

Eight auto insurance myths

Arm yourself with the facts to get the best value for your insurance budget

When purchasing car insurance, it's important to understand the factors that affect your car insurance premium rates and coverage. But how do you differentiate between truth and fiction? A good place to start is by puncturing some common myths about auto insurance:

Myth 1 ? Color determines the price of auto insurance

?Arrest-Me Red?? ?Hide-in-Plain-Sight-White?? It doesn't matter. What does matter is the *type* of car you select. What you pay for insurance is based on make, model, body type, engine size, the age of the vehicle and the age, driving record and credit history of the driver. Premiums are also based, in part, on the car's sticker price, the cost to repair it, its overall safety record, and the likelihood of theft. For more: [What Determines the Price of My Auto Insurance?](#) [1]

Myth 2 ? It costs more to insure your car when you get older

Quite the opposite?many drivers over 55 years of age can, in fact, qualify for a reduction in auto insurance rates if they successfully complete an accident prevention course (available through local and state agencies as well as through the AAA and AARP). Insurance companies will usually provide up to a 10 percent discount on car insurance, but check with your provider before you sign on. If you are retired or are not employed full time?therefore driving less?you may also be eligible for a discount of up to 5 percent off your car insurance. Age requirements for this type of discount vary by state and insurance carrier.

Myth 3 ? Your credit has no effect on your insurance rate

Your credit-based insurance score does matter. Why? An insurance score is a measure of how *well* you manage your financial affairs, not your financial assets. Many insurance companies take your insurance score into consideration when you want to purchase, change or renew your auto insurance coverage. Because the majority of people have good credit, and insurance scores are derived from a person's credit history, most people end up paying less for insurance when insurance scores are factored into the pricing equation.

Myth 4 ? Your insurance will cover you if your car is stolen, vandalized or damaged by falling tree limbs, hail, flood or fire

Here's where you're in control?by opting for comprehensive and collision coverage along with your

standard liability policy. Lenders frequently require drivers to buy comprehensive and collision coverage as a condition of a car loan agreement. If a car is worth less than \$1,000 or less than 10 times the insurance premium, purchasing the optional coverages may not be cost effective. But bear in mind that you need to purchase both collision and comprehensive coverage in order to fully protect your vehicle from all types of damage.

Myth 5 ? You only need the minimum amount of auto liability insurance required by law

Almost every state requires you to buy a minimum amount of auto liability coverage. Chances are that you will need more liability insurance than the state requires because accidents often cost more than the minimum limits. Buying only the minimum amount of liability means you are likely to pay more out-of-pocket for losses incurred after an accident?and those costs may be steep. The insurance industry and consumer groups generally recommend a minimum of \$100,000 of bodily injury protection per person and \$300,000 per accident.

Myth 6 ? If other people drive your car, their auto insurance will cover them in the event of an accident

In most states, the auto insurance policy covering the vehicle is considered the primary insurance, which means that the owner?s insurance company must pay for damages caused by an accident, regardless of who is driving. Policies and laws differ by state, so make sure you understand the rules before allowing another person to drive your car.

Myth 7 ? Soldiers pay more for insurance than civilians

If you are in the military?regardless of which branch?you actually qualify for a discount on auto insurance. In some situations, you might be able to have your commanding officer make a phone call on your behalf, but for most auto insurance companies, you will need to supply documentation that lists your name, rank and the time that you will be enlisted in the service. This allows insurance companies to determine how long you will be eligible to receive a military discount. Shop around to find auto insurance companies that provide discounts for former members of the military as well as their families.

Myth 8 ? Personal auto insurance covers both personal and business use of your car

If you are self-employed and use your vehicle for business purposes, personal auto insurance may not protect you. While commercial auto insurance can be more costly than a personal policy, one of the best ways to keep your auto rates down in any situation is by having a good driving record. If there are others, such as employees, using your car check regularly to make sure they also have good driving records.

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