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## Consumer guide: Auto insurance

### Rates are going up, but experts say smart shopping can save you more than \$1,000 a year

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**JOCELYN PARKER**

FREE PRESS BUSINESS WRITER

When Heather Johnson began shopping for auto insurance nearly eight months ago, she went to the Internet, where she thought she'd find the least expensive rates for the Oldsmobile Alero she always wanted to buy.

But the 24-year-old Detroit resident was shocked when she got a six-month quote from Geico for \$7,000, especially because she didn't have any tickets or accidents on her driving record.

"I went online because they (Geico) always advertise that they are the cheapest, but, in reality, they are the most expensive," said

#### Deciding what to buy

Some vehicles cost more to insure because they have a high number of insurance claims for injury, collision and theft.

#### 10 vehicles that cost the most to insure in 2002

1. Mitsubishi Montero Sport

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Johnson, who works for the City of Detroit.

Forget what you hear on TV ads. Getting the best auto-insurance rate really boils down to three key things: the type of vehicle you choose, the kind of coverage you need -- such as collision or comprehensive -- and your shopping techniques. Drivers also might qualify for discounts based on their lifestyle and driving history.

"Shopping around is important. Not all insurance rates are the same," said Frank Fitzgerald, commissioner for the Office of Financial and Insurance Services, which regulates insurance companies in Michigan. "If you're getting quotes that seem high, it shows that you need to do some checking."

Auto insurance rates are based mostly on your driving record, age, where you live, the miles you drive annually, and the make and model of your vehicle.

Michigan buyers have a lot of companies to choose from, including dozens that

2. Chevrolet Corvette Convertible

3. Lexus GS 430

4. Cadillac Escalade

5. BMW 7 Series

6. Honda Civic Coupe

7. Chevrolet Corvette Coupe

8. Mitsubishi Mirage Coupe

9. Toyota 4Runner

10. BMW 5 Series

**10 vehicles that cost the least to insure in 2002**

1. Buick LeSabre

2. Oldsmobile Silhouette

3. Honda Odyssey

4. Buick Park Avenue

5. Pontiac Montana

6. Mercury Grand Marquis

7. Buick Century

8. Chevrolet Venture

9. GMC Safari

10. Oldsmobile Bravada

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do business in the state through offices or online. Consumers can use the Internet, an independent agent, the yellow pages or old-fashioned word of mouth to find insurance carriers.

Buyers should get at least three quotes before picking a company, experts say.

These days, getting the best rate is critical because insurance rates are on the rise. Experts say factors such as an increase in insurance fraud and rising jury awards for accident victims will likely drive costs up this year. Drivers, on average, can save more than \$1,000 a year simply by shopping around and determining what type of coverage they really need, experts say. Johnson called 11 more agencies and changed the type of vehicle she wanted to buy before choosing State Farm insurance. Now she pays about \$2,900 every six months to insure her Chevrolet Malibu.

"My mom had State Farm, and I dealt directly with her agent," Johnson said. "I got a multivehicle discount because we live in the same house. They also gave me a good driver discount."

Source: *Insure.com*

## AUTO INSURANCE LINGO

**B/PPD:** Bodily injury/property damage liability coverage. For example, 25/50/10 means \$25,000 per person per accident for bodily injury, \$50,000 total per accident for bodily injury and \$10,000 property damage per accident.

**Bodily injury liability:** Pays when an insured person is legally liable for bodily injury or death caused by your vehicle or your operation of most non-owned vehicles. This coverage also pays for your legal defense if you are sued.

**Collision coverage:** Pays for loss to your covered vehicle when it collides with another object or overturns. Most auto insurers also will pay for a collision loss to any non-owned vehicle or to a vehicle you have rented other than a vehicle rented for use in connection with your business or employment while that vehicle is in your custody or while you are operating it.

**Comprehensive coverage:** Pays for loss or damage to your covered vehicle caused by any event other than

## Choosing the right coverage

How do you determine what coverage you need?

First and foremost, you must decide what type of coverage is necessary. Adding certain protections such as collision and comprehensive coverage, which protects a car against fire, theft and vandalism, can add to your costs.

There are some types of coverage that are required. Michigan law, for example, says drivers must carry no-fault coverage if they own or lease a car or truck licensed for road use.

No fault includes: personal protection insurance, which pays for personal injury expenses if a driver is hurt in an accident; property damage insurance, which pays for damage done by a driver's car to parked vehicles or fixed properties; and residual liability insurance, which pays when drivers are legally liable for unintentional bodily injury or property damage outside of Michigan.

The cost of a no-fault policy varies depending on

collision. This includes damage resulting from events such as fire, theft, windstorms, floods and vandalism. Most auto insurers also will pay transportation and loss of use expenses under this coverage if your motor vehicle is stolen.

**Deductible:** The amount of each loss you agree to pay. Generally, choosing a higher deductible will lower your premium.

**Good driver:** A driver who has been licensed to drive for the previous three years, who has only one Department of Motor Vehicles point in the last three years (one minor violation like speeding), who has had one (at most) at-fault accidents that caused property damage only during the past three years and who has not been convicted of certain vehicle-related crimes during the past seven years.

Source: 123 Instant Auto Insurance Quotes at [www.123-instant-auto-insurance-quotes.com/glossary.htm](http://www.123-instant-auto-insurance-quotes.com/glossary.htm)

**SHOP AROUND**

the car, your age and how high you set your liability coverage limits. The general rule of thumb is that the more you own -- such as a home, boat or other property -- the higher your limits should be. This protects you from people going after your assets in case of a serious accident.

Experts recommend carrying only no-fault coverage if a vehicle is worth less than \$2,000 because you'll likely pay more for the coverage than you would ever collect on a claim.

You can put the money you are saving by not having more expensive coverage into a bank account. Then you can use the money to pay for damages or a new vehicle in case of an accident. You can literally cut your premium in half by having only a no-fault policy.

If you're buying or leasing a new vehicle, the bank that financed it might require both collision and comprehensive coverage to ensure that the car remains in good condition and that you don't default on payments because you can't make repairs.

As with anything, you have to shop around to get the best deal on vehicle insurance.

Experts recommend you get at least three quotes by checking the Internet, calling an independent agent who can give you quotes from a number of companies and calling an exclusive agent representing one company.

Mary Butler, senior editor for cars.com, suggests buyers use the Internet to get a sense of whether they are paying a reasonable amount for insurance. Some of the online insurance sites include [www.progressive.com](http://www.progressive.com), [www.geico.com](http://www.geico.com) and [www.insweb.com](http://www.insweb.com).

Shoppers also can get quotes from an independent insurance agent. But experts caution that these agents might represent only a select number of companies so you might not get the lowest price.

Michigan drivers can find an agent through groups such as the Independent Insurance Agents and Brokers of America. Contact 800-221-7917 or go to [www.trustedchoice.com](http://www.trustedchoice.com).

State Farm and Allstate

Nevertheless, there are ways to keep the costs down. For instance, you can request a higher deductible - the amount a driver pays when an insurance company pays for the rest of the damage -- to reduce a premium.

are examples of exclusive agents.

*By Jocelyn Parker*

According to Insure.com, increasing a deductible from \$200 to \$500 on collision coverage can reduce your premium by as much as 30 percent -- potentially saving hundreds of dollars.

Finally, you have to decide whether you want all the extras, such as electronic equipment coverage, car-rental coverage and uninsured-underinsured motorists coverage. All those can add to your cost.

Experts recommend that consumers, especially those in the Detroit area, consider adding uninsured-underinsured coverage, which will reimburse a driver if he or she is hit by an uninsured or hit-and-run driver.

"Underinsured motorist coverage is extremely inexpensive," says Tim Ford, an independent insurance agent and president of Modern Insurance Agency. "It costs about \$20 every six months."

About 40 percent of the vehicles in Detroit are uninsured, so it's important to include that coverage, Ford said.

Rental-car insurance could also come in handy because your car could be in the body shop for a month or so for accident repairs. Still, expect it to add \$40-\$50 to your six-month premium. You could get a rental free or pay a small fee depending on the plan you choose.

## **Discounts count**

When discussing a policy with an agent, always ask

about discounts. You can get breaks for things like having a good driving record, driving only a few miles per day, having an anti-theft system in your vehicle and belonging to groups such as Sam's Club, AARP or a college alumni association. Drivers can get 18 percent to 20 percent off their premiums just for belonging to some groups, Ford said.

When you belong to a group "it's perceived that you are a more conscientious person in society and that you are more involved in you community," he said.

## **Consider the vehicle**

Just because you bought a Honda Civic instead of a sport-utility vehicle doesn't mean you'll save much on auto insurance. That's why it's important to consider insurance before you buy a vehicle.

For instance, the Honda Civic Coupe was among the 10 most expensive vehicles to insure last year because of its high theft rate, Insure.com says. Civics are stolen more than other vehicles because their parts carry a high street value, and that drives insurance premiums up. The Mitsubishi Montero Sport, a midsize sport-utility, topped the list of the most expensive vehicles to insure in 2002 because it had the highest number of claims for injury collision and theft.

Drivers under 24 might want to look at something less flashy because they already have their age working against them, experts say. Among the least costly vehicles to insure in 2002 were the Buick LaSabre and Century and the Oldsmobile Bravada.

"My problem is the 20-year-old who wants to drive a 2003 Mustang 5.0," Ford said.

Web sites such as Insure.com provide lists of the vehicles that are the cheapest and most expensive to insure. Insure.com also lists the safest vehicles in 2002, which could help lower your insurance rates.

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INFORMATION FOR LIFE

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