

The Top Factors Affecting Auto Rates

Have you ever had a conversation with a friend or family member and wondered why their auto rates are so different from yours? The factors that go into determining the premium for an auto insurance policy are many, and the rates for two drivers can be very different. If you are wondering how the insurance company arrived at your rate, here are some of the factors that have an impact on your premiums.

Your Age And Experience

Your age and the length of time you have been driving are two of the biggest factors in determining insurance rates. Young drivers who are less experienced are statistically more likely to have accidents, and their accidents are more likely to be serious. Thus insurance companies rate for age and experience based on the risk they are taking by insuring you. You might hear that word a lot if you look into how insurance rates are determined: risk. The higher the risk a driver represents to an insurance company, the more they will be charged.

The Type Of Vehicle

The type of car you drive has a big impact on your rates as well. Some cars are more expensive to repair, more likely to be stolen, or considered more dangerous to drive due to high speeds (sports cars, for example). All of these things can lead to an increase in the premiums to insure that car. Older, less valuable cars tend to be a lot cheaper to insure than newer, more expensive cars, because it will cost the insurance company more to repair or replace a newer car.

Where You Live

The zip code where you park your car at night is another determining factor in your premiums. If there is a lot of theft in your neighborhood, this might cause an increase in insurance rates, as the insurance company is taking on a higher risk of having to pay out on a theft claim.

How Much And How Far You Drive

If you have a long daily commute, you spend more time in your car than someone who works from home, which means you are more likely to be in an accident. The more you drive your car, the higher your premiums are likely to be. Again, you are at a higher risk of having a claim due to more frequent use of your car, resulting in a higher premium.

These are just a few of the many factors that go into determining what an individual pays for their auto insurance. Insurance companies rate each driver and vehicle based on the level of risk they represent-the likelihood that they will have a claim. The lower your risk level, the better your premiums will become.