



Auto Insurance: Common Myths

By John D. Doak, Oklahoma Insurance Commissioner

Whether purchasing auto insurance for the first time or conducting an annual review of your coverage, it's a good idea to do your homework and not believe everything you hear. Differentiating between fact and fiction will give you a good start on securing the best insurance policy for your vehicle.

Myth: Your credit has no effect on your insurance rate.

Fact: Many insurance companies take your credit-based insurance score into consideration.

It is common for your insurance score to be based on your credit. An insurance score is a measure of how well you manage your financial affairs and this is taken into consideration when you want to purchase, change or renew your auto insurance coverage. When you have good credit, generally you will pay less for insurance if the insurance scores are entered into the pricing equation.

Myth: Any insurance policy will cover you if your car is stolen, hit by an uninsured driver, vandalized or damaged by falling tree limbs, hail, flood or fire.

Fact: Only comprehensive coverage will protect you from those disasters, but it's an optional coverage.

Both comprehensive and collision coverage are optional and will increase the cost of your premium. However, if you finance your vehicle, many lenders require you to carry full coverage on the vehicle. If you drive an older car or one worth less than \$1,000, it may not be cost effective to purchase full coverage. But having both collision and comprehensive coverage is the best way to fully protect your vehicle from all types of damage.

Myth: You only need the minimum amount of auto liability insurance required by law.

Fact: State laws require a minimum liability amount to be a legal driver; however, this likely will not be enough coverage in the case of an accident. In Oklahoma, the minimum liability coverage is 25/50/25, or \$25,000 of bodily injury protection per person, \$50,000 per accident and \$25,000 of property damage protection. Accidents often cost more than these minimum limits and buying only the minimum amount of liability means you will

likely pay more out-of-pocket for losses incurred from an accident. A general recommendation from the insurance industry is to carry a minimum of \$100,000 of bodily injury protection per person, \$300,000 per accident and \$100,000 of property damage or 100/300/100.

Myth: If other people drive your car, their auto insurance will cover them in the event of an accident.

Fact: The car owner's insurance will provide physical damage coverage because comprehensive and collision coverages are specifically linked to the car. In Oklahoma, and most states, the car owner's liability insurance also follows the car as long as the owner gave the driver permission to drive. If the owner failed to obtain liability insurance, the driver is required by law to carry liability insurance.

Myth: Color determines the price of auto insurance.

Fact: The type of vehicle purchased impacts the price of the policy.

A long-standing myth regarding the cost of auto insurance involves the color of the vehicle. For years, many have upheld the belief that a certain color of car will make insurance premiums higher. For example, red cars have been associated with speeding or aggressive driving and thus have been associated with higher insurance premiums. The fact is, it doesn't matter what color the vehicle is, only what type. Auto insurance premiums are based on make, model, body type, engine size, the age of the vehicle and the age, driving record and credit history of the driver. Premiums are also based, in part, on the car's sticker price, the cost to repair it, its overall safety record, and the likelihood of theft. Simply put, insurers have no interest in the color of a car, but they do want to know if you have had any previous car accidents, the number of miles you drive annually and where you live.

If you ever have any insurance-related questions, please contact the Oklahoma Insurance Department's Consumer Assistance Team at 1-800-522-0071. You can also visit http://www.ok.gov/oid/Consumers/Insurance_Basics/Auto.html for more information on choosing an auto insurance policy.