Know Your Insurance

Auto

Courtesy of **HGI Solutions**

With the rising costs of car insurance, it looks like your credit score might be playing a role. Let's dive into why that might be happening.

Key Points:

- Car insurance prices have spiked by 26% from last year to this year, as reported by Bankrate.
- The onset of high inflation in 2020 has led to increases in the costs of vehicles and their parts.
- Personal factors, including your credit score, can significantly influence these rising costs.

If you've noticed your car insurance costs rising, you're not alone. Inflation is a major factor, but your credit score might also play a role.

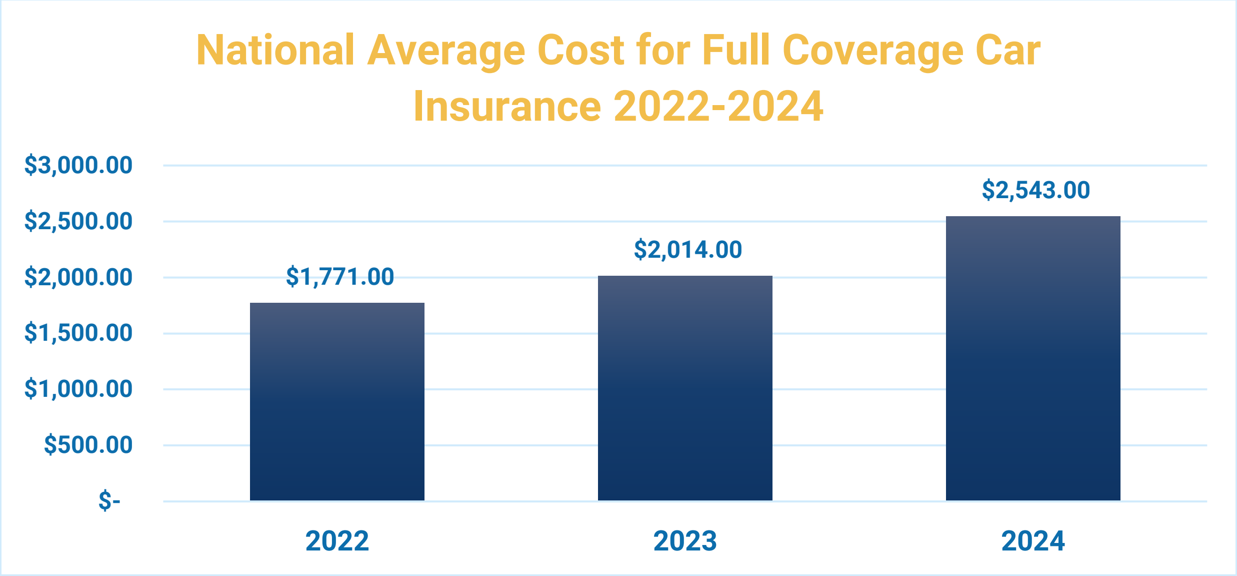

Figure 1 Sourced from Bankrate's article [The True Cost of Auto Insurance in 2024]

Bankrate reports that the national average cost for full-coverage car insurance has climbed to $2,543 per year, up from $2,014 in 2023 and $1,771 in 2022. This represents 3.41% of the median household income, a significant portion at a time when many are facing higher prices.

Shannon Martin, an analyst at Bankrate, highlighted a 26% increase in insurance costs between last year and this year. She attributed this surge to a combination of factors, including the inflation-driven rise in vehicle and parts costs, an uptick in extreme weather claims, and a 10% increase in car crash fatalities in 2021.

As a result, insurance companies are working to recover these losses while also predicting and preparing for future risks.

Your credit score can have a significant impact on your car insurance costs, regardless of where you live. Several events can lead to higher premiums, with adding a teenage driver being the costliest, according to Bankrate. This addition can result in an extra $2,878 added to average annual premiums, surpassing even the impact of a drunk driving conviction, which can add an average of $2,247.

A decrease in your credit score from good to poor can also lead to a substantial increase in average annual costs, amounting to $1,795. This effect can be more significant than receiving a speeding ticket, which adds $523 in average annual costs, or experiencing a lapse in auto insurance coverage, which prompts a $276 increase.

The good news is that there are steps you can take as a driver to help reduce some of these increases. To decrease your premiums, we suggest the following:

- Improve your credit score. Refer to this article from Experian, How to Improve Your Credit Score. If you are successful, call us to see if we can rerun this with your carrier.
- Utilize carrier telematics options and get discounts up to 18%. This gives some control over your premiums back to you and based on your driving.
- If you have a teenage driver:
    - Have them take an extra driver training class.
    - Report their grade point average for a good student discount.
- Bundle your insurance policies. Call us to see if placing your home and auto insurance with the same carrier. If they are currently with different carriers, there is likely a reason, but we can revisit that for you.
- Drive less miles if possible. Review your current milage with us for every driver so we can adjust this if needed.
- If possible, pay your premiums in full versus installments.
- Increase your deductibles. (Ensure you have enough money at any given time to pay the new deductible amount out of pocket.)