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# What Drives Personal Auto Insurance Rates?

If you drive a vehicle, you are required by law to have personal auto insurance. But why do we need it?

Consider hitting a car and injuring three passengers. If both your vehicle and the other vehicle are valued at \$20,000 and considered total losses, and each passenger has medical claims of \$20,000, this quickly adds up to \$100,000! That's an amount most individuals wouldn't want to have to include in their annual budgets.

The function of insurance is to accept the risk from many people to pay for the losses of the few. Personal auto insurance protects drivers from having to personally pay for all the damages they are responsible for resulting from an auto accident. Even though you paid your insurance company much less in premiums, the insurance company pays these higher amounts on your behalf based on your policy coverage.

## How does an insurance carrier determine how much to collect in premium?

Insurance companies use complex rating models to help evaluate your risk and likelihood for loss. There are a variety of factors specific to your policy that might be used. Most people are aware that your driving record, including any accidents or violations you have, can increase your costs. Other personal factors might include:

- Type of vehicle you drive
- Your age and gender
- Where you live
- How many miles you drive
- Your insurance score (credit score)

There are also external factors that affect insurance costs around the nation. A recap of some of these reasons include:

- Increases in distracted driving
- Increases in accidents and claims reported
- Claims payments are rising faster than inflation, as costs to fix cars, property and people are on the rise
- A higher number of cars and drivers on the road creates a higher probability for accidents

Many pricing models for personal auto didn't expect the quick escalation of these factors. When current premiums are too low to generate an adequate rate for the risk, prices go up.

Contact a [Scott Personal Insurance Account Executive](#) to find out more about auto rates, including what you can do to save money.

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*This content originally appeared on The Central Insurance blog at [blog.central-insurance.com](http://blog.central-insurance.com).*