

What really determines your car insurance rates? After analyzing 2 billion car insurance quotes over two years, Consumer Reports found insurance premiums often have little to do with driving habits. In fact, depending on the insurance company, your credit score can affect discounts on your policy by as much as 90 percent.

- Insurers use your credit score to determine the likelihood you will file a claim. The lower it is, the higher your premium.
- Insurance companies, typically on a semi-annual or annual basis, may send you a notice just before drastically increasing the rate of your insurance because of a lower credit score.
- You can request an “extraordinary life circumstance exception” if you receive an adverse action notice. This action notice asks the insurer to not use your credit score when determining your rates. Essentially, this is an exception for an event that drastically changed your credit score (divorce, death in the family, etc.).
- Your sensitivity to price may also be a factor. Car insurance companies keep detailed records on other purchases you make to determine how sensitive you might be to price increases or certain price ranges.

## THE CREDIT DOS & DON'Ts



**DON'T** apply for credit that insurers penalize you for. Department-store and retailer credit cards, instant credit offerings and credit accounts from local auto stores.



**DO** use national bank issued credit cards.



**DON'T** request frequent credit reports. Avoid situations that make frequent credit inquiries appear on your credit report and avoid frequently opening new lines of credit.



**DO** keep your balances low on your existing lines of credit.



**DON'T** let your auto insurance lapse for more than 60 days. Many insurers tack on enormous fees for persons who have not been consistently insured.



**DO** shop around for insurance frequently, especially if:

- Getting married
- Graduating with a degree
- Buying a home and bundling (depends on insurer)
- Got rid of the sports/luxury car for a minivan
- Completing a “mature driver’s education class”
- Your child is going away to college and not taking their vehicle with them.

## ADDING A TEEN

- When adding a teen driver to your policy, make sure you shop far and wide. Savings differ dramatically between insurers so don't assume that because your previous rate was competitive, that it still is after adding your new driver.
- See if there are any discounts for students with good grades or other non-driving behavior.
- Consider not purchasing your teen their own car. Insurers will assume that your teen is going to drive more with their own car and will charge you more. Instead, allow them access to your car so insurers assume they won't be driving very frequently. If you do buy them a vehicle, consider an older model to lessen your costs.

# MORE TIPS

## Assess Your Needs

Stay on top of what you're paying. It's easy to pick a policy and forget about it, but if you stay on top of changes with your insurance needs you can save thousands of dollars over time.

## Coverages

Make sure you know exactly what you are paying for! A simple and easy way to get cheaper auto insurance is to opt out of the extras you don't really need.

## Insuring Older Vehicles

If you drive an older car and want to revamp your auto insurance needs, there is a quick way to find out if you're paying too much. Check your car's value on a website like kbb.com (Kelley Blue Book) or ask an auto dealer or bank. If your annual insurance premiums for collision and comprehensive insurance are more than 10 percent of your car's value, then it's time to talk to your agent about dropping these coverages. For example: if your vehicle is worth \$4,000 and your deductible is \$500, your likely payoff is \$3,500. If your annual comprehensive and collision premiums exceed \$350, it's time to drop them. In general, you will save around 13 percent insuring a five-year old car versus a current model.

## Deductibles

The most common way individuals are able to save on car insurance is to raise your deductible (the amount of money you'd have to pay out of pocket following an accident). This can be risky, but if you don't drive often, or are confident in your abilities, raising your deductible from \$500 to \$1000 could save about \$150 per year.

## Check for Discounts

Always check for discounts when looking into car insurance. Odds are, if one company has a safe driver discount, another company will either have something similar or be willing to offer you that same discount to keep your business. Many companies offer group discounts; check if you are eligible for discounts based on membership in an organization, alumni groups, or place of employment. Some offer multiple car discounts if you insure a number of vehicles in your household. Completion of driver education courses, good student drivers under age 25, and mature drivers (between 50 and 65 years of age) can help lower your costs.

## Bundle Your Insurance Needs

Some companies offer discounts when you bundle other insurance needs such as homeowners or renters insurance. This is a good method for saving money on auto insurance because it usually follows with incentives to keep your business.

## Vehicle Safety and Other Features

Many insurance companies offer significant discounts on vehicles equipped with safety features such as air bags, anti-lock brakes, daytime running lights, and anti-theft devices. They may also charge less for a policy on a six cylinder engine versus a vehicle with an eight cylinder engine. Consider these facts when buying a car.

## Deal with a Reputable Company

Make sure the company is right for you; sometimes the cheapest is not always the best. Simply search the provider you are interested in and see what kind of cases they've faced. <https://eapps.naic.org/cis/index.do>. You can also find statistics on their complaint status at: <http://difs.state.mi.us/complaintstats>

## Filing a Complaint

If you have a complaint about your insurance company the Office of Consumer Services within the Michigan Department of Insurance and Financial Services (DIFS) can help. They provide consumer information and investigate consumer complaints against insurance companies. They work to respond promptly and completely to consumers' insurance questions and complaints, assist consumers in resolving those complaints whenever possible, and help consumers understand their options. Visit their website: <http://www.michigan.gov/difs>  
Fill out your complaint form here: [http://www.michigan.gov/documents/cis\\_ofis\\_comp\\_all\\_25074\\_7.pdf](http://www.michigan.gov/documents/cis_ofis_comp_all_25074_7.pdf)

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