

MODULE 4 – WHAT WILL MY INSURANCE COST?

Objectives:

1. To understand and learn about the factors that affect the cost of auto insurance
 2. To learn ways teens can lower their cost for auto insurance
 3. To provide an interactive segment allowing you to make choices and realize their impact on the cost of auto insurance
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What will my insurance cost?

A lot of factors affect how much your insurance will be. Some you can control, like the type of car you drive, and others you can't, like your age. Some factors, like health-care and auto repair costs, are influenced by many outside factors and become hard to control.

It seems that it would be fairly easy to charge all drivers the same insurance premiums, right? Well, stop to think about it. Should you be paying the same amount for your four-door sedan that you drive in the country-by the way, you have a spotless driving record-than your neighbor, who drives the luxury sports car and has had three speeding tickets and two accidents in the past year?

What affects what I pay for auto insurance?

Many factors determine what you pay for auto insurance. Premiums are based on experience and trends. Your personal or family situation also comes into play. These factors are rated to determine how much your insurance will cost.

Some of the choices you make can influence what you pay for insurance. Let's look at few of these factors:

- Type and age of your car
How much did the car cost? What's it worth? How much will it cost to get it repaired after a crash? As the value of your vehicle increases, so does the cost of replacing damaged parts. Usually the value of your car will decrease as it ages.
Sport cars and luxury models cost more to insure than economical sedans. Sports utility vehicles (SUVs) sustain less damage but are responsible for causing more damage in accidents, so premiums may be higher to own these vehicles.
- How you use your car
Do you use your car to drive to school and work everyday, or is it driven on weekends for pleasure? The more you use your car, the more likely you are to be involved in a crash.
- Where you live
Drivers who live in areas with the highest concentration of vehicles are almost 25% more likely to file an auto insurance claim than those with the fewest vehicles per square mile.
The chance of a driver filing a collision claim is about 40% higher in areas with 1,000 or more cars per square mile than those in areas with less than 50 cars per square mile.

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- **Your driving record**
Individuals who are responsible for crashes, or with serious traffic violations, are more likely to have repeat crashes than those with clean driving records. If you remain free from accidents, you will benefit from the best auto insurance rates available from insurers.
- **Your grades**
Many insurance companies give discounts to high school or full-time college students who maintain a "B" or better grade average.
- **Coverage limits you select**
The higher the coverage limits you select, the more the insurance will cost. However, don't select limits that are too low, as this could put you at risk in the event of a serious crash. You must be able to meet the requirements of Ohio's Financial Responsibility law. Balance the risk you can afford to take with the premium you can afford to pay.

Other factors that influence the cost of your premium can't be controlled, but it helps to know how they affect you.

- **Your age**
You are much more likely than your parents to be in a crash if you are 16-19 years old. If you are young, the bad news is you pay some of the highest premiums of any group of drivers. The good news is that your rates will begin to decrease as you gain more driving experience and age IF you maintain good driving practices and don't cause too many crashes.

2005 Ohio Crashes by Age and Gender

http://www.ohioinsurance.org/factbook/2006/chapter2/chapter2_gchart.asp

- **Your gender**
Although guys hate to admit it, girls are generally better risks on the road and pay less for auto insurance. In recent years, however, this gap has narrowed as more girls become involved in accidents.
- **Overall frequency and severity of crashes**
The frequency of accidents describes how many and how often accidents happen out of a specified number of cars on the road. The higher the frequency, the more insurers must pay out in claims.

The severity of accidents is reflected in the typical amounts paid out for claims. This amount has risen due to increased costs to repair people as well as vehicles.

- **Overall hospital and medical costs**

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As medical and hospital costs have climbed, so have insurance payments. If the injuries are related to driving, these costs could be handled by car insurance, not necessarily health insurance.

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- **Fraudulent claims**
People who make fraudulent claims contribute to increased insurance costs. Bogus medical bills and illegal chop-shop operations are examples of claim fraud. When people collect insurance money under false circumstances, they rob all of the honest people who pay their premiums.
- **Cost to repair vehicles**
As car prices increase, so do the costs of repair, which have gone up by as much as 13% in the past five years. And that means you pay higher premiums.

How much will my insurance cost me?

The answer to this question depends upon many factors, including the ones already discussed. The following samples show you how a few key factors work together to influence what the premium might be. But keep in mind that these are SAMPLES only! Rates will vary by company AND by your selection of policy limits, driving record, type of vehicle and other factors.

Insurance Rating Examples:

All examples are based on the following:

Car - late model of Ford Taurus

Driver - Under 17

Bodily injury liability coverage - \$100,000/person / \$300,000 total/accident

Property damage liability coverage - \$50,000 total/accident

Un- & underinsured motorists - \$100,000/person / \$300,000 total/accident

Medical payments coverage - \$5,000/person

Collision coverage - \$250 deductible

Other than collision coverage - \$100 deductible

Rates are shown based on the cost for a 12 month period

Driver has had no accidents or traffic violations

All drivers have successfully completed an approved driver training course

Driver Sex: Male

Driver Lives in a Large or Small Ohio city

Driver Age: 17 & under

Driver is not married

Examples

Yearly Insurance Premium

1	Your parents' car, you only use it for pleasure (not for school or work)		
	• grades average B or better.	Large Ohio City	\$4,699
		Small Ohio City	\$2,171
2	Your parents' car, you only use it for pleasure (not for school or work)		
	• grades average C or lower	Large Ohio City	\$5,207
		Small Ohio City	\$2,403
3	You own the car, drive to & from school/work		
	• grades average B or better.	Large Ohio City	\$6,894
		Small Ohio City	\$3,171
4	You own the car, drive to & from school/work		
	• grades average C or lower.	Large Ohio City	\$7,679
		Small Ohio City	\$3,528

Note: Rate samples from 2006

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Driver Sex: Female
Driver Age: 17 & under

Driver Lives in a Large or Small Ohio city
Driver is not married

Examples	Yearly Insurance Premium	
1 Your parents' car, you only use it for pleasure (not for school or work) • grades average B or better.	Large Ohio City	\$4,468
	Small Ohio City	\$2,065
2 Your parents' car, you only use it for pleasure (not for school or work) • grades average C or lower	Large Ohio City	\$4,953
	Small Ohio City	\$2,286
3 You own the car, drive to & from school/work • grades average B or better.	Large Ohio City	\$5,138
	Small Ohio City	\$2,371
4 You own the car, drive to & from school/work • grades average C or lower.	Large Ohio City	\$5,739
	Small Ohio City	\$2,645

Note: Rate samples from 2006

How can I lower my insurance premium?

There are things you can do to reduce your premium. Consider the following:

- **Raise your deductibles**
The higher the deductible, the lower your premium because you become responsible for smaller losses, not your insurer.
- **Drive defensively**
Remember: ALWAYS wear your safety belts. OBSERVE posted speed limits.
- **Maintain a good driving record**
If you are in even one accident that is your fault, or you have one major traffic violation, your rates can go up by as much as 40%. Many companies reward you with lower premiums if you remain traffic accident and ticket free.
- **Maintain good grades**
If you keep a B or better grade average, you may be eligible for a Good Student Driver discount.
- **Car pool or share rides**
Car pooling and ride sharing reduce the amount you drive and your risk for causing an accident. Some insurers offer discounts to carpoolers.
- **Choose the right car**
Be sure to check insurance costs before you buy a car. What you find could change your mind about purchasing a particular car.
- **Eliminate collision and Other Than Collision coverage on older vehicles**
An older car goes down in value. A general rule is to eliminate collision and OTC coverages if your car is worth less than \$1,000 because it may cost more to insure it than what you'd collect after an accident. Keep the auto liability coverage, though, to comply with the Ohio Financial Responsibility law.
- **Shop around**

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Check with several insurance companies and agents before making a final decision. Chances are you'll find differences. Consider service, claims handling, financial stability and the recommendations of family and friends.

- Be listed as a driver on your parents' insurance policy
This will probably be the least expensive way for you to maintain insurance coverage and it's also a lot cheaper than purchasing a policy on your own.
- Avoid filing excessive or fraudulent claims.
Claims occur on average every 11–12 years, according to the Insurance Information Institute. The more claims you file, especially small ones that you can cover yourself, the greater the likelihood that future premiums will reflect this. Padding claims also affects premiums.
- Keep tabs on your credit.
An insurance score is a snapshot of your insurance risk based on information in your credit report. It reflects your credit payment patterns over time, with more emphasis on recent information. Many companies take insurance scores into account when assessing a potential auto insurance risk.

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Module 4 - Quiz

Module 4 - Question 1 of 7:

"If all the auto insurance rating factors were the same, what type of car should you be driving if you want to pay the lowest premium?"

A. "My dad's sports car."

Feedback: "Not hardly! The premium on your mom's minivan is probably lower than the other types of vehicles."

B. "My mom's minivan."

Feedback: "Good. The premium on your mom's minivan is probably lower than the other types of vehicles."

C. "My brother's sport utility vehicle."

Feedback: "Not necessarily. Although SUVs might sustain less damage during an accident, they can cause more damage to the other cars and property. The premium on your mom's minivan is probably lower than the other types of vehicles."

Module 4 - Question 2 of 7:

"All things being equal, which one of us is likely to pay a lower premium?"

A. "Me, because I'm a boy."

Feedback: "Nope, I get a break because of my gender, although it isn't as much as it was for my older sister. The accident rate for female drivers is increasing."

B. "You, because you're a girl."

Feedback: "Yep. I get a break because of my gender, although it isn't as much as it was for my older sister. The accident rate for female drivers is increasing."

Module 4 - Question 3 of 7:

"Your car is older than you are and sports a bumper sticker that says 'Rust Never Sleeps.' When you put it up for sale last year, the best offer was \$700. What type of coverage could you eliminate to save money on your premium?"

A. "Uninsured/underinsured motorist coverage"

Feedback: "Dropping this coverage is probably not a good idea. If someone who is uninsured or underinsured injures you or your passengers, this pays for treatment."

B. "Auto liability coverage (bodily injury and property damage)"

Feedback: "No, dropping this could get you in trouble with the law. Keep this unless you plan on meeting the Ohio Financial Responsibility requirements in some other way."

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C. "Physical damage coverage (collision and other than collision)"

Feedback: "Best answer! Normally people carry collision to pay for damages to their cars, but in your case, it might cost more for the premium than the car is worth."

Module 4 - Question 4 of 7:

"I live in a condo in busy downtown Goliathopolis while you live near Dinkyville, a town with more farm animals than people. Who is more likely to have an accident? Is it me..."

A. "Of course it's you, because you have to contend with lots of other drivers."

Feedback: "Yes. I drive on traffic-clogged roads and have a greater chance of colliding with cars and pedestrians."

B. "I think it's me, because I have to share my twisting, narrow roads with tractors and stray livestock."

Feedback: "No, you're lucky because you are more likely to plow into a field than plow into another car. Driving in the city limits puts me at a higher risk for accidents."

Module 4 - Question 5 of 7:

"Where are you more likely to have a crash?"

A. "In another state when I'm on vacation because I'm driving on strange roads and don't know where I'm going."

Feedback: "Wrong answer. Over 90% of accidents happen in your home state, and most of those occur within 25 miles of home."

B. "Near the place where I live because this is where I drive most of the time."

Feedback: "Great! You are more likely to have an accident within 25 miles of home, so be careful out there."

Module 4 - Question 6 of 7:

"Who got ripped off when the auto repair shop claimed it replaced the whole front end when it merely touched up the bumper on Uncle Fred's car following an accident?"

A. "Uncle Fred because he has to pay a higher premium now."

Feedback: "No, that isn't the best answer. Uncle Fred is out some money to pay his higher premium, but ultimately we all lose when we pay higher premiums."

B. "The insurance company because it paid for work that wasn't done."

Feedback: "No, that isn't the best answer. The insurance company is out some money because it has to pay the fraudulent claim, but ultimately we all lose when we pay higher premiums."

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C. "Everyone-Uncle Fred, the insurance company, you, me and everyone else who has to pay higher premiums to cover this type of fraud."

Feedback: "Great answer! Everyone loses when a fraudulent claim is made because premiums go up to cover these costs."

Module 4 - Question 7 of 7:

"Who is more likely to have the lowest auto rating insurance factor based on age?"

A. "Me, because I'm a young driver, possess great reflexes and have no history of accidents."

Feedback: "Unfortunately, you are wrong. Teens are in the highest risk group for fatal accidents. Your premium will reflect this unfortunate situation."

B. "My parents, because they are adults and less likely to be in a fatal crash, partially due to their driving experience."

Feedback: "You remembered! Your parents are the least likely to be in a fatal accident."

MODULE 4 – WHAT WILL MY INSURANCE COST?

Module 4 – Teacher Recording Score Sheet

Module 4: What will my insurance cost?

User Name	Questions:	#1	#2	#3	#4	#5	#6	#7	Date
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