



NEWS

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FIVE ECONOMIC TRENDS THAT MAY IMPACT YOUR CAR INSURANCE COSTS

Atlanta – Financial challenges have forced many consumers to make lifestyle changes to adapt to the current economy. From changing jobs to moving to a different house to downsizing vehicles, Americans have made decisions that impact unexpected areas of their life – like car insurance. According to an April 2011 survey released by the National Association of Insurance Commissioners (NAIC), in the past year 53 percent of Americans have made an economic-driven change that could impact the cost of their car insurance.

The survey found the most common car-related, money-saving lifestyle changes consumers made in the last 12 months that could impact their insurance costs were:

- Nearly 40 percent of respondents are driving less overall and/or taking public transportation more frequently.
- Close to 20 percent of car owners traded in a vehicle for a lower-priced model or got rid of a second vehicle entirely.
- Almost 20 percent of drivers have reduced or cancelled their car insurance coverage for immediate financial relief, some without realizing the effect this decision could have on future premiums and devastating economic consequences if they were to be at-fault in an accident while being uninsured.

“Choices such as driving less, switching jobs, or even paying off a vehicle can save – or cost – on your car insurance,” says Georgia Insurance Commissioner Ralph T. Hudgens. “When determining where to cut spending now, it’s important to consider the big picture. Some changes will save in unexpected ways, while others may increase your cost down the road. It’s important to understand what affects auto insurance rates so you don’t overlook opportunities to save or accidentally make a choice that provides only temporary savings.”

Economic-Driven Lifestyle Choices That Can Affect Auto Insurance Costs

- **YOU MOVED** – Whether by choice or necessity, many consumers relocated over the past year. If you downsized homes, took advantage of record low interest rates, or were forced to move due to foreclosure, a change in zip code may affect your auto insurance premium.
 - Where you live could impact your premium, depending on crime statistics in the area. Garage versus street parking can also impact your premium. In 2009, 17 percent of Georgians moved, and there were 327,713 new vehicle registrations in 2010.
 - Moving to another state can affect costs as states vary in their minimum liability, and perhaps no-fault, coverage requirements – some allow injured parties to sue for damages and others are no-fault states.

- **CHANGED CARS** – Car ownership can be a hefty expense. Whether you chose to purchase a less expensive car, pay off a current vehicle, or if you purchased a “starter” car for a teenage driver, expect car insurance rate changes.
 - The make and model of your car affects your premium. Whether trading in a higher-priced vehicle, looking for a hybrid to save gas or making a purchase for a new teenage driver, be sure to get quotes from your insurance company before signing the paperwork.
 - A car with a lower resale value is usually cheaper to insure because you will pay less for collision and comprehensive coverage, which protects against vandalism, hail, fire, or animal accidents.
 - If you pay off a current vehicle, you may be able to select a higher deductible or eliminate your collision coverage.
 - If you have added a car to your family, be sure to ask about a multi-car discount.

- **SWAPPED JOBS** – With unemployment still hovering around 9.8 percent in Georgia, many consumers have been impacted by a job loss. Finding employment in the current economy has been challenging, causing some consumers to create flexible work situations or even to relocate for the right position. Others remain unemployed and struggle to make ends meet. Within Georgia, 460,172 people remain unemployed as of May, 2011. Each of these unique situations can have an impact on car insurance costs:
 - Some consumers now have a longer or shorter commute after turning to occupations they could do from home, or relocating for a job. Others chose to stop payment or cancel car insurance. Causing an accident without adequate insurance protection could have devastating financial consequences for you and your family. If an insurer will not be compensating accident victims, a court may order the sale of your house or other assets to pay for the victim’s damages. Further, this decision will likely result in higher costs if insurance is reinstated in the future. When you allow coverage to lapse, you lose renewal/continuous coverage discounts, and when you choose to reinstate the policy the insurer may consider you a higher risk.

- **DRIVING LESS** – Since your car insurance premium is partially based on annual mileage, driving less equals paying less. According to the NAIC survey, almost 40 percent of consumers drove less in the past year choosing instead to carpool, walk or take public transportation more frequently. Check with your insurance carrier for a low mileage discount. Some companies also offer pay-as-you drive pricing in certain states.

- **DAMAGED CREDIT SCORE** – Whether consumers have fallen behind on bills or made a purchase they could not afford later, financial decisions that affect credit-based insurance scores may impact insurance rates. Most states allow insurers to use certain elements of credit history as one of several factors to predict the likelihood of future losses. Having a poor credit-based insurance score can result in higher premiums or, in some cases, the inability to secure insurance through some carriers.
 - The NAIC survey found more than one-third of consumers did not realize their credit-based insurance score can be used to determine auto insurance premiums.

Checking with the Georgia Insurance Department before making key financial decisions is an easy way to protect yourself and assure you have the right coverage for your lifestyle. You can find Georgia Insurance Commissioner Ralph T. Hudgens at www.oci.ga.gov. For more tips on how to lower car insurance costs or additional information about the choices in auto insurance coverage, you can also visit www.Auto.InsureUonline.org.

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