more costly to insure if they are expensive, carry a high theft risk, carry lower safety ratings, or cost more to repair. A common question for many policyholders is, “Why isn’t my policy premium going down as my car gets older?” Premiums tend not to decrease because liability concerns remain the same regardless of the age of your car; further, the cost of repairs to an older car is generally comparable to a newer vehicle’s repairs.

In summary, it is the driver’s record, his or her vehicle, and its use that set the basis for calculating auto insurance premiums. Some of these factors may or may not be in your control. To understand what *is* in your control—and how to use it to your advantage—feel free to give us a call. One of our qualified representatives will be happy to address any of your auto insurance concerns.

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