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Not So Fast! Safe Driving Can Mean Big Savings on Auto Premiums

Nationwide Mutual Insurance Co. Explains Pricing Impact of Accidents or Moving Violations

Columbus, Ohio—While the majority of Virginia motorists consider themselves to be safe drivers, they also engage in a number of potentially dangerous activities while behind the wheel, according to a recent poll by Nationwide Mutual Insurance Co. and the State Highway Safety Alliance.

Seventy-six percent of Virginia motorists say they are “always safe” behind the wheel, but a large number of those motorists also admit they speed to beat traffic lights (30 percent), fail to signal before a lane change or turn (33 and 27 percent, respectively), regularly speed more than 10 miles over the posted limit (48 percent), or respond to aggressive drivers (24 percent).

The survey results suggest these actions, coupled with common distractions, such as eating, drinking, smoking, or talking on a cell phone, show drivers are not as safe as they believe. The lack of focus while driving doesn’t only threaten motorists’ safety; it may also affect their wallets.

The cost of paying future claims is among the key factors when companies formulate auto insurance rates. Your personal driving history can have a significant affect on your future auto insurance rates. For example, a single minor violation, such as a speeding ticket, can affect your premium by up to 26 percent*.

“After having an at-fault accident or receiving a citation for a moving violation, insurance companies may adjust your premium through a temporary ‘surcharge,’” according to Kevin Craighow, a Nationwide Insurance spokesperson. “It’s not a penalty. Nor is it an attempt to recover money paid for a prior claim. The temporary “surcharge” is to account for the increased statistical likelihood that the motorist will have a claim during the next few years.”

Seventy-nine percent of motorists say people with an accident or citation should pay higher auto insurance rates, according to the consumer telephone survey of 650 Virginia motorists (Dec. 9-30, 2003) by Western Wats, an independent survey firm based in Provo, Utah, for Nationwide Insurance and the State Highway Safety Alliance.

For the most egregious actions, such as passing a stopped school bus, driving under the influence, or highway racing, premiums may more than double for the first year after the violation. An at-fault accident can increase rates by nearly 50 percent.

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***Discounts, rates and policies vary by state, are based on historic and expected loss experience, and are subject to change.**

Accidents and less severe citations affect premiums via a “surcharge” on a sliding scale over multiple years. So while one speeding ticket may cause rates to rise by around 25 percent in the first year, the surcharge would be reduced each of the following consecutive years (providing there are no subsequent accidents or citations).

Multiple minor violations in a relatively short period of time, however, drive rates higher. Two minor violations can affect a driver’s premium by up to 50 percent. And three minor violations can affect a driver’s premium even more. Repeated infractions, minor or major, can disqualify a motorist from the company’s lowest-rated program.

Many companies do not take rate increase or surcharge actions when certain circumstances apply. Long-term customers with clean driving records can receive “forgiveness,” meaning their premium will not be surcharged because of their safe driving record and history with the company. With Nationwide, “forgiveness” is typically five years as a policyholder and three years without a major traffic violation or accident.*

Comparing “surcharge” percentages, however, will not accurately reflect the true costs of citations or accidents among insurance companies. Companies employ varied pricing principles and practices. Following an at-fault crash or moving violation, some insurance companies place a driver in a higher-rated company instead of, or in combination with, employing a surcharge.

Your driving record can even affect other insurance premiums—including individual life, health, disability or long term care insurance. Speeding, at-fault accidents, or other moving violations can be an indication of a risk-inclined lifestyle. Many insurance companies consider your driving record when determining life, health, disability or long term care rates.

For those motorists with a clean driving record, most companies recognize policyholders with a safe driving history with an additional premium discount. With Nationwide, that can be up to a 10 percent discount.

“It is in the best interest of motorists—for their well-being and their finances—to avoid distractions and drive safely. Your driving behavior, in large measure, determines not only your propensity for a crash but also the cost of your financial protection,” said Timothy A. Hoyt, Nationwide vice president of safety.

The State Highway Safety Alliance (SHSA) is a coalition of national associations representing state agencies tasked with the safety of the highway infrastructure, the safety of drivers and other road users and the safety of commercial motor vehicles. The SHSA supports several major safety themes and is urging Congress to address them in the next surface transportation reauthorization. Members include the American Association of Motor Vehicle Administrators (AAMVA), the American Association of State Highway Transportation Officials (AASHTO), Commercial Vehicle Safety Alliance (CVSA) and the Governors Highway Safety Association (GHSA).

Nationwide, a Fortune 500 company, is one of the largest diversified insurance and financial services firms in the world, with more than \$117 billion in statutory assets and more than 16 million policies in force. The company provides a full range of insurance and financial services, including auto, homeowners, life, health, commercial insurance, administrative services, annuities, mutual funds, pensions and long-term savings plans.

Nationwide Insurance is the seventh-largest property and casualty insurance company in the United States based on premiums written. It is the fourth-largest homeowners insurer and the fifth-largest auto insurer.