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Insurance Guide

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How car insurance rates work

It's important to educate yourself when it comes to car insurance, which means understanding how premiums are determined.



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Your car insurance rates are determined by a combination of factors including your driving profile, the amount of coverage you purchase, your deductible, and the insurance company you choose.

Many insurance companies rate makes and models of cars according to their actual claims experience, such as the cost of repairs, the rate of injury, and the likelihood that a particular vehicle may be stolen or involved in an accident.

To see just where your vehicle fits, have a look at the Insurance Bureau of Canada's most recent edition of "How Cars Measure Up," a report that provides details on the claims experience of most models of passenger vehicles in Canada.

[Click here](#) to review or print the latest version.

The premium you pay also depends on your driving record. This includes accidents where you're at least partially at-fault, the length of time you've been licensed to drive, and whether or not you've completed a certified driver-training course.

Driving convictions, such as speeding and impaired or careless driving, also go into the mix. Generally, your first minor conviction will have little or no impact on your rating. But if you have had a second minor conviction in the last three years, expect your premium to be higher.

In 2012, consumer site InsurEye compared the auto insurance spending of Ontario drivers across various age segments. It determined that Ontario drivers who have a maximum of two violations in the last three years pay approximately 20-25 per cent more than drivers with a clean driving record.

Your premium will also be affected by how much you drive. The more time you spend on the road, the higher the chances of becoming involved in an accident, the thinking goes.

If you live close to work, for instance, you'll probably enjoy a lower premium than someone facing a long commute or someone who uses their vehicle for business.

Where you drive also matters, with rates generally trending higher in larger urban centres. Since there are a greater number of vehicles on the road in cities, the chances of getting into an accident are correspondingly higher — as is the likelihood of your car being stolen.

Your age matters as well. In general, mature drivers have fewer accidents than younger drivers, particularly teenagers. So, it shouldn't be all that surprising that insurance costs for teen drivers — particularly younger men — are typically much higher than average.

During the first six months of being licensed, young drivers are eight times more likely to be involved in a fatal crash than more experienced drivers, according to the Traffic Injury Research Foundation.

The same is increasingly true at the other end of the spectrum. Despite complaints from seniors groups, insurance companies are correct in charging higher premiums for geriatric drivers, according to a recent Ontario Human Rights Tribunal decision.

"The ability to predict future risk based on prior experience begins to decline after the age of 60 and becomes considerably less for those over 75 compared to any other group of non-novice drivers," adjudicator David Muir determined in his report.

"The evidence before me establishes that for the category of drivers over 80, the risk per kilometre driven is higher

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than any other category of driver over the age of 25."

While there's little you can do about your age, the choices you make about the amount of coverage will clearly affect your premium, like setting the deductible — your upfront cost in case of an accident or theft.

For example, by choosing a deductible of \$500, instead of \$300, on your comprehensive coverage, you might be able to trim about 10 per cent off your premium.

These savings are due to the fact that higher deductibles mean you pay more towards the cost of repairing your vehicle, while your insurance company pays less.

While all these factors form important parts of the pricing equation, their impact can vary significantly from company to company.

Insurance works according to a "pooling" concept in which you become the newest member of the risk group in the company you select as your insurer.

The company sets its premiums based on the claims history of the entire group in which you find yourself. But the nature of that group varies from company to company.

If the claims experience for that particular risk group is significantly higher than that of another insurance company, then the premiums your carrier charges will likely be higher as well — all of which emphasizes the importance of shopping around whenever possible.

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