Economic Skills

Unit 2 – Independent Living

Average Auto Insurance Costs

Insurance companies use enormous amounts of data to determine how certain factors make an individual more or less likely to file an insurance claim.

**Basic Demographics**

Your age, sex, and marital status all weigh heavily on how much car insurance costs. For example, an unmarried male under 25 pays more than an 40 yr-old married female, as she is statistically less likely to file a claim.

**The Type of Car You Drive**

Insurance companies assign risk based on the type of car you drive; if you drive a sensible family car (think: minivan) you probably won’t pay as much as someone who drives a high-performance sports car. A used car will almost always be cheaper to insure than a new one because it’s usually worth less. And anti-theft devices such as alarms, anti-lock brakes, and other safety-focused equipment can also lower insurance premiums.

**Your Driving History**

The more tickets and violations you have, the higher your rates are going to climb. Some tickets will be worse than others: For example, if you’re cited for DUI or reckless driving, your insurance premium could nearly double. Speeding or running a red light will still raise your rates, but much less. In fact, your insurer may not raise your rates after one speeding ticket. The increase you see may also partially depend on how fast you were going. The average bump is 21% if you were caught going up to 15 mph over the speed limit, but that rises to 30% if you were going 31 mph or more over the limit.

**The Amount of Coverage You Choose**

The maximum amount your insurance company will pay in the event of a claim will weigh heavily on what you pay. If you limit is written as $50,000/$100,000, it means your insurer will pay up to $50,000 per person and $100,000 per accident. Your deductible is how much you’ll pay out of your own pocket when you make a claim. A common deductible is $500, but they can go as low as around $100 and as high as $2,000.

You’ll be required to have a certain minimum limit of insurance coverage depending on where you live. Maine mandates that all drivers in the state hold a minimum of $50,000 coverage for bodily injury or death, per person,

$100,000 for total bodily injury or death, per accident, if multiple people were injured in an accident, and at least $25,000 for property damage.

In addition to these liability minimums, Maine also requires all vehicle operators to hold a minimum of $2,000 of medical payments coverage on their auto insurance policy. This coverage helps pay for accident-related medical or funeral expenses, including hospital, X-ray, chiropractic, and surgical expenses. Medical payments coverage will cover these expenses regardless of whether you are found to be at fault for the accident or not.

Uninsured motorist coverage, sometimes referred to as (UM), is mandatory for all Maine drivers. This coverage protects you if you are the victim of a hit-and-run accident, if the at-fault driver in your accident does not have insurance, and/or if the at-fault driver has insurance limits that are too low to cover your expenses. Uninsured motorist coverage also pays for expenses of your family members or your passengers who were hurt while in your car. Uninsured motorist coverage does not pay for any accident-related property damage.

But just because you are only legally required to have a certain amount of coverage doesn’t mean it’s a good idea to carry only the minimum, even if that will save you money. That’s because if someone’s medical or property damage bills exceed your ability to pay when you’re at fault you could lose your assets, such as your savings or even your house.

**The Type of Coverage You Choose**

Personal injury protection (PIP) helps pay for your or your family’s medical bills after a crash, but it’s probably not necessary if you and your family have adequate health insurance. Comprehensive and collision coverage will be required if you’re financing or leasing your car, but are optional if you own your car. Comprehensive covers damage to your vehicle from such things as car theft and vandalism. Collision covers actual crash-related damage to your vehicle.

**Where You Live**

Location also has a huge impact on your car insurance rates. For example, Michigan is the most expensive state for car insurance premiums because residents get unlimited lifetime personal injury protection for medical expenses resulting from crashes. Montana comes in second because crash fatality rates are very high and insurance companies think driver safety laws are too lax in that state. Densely populated areas where you’re at more risk for an accident like Washington, DC and New Jersey are also among the most expensive states for insurance. Car insurance costs are high in areas such as Louisiana, which is prone to natural disasters, which often damage cars.

Luckily for us, Maine is usually one of the lowest insurance rate states. Maine has very few large urban areas, so traffic is usually not a problem, which keeps down accident rates. Maine also doesn’t usually suffer from major weather incidents like tornadoes and hailstorms, which can do expensive damage to cars. And Maine drivers take their insurance responsibility seriously - only 4.7% of its drivers are uninsured - when everyone is insured, prices go down.

**How much is car insurance? A state-by-state breakdown**

Below is a listing of average car insurance expenditure by state, drawn from 2012 data from the National Association of Insurance Commissioners. This figure is determined by taking the total amount collected in each state for liability, comprehensive, and collision premiums and dividing it by the total number of insured vehicles.

***National Average: $815***

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| **State** | **Average spent on car insurance (rank)** |
| Alabama | $659 (37) |
| Alaska | $873 (13) |
| Arizona | $781 (18) |
| Arkansas | $679 (35) |
| California | $749 (22) |
| Colorado | $737 (25) |
| Connecticut | $986 (9) |
| Delaware | $1,065 (6) |
| District of Columbia | $1,154 (2) |
| Florida | $1,127 (4) |
| Georgia | $768 (20) |
| Hawaii | $735 (27) |
| Idaho | $534 (51) |
| Illinois | $731 (28) |
| Indiana | $637 (40) |
| Iowa | $561 (49) |
| Kansas | $632 (42) |
| Kentucky | $759 (21) |
| Louisiana | $1,112 (5) |
| **Maine** | **$582 (47)** |
| Maryland | $966 (11) |
| Massachusetts | $976 (10) |
| Michigan | $1,048 (7) |
| Minnesota | $718 (29) |
| Mississippi | $748 (23) |

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| **State** | **Average spent on car insurance (rank)** |
| Missouri | $683 (34) |
| Montana | $658 (38) |
| Nebraska | $616 (44) |
| Nevada | $906 (12) |
| New Hampshire | $716 (30) |
| New Jersey | $1,129 (1) |
| New Mexico | $695 (32) |
| New York | $1,152 (3) |
| North Carolina | $611 (45) |
| North Dakota | $576 (48) |
| Ohio | $634 (41) |
| Oklahoma | $737 (26) |
| Oregon | $741 (24) |
| Pennsylvania | $827 (16) |
| Rhode Island | $1,034 (8) |
| South Carolina | $772 (19) |
| South Dakota | $556 (50) |
| Tennessee | $673 (36) |
| Texas | $858 (14) |
| Utah | $713 (31) |
| Vermont | $642 (39) |
| Virginia | $691 (33) |
| Washington | $809 (17) |
| West Virginia | $846 (15) |
| Wisconsin | $598 (46) |
| Wyoming | $618 (43) |

*Revised and adapted from “How Much Does Car Insurance Cost?” by Saundra Latham,* [*http://www.thesimpledollar.com/how-much-does-car-insurance-cost/*](http://www.thesimpledollar.com/how-much-does-car-insurance-cost/)