

Pricing 101: Auto Insurance



How Rating Factors Work

- ✓ Rating factors accurately gauge the likelihood a policyholder will file a claim.
- ✓ These rating factors are filed in advance with state regulators, along with statistical proof of their effectiveness.
- ✓ Insurers constantly review how effective these rating factors are.
- ✓ Rating factors which do not work are either adjusted or abandoned by auto insurers.
- ✓ Every rating factor has been proven effective through actuarial analysis of actual data.

Auto Insurers Price Policies Based Largely On These Rating Factors

- **Your driving record:** The better your record, the lower your premium. The premium is the price of an insurance policy and reflects the estimated cost of a risk.
- **How much you use your car:** The more miles you drive, the more chance for accidents.
- **Your location:** Communities with higher rates of vandalism, theft, accidents, and severe weather events generally pay higher auto insurance premiums. Communities with higher litigation, medical, and car repair costs also may pay more for auto insurance.
- **Your age:** In general, mature drivers have fewer accidents than less experienced drivers. Insurers generally charge more if teenagers or young people below age 25 drive the policyholder's car.
- **Your gender:** Women often pay less for auto insurance because they generally file fewer, and less costly, claims. California's auto insurance policyholders are not asked about their gender.
- **The car you drive:** The cost of your car is a major factor in the cost to insure it.
- **Insurance-based credit:** Similar to your credit score, your credit-based insurance score is a statistical tool that predicts the likelihood of your filing a claim and the likely cost of that claim. Forty-seven (47) states allow the use of credit-based insurance scores when pricing policies. California, Hawaii, and Massachusetts disallow their use as a rating factor.
- **Type and amount of auto insurance coverage:** The types and amounts of coverage a policyholder purchases affects how much the policyholder's premium will be.
- **NEVER race or religion:** It is illegal to use either race or religion to price any insurance policy.