

# What determines the price of an auto insurance policy?

## Many factors help determine the cost of car insurance

#### **Auto Insurance**

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The amount you will pay for auto insurance is impacted by a number of very different factorsâ€"from the type of coverage you have to your driving record to where you park your car. While not all companies use the same parameters, here's a list of what commonly determines the bottom line on your auto policy.

• Your driving record â€" The better your record, the lower your premium. If you have had at-fault accidents or serious traffic violations, it is likely you will pay more than if you have a clean driving record. You may also pay more if you are a new driver without an insurance track record.

- How much you use your car â€" The more miles you drive, the more chance for accidents so you will pay more if you drive your car for work, or use it to commute long distances. If you drive only occasionallyâ€"what some companies call "pleasure use"â€"you most likely will pay less.
- Location, location Due to higher rates of vandalism, theft and accidents, urban drivers typically pay a higher auto insurance price than those in small towns or rural areas. Where you park your car (on the street or in a secure garage) and anti-theft features may impact the bottom line as well. Auto insurers factor rates down to the ZIP code level, but this is prohibited in California and Michigan.

Other factors that affect premium price that can vary from by location are: volume of litigated accident claims, repair costs, prevalence of auto insurance fraud and severe weather events.

- Your age â€" In general, mature drivers have fewer accidents than less experienced drivers, particularly teenagers. Insurers generally charge more if teenagers or young adults below age 25 drive your car. Age is prohibited as a rating factor in Hawaii and Massachusetts.
- Your gender Statistically, women tend to get into fewer accidents, have fewer driver-under-the-influence accidents (DUIs) and—most importantly—have less serious accidents than men. So, with all rating factors being equal, women often pay less on average for auto insurance than their male counterparts. Gender is prohibited as a rating factor in California, Hawaii, Massachusetts, Michigan, Montana, North Carolina and Pennsylvania.Â
- The vehicle you drive â€" The value of your vehicle is a major factor in the cost to insure it. Other variables include the likelihood of theft, the cost of repairs, its engine size and the overall safety record of the car. Vehicles with advanced driver assistance systems might qualify for premium discounts.

Insurers not only look at how safe a particular vehicle is to drive and how well it protects occupants, but also how much potential damage it can inflict on another vehicle. If a specific vehicle model has a higher chance of inflicting damage when in an accident, an insurer may charge more for liability insurance.

- Your credit â€" Similar to your credit score, yourcredit-based insurance score is a statistical tool that predicts the likelihood of your filing a claim and the likely cost of that claim.
- Type and amount of auto insurance coverage â€" The limits onyour basic auto insurance, the amount of your deductible, and the types and amounts of policy options (such as collision and comprehensive) that are prudent for you to have all affect how much you will pay for coverage.
- **NEVER race or religion** â€"â€<sup>-</sup>It is illegal to use race or religion to set insurance rates.

**Next steps:** Learn how to save money on your auto insurance premiums.

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