

5 Auto Insurance MYTHS

1

The color of your car determines your auto insurance costs.

Your auto insurance costs are not based on the color of your car at all; in fact, the most important factor to consider is the type of car you select. When it comes to your car alone, auto insurance premiums are based, in part, on the purchase price of the car, its safety record, the engine size and body type, the repair costs, and the likelihood of theft. So while the make and model do factor into your costs, the driver is also an important part of the equation. Insurance premiums are also based on the age of the driver, driving record, and a driver's credit history. The key takeaway: before you buy a new or used car, do some research and check into the insurance costs.

2

As you get older your auto insurance rates will increase.

You might be surprised to learn that mature drivers can actually qualify for a number of discounts on their insurance premiums. Many drivers over the age of 55 can qualify for reduced rates if they successfully complete an accident prevention course or defensive driver training. Moreover, if you are retired or work part-time, you may also be eligible for a discount of up to 5 percent on your auto insurance. West Bend's Home and Highway Association Plus program provides discounted pricing to members of participating associations, corporations, and other special groups, including individuals who belong to a membership organization for people ages 50 and over.

3

Credit score does not affect insurance rates.

Your credit-based insurance score is important in the evaluation of your insurance rates. An insurance score measures how well you manage your financial affairs, not your financial assets. Many insurance companies will consider your insurance score if you decide to purchase, change, or renew your auto insurance coverage. The good news is that most individuals have good credit and good credit history, which means that in many cases, insurance costs are lower when insurance scores are included in the pricing equation.

4

Auto insurance covers you if your car is stolen, vandalized, or damaged by hail, falling tree limbs, flood, or fire.

If you want to fully protect your vehicle from all types of damage, it is important to know that comprehensive and collision coverage are optional. While many lenders require drivers to purchase comprehensive and collision coverage as a condition of a car loan agreement, many individuals drop comprehensive coverage as their vehicles depreciate because they figure these cars are not even worth repairing. But remember that comprehensive insurance is required to cover vandalism and falling tree limbs. Dropping these coverages may make sense for you only if your car is worth less than \$1,000, or less than 10 times the insurance premium.

5

The minimum amount of liability insurance, as required by law, is enough.

Almost every state requires drivers to purchase a minimum amount of auto liability coverage, but in most cases, the coverage is not adequate. If you are involved in an accident, chances are that you will need more than the minimum limits to cover your accident costs, which means your out-of-pocket costs could be very high. The insurance industry and consumer groups generally recommend that all drivers purchase a minimum of \$100,000 of bodily injury protection per person and \$300,000 per accident.