

Saving on Car Insurance

The average cost of owning and driving a car 15,000 miles a year is \$8,121 according to AAA. SUVs are even more expensive at \$10,448 a year. And both of these quotes were from the days before \$4.50 a gallon gasoline. This includes gas, insurance, maintenance, registration, depreciation, and financing. Who can afford to drive?

Car insurance is a big part of these driving costs. But it's important to remember why we have insurance—to protect us from financial problems that may arise if we have an accident. Though we'd often like to ignore the necessity of sending that check to the insurance company, Alaska law says that we must carry at least liability insurance on any car. Don't neglect insurance, the penalties if you are caught without coverage are steep. But there are ways to reduce the cost you pay each month.

First, study up on what you are paying for. There are three basic types of car insurance: comprehensive, collision or liability. Comprehensive covers theft, vandalism, malicious mischief, animals and glass. Collision covers anything you collide with other than an animal and your car's damages. Liability covers the other vehicle when you hit it.

If your car isn't paid for, your loan company will require that you carry collision insurance on your vehicle. They are trying to protect their investment in your car as well.

If your car is paid for and doesn't have a high value, it may be time to drop the collision and comprehensive insurance on your car. You'll pay far more for collision insurance than you will ever get in a claim. If you drop collision and only carry liability, you may reduce your premium by one-third. It's a good practice to check the value of your vehicle on line before deciding to drop the collision insurance.

If you are in the market for a new car, keep your insurance company on speed dial and ask them what each car you are considering will cost to insure. There are wide differences in rates based on the type of vehicle, the horsepower, and sometimes even the color. Ask for quotes before purchasing!

The other easy action is to raise your deductible, the amount you pay before your insurance kicks in. Increasing your deductible from \$250 to \$1000 may save you between 15 and 20% on your premiums. But make sure you have enough money in an emergency account to cover the \$1000 in case you have an accident. If you have to resort to costly credit cards to pay that deductible, you'll pay far more in the long run.

When shopping around for auto insurance, check first with the company that holds your house or renter's insurance. Many companies give up to a 15% discount for multiple-line policies.

Check those membership cards. Some of these may entitle you to special discounts. Years ago, I had a policy with a group called Ag Workers. They had excellent insurance and only insured people who worked in the Agricultural Industry. This group had lower

accident rates, so I had lower premiums. AARP, alumni associations, and some unions are groups that have special discounts.

Shop around for your car insurance. I've been with the same company for 10 years, but I still check with other companies every couple of years to make sure I'm getting the best deal for me. Rates vary widely from insurer to insurer, so check things out. Use a comparison site like InsWeb.com to see if you are getting the best deal.

A reputable insurance company is essential. When you are checking with new insurance companies, check their rating. They really shouldn't have less than an "A" rating, and of course, it is preferable that it is an "A+". There are two major rating companies, A. M. Best and Weiss. Ask your company what their rating is.

Shopping around is particularly important for young adults because their rates could drop as they approach 25 or older, build up their credit rating, start a career, or get married. Insurers reward customers who are responsible. Also some insurance companies offer special deals for young drivers if they have good grades, keep a log of their driving habits, attend special classes, or other projects to improve their driving skills. Ask your company if they have special programs that can reduce your costs.

Do you pay for your insurance monthly? The best rates come with a semiannual premium or with automatic payments. So think about changing the way you make your insurance payment.

I hate to mention credit scores, but these are important as you shop for insurance. The lower your credit score, the higher your insurance rate. So keep watch on those scores.

Most important, watch your driving! The lowest cost premiums go to those with the lowest accident rates. When I had teenaged drivers in my house, I saw my insurance increase four fold one year when we had a rash of accidents. It took nearly four years for the premiums to return to the lower rate.

Insurance is necessary from both a legal and a financial standpoint. Make sure you are getting the best deal for your money.