



Maryland

INSURANCE ADMINISTRATION

CONSUMER ADVISORY

AUTOMOBILE INSURANCE RATES: WHAT IMPACTS MY COST & WHAT CAN I DO ABOUT IT

When you apply for auto insurance, the insurer will ask for information about you to evaluate your individual risk characteristics. These individual risk characteristics assist insurers in determining whether you will be in an auto accident in the future or will file a claim for damages. Insurers evaluate these characteristics to see whether their guidelines, known as underwriting guidelines, permit them to write a policy for you.

If the insurer's underwriting guidelines allow a policy to be written for you, the insurer will then charge a rate based on your individual risk characteristics. Some risk characteristics that insurers rely on to determine rates include:



- **Your driving record.** Insurers are not allowed to increase your rate based on accidents or traffic violations that are more than three years old. Insurers may consider traffic accidents and traffic violations that have happened in the past three years in determining your risk. If your driving record is less than perfect, then you will be considered a higher risk and will pay a higher premium.



- **Geographic area.** The number of claims filed by policyholders in your geographic area affects the rates charged by insurers. Counties or zip codes are commonly used geographic areas.
- **Gender and age.** Males and young adults are more likely to have accidents; therefore, your gender and age will affect your rate. Rates generally decrease at age 25 and may increase as you approach age 50 or 55.



- **Marital Status.** Married individuals are less likely to have accidents and claims; therefore, married individuals generally pay lower premiums than single people.



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- **Prior insurance coverage.** Most insurers ask about your insurance history, including whether or not you currently have coverage or whether or not you have ever been cancelled or nonrenewed. Some insurers require individuals to pay higher premiums if there has been any lapse in insurance coverage. However, insurers are prohibited by law from denying insurance because an applicant was previously insured by the Maryland Automobile Insurance Fund.
- **Annual mileage.** Insurers will also calculate your premium based on the average distance you drive on an annual basis. If your annual mileage is high, then insurers will consider you a greater risk and will charge you a higher premium.
- **Age, make and model of vehicle.** Premiums are also based on your vehicle's age, make, model and value. Certain makes and models of vehicles – when involved in accidents – cause or permit greater levels of bodily injury, sustain greater levels of damage, and are more difficult and costly to repair. Insurers charge a higher premium to insure those makes and models.
- **Credit history.** Some insurers review an individual's credit history when determining that person's premium. For instance, bankruptcies, late payments and the number of credit cards you have may result in a higher premium. Insurers must follow specific laws when using a consumer's credit history to underwrite or rate an auto insurance policy.

Those laws state that an insurer may not:

- Increase a renewal premium based on the credit history of the insured;
- Apply a surcharge of more than 40% based on credit history; or
- Use the following factors to rate a policy: the absence of or inability to obtain credit history, the number of credit inquiries, or any factor that is more than 5 years old.

Additionally, you have the right to request that your insurer recheck your credit history once per policy period. If your credit history has improved, the renewal premium may be reduced. However, if your credit history has deteriorated, this information cannot be used to increase your premium.

You can review your credit report to become informed about your standing when you apply for certain credit and certain types of insurance. You also may correct any errors you discover in your report. You can review these reports at no charge every 12 months. For questions, to make corrections to your credit report, or to access information about how to obtain free copies of your credit reports, you should contact the Federal Trade Commission at www.ftc.gov.

Compare the premium you are paying to what another company might charge you. Refer to our “Automobile Insurance: A Comparison Guide to Insurance Rates” at <https://insurance.maryland.gov> or call 410-468-2000 to obtain a copy. You can also use our Interactive Auto Insurance Rate Guide at <https://insurance.maryland.gov/Consumer/Pages/Auto-Insurance-A-Comparison-Guide-To-Rates.aspx>. Make sure you compare policies that have the same coverage.

HOW CAN I SAVE MONEY ON MY AUTOMOBILE INSURANCE POLICY?

Many insurers offer discounts. You should ask your insurance company or insurance producer (agent or broker) about any available discounts before purchasing or renewing your auto insurance policy. Not all insurers offer the same discounts but some of the most common ones include:

- **Good driving record.** Insurers may consider traffic accidents and traffic violations that have occurred in the past three years in determining what to charge you. If your driving record is less than perfect, then you may be considered a higher risk and might pay a higher premium.
- **Safety devices.** Frequently discounts are offered for devices that limit bodily injury or property damage caused by accidents. Such devices can include anti-lock brakes, automatic safety belts or air bags.
- **Anti-theft devices.** Car alarms and other theft-deterrent devices may also result in a discount.
- **Multiple policies.** Although an insurer cannot require you to buy a homeowners insurance policy when you purchase an automobile insurance policy, some insurers offer discounts to policyholders who purchase both automobile and homeowners policies. In addition, insurers may offer discounts if you have more than one vehicle insured with the insurer.
- **Good student.** Many insurers offer discounts to students who maintain at least a B average.
- **Driver Education Courses.** Many insurers offer discounts for the completion of a driver education course.
- **Renewal Discount.** Some insurers offer a discount to policyholders who have maintained continuous coverage with the insurer for a specified number of years.
- **Memberships or employment discounts.** Insurers may offer discounts to members of certain organizations such as credit unions, shopper's clubs or alumni associations. You also may be eligible to receive a discount through your employer.

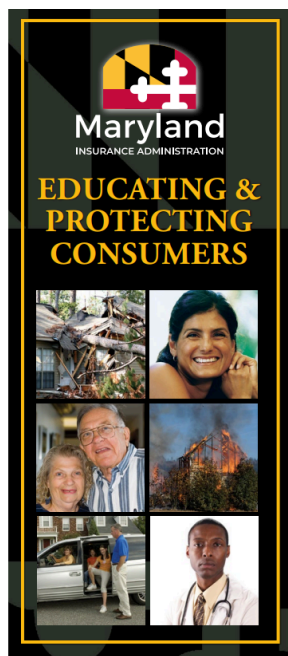


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- **Consider whether you want to maintain comprehensive and/or collision coverage.** If your vehicle is older and has been paid off, you may want to consider dropping these coverages to reduce your premium. However, if you drop these coverages and your vehicle is damaged in an accident that you cause, or if it is stolen, vandalized or you collide with an animal, you must pay for the repair.
- **Review your deductible.** The deductible is the amount you agree to pay in the event your vehicle is damaged. Raising the deductible on your policy generally will decrease your premium. If you select a high deductible, you will pay more money out of pocket for any damage; however, your insurance premium generally will be lower.



ABOUT THE MARYLAND INSURANCE ADMINISTRATION



The Maryland Insurance Administration (MIA) is the state agency that regulates the business of insurance in Maryland. If you feel that your insurer or insurance producer acted improperly, you have the right to file a complaint. The MIA can investigate complaints that an insurer or insurance producer has:

- Denied or delayed payment of all portions of a claim
- Improperly terminated your insurance policy
- Raised your insurance premiums without proper notice or in excess of what the law allows
- Made false statements to you in connection with the sale of insurance or the processing of insurance claims
- Overcharged you for services, including premium finance charges

Contact the Maryland Insurance Administration at:

200 St. Paul Place, Suite 2700

Baltimore, Maryland 21202

410-468-2000 | 800-492-6116 | 800-735-2258 TTY



<https://insurance.maryland.gov/Consumer/Pages/FileAComplaint.aspx>



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