

Need a tow? Watch your insurance bill

by CNNMoney.com

Insurance policies that offer cheap roadside assistant services sound ideal. But be careful, using those services could raise your insurance rates.

NEW YORK (CNNMoney.com) - Imagine you're having a really bad week: Monday, your tire blows out. Tuesday, you lock your keys in the car and Friday, your car battery dies.

Lucky for you, you added an emergency roadside assistance extension to your insurance policy. Think your problems are solved? Think again.

Using an insurance policy's roadside assistance program may seem like an ideal, inexpensive way for consumers to protect themselves against unexpected breakdowns and embarrassing lock-outs.

But buyer beware: insurers keep track of your roadside assistance claims and in some cases, you may find yourself paying a higher premium if your car blows a tire one too many times.

Auto insurers such as Allstate (Charts), State Farm, Geico and Progressive (Charts) offer policyholders the opportunity to add roadside emergency services to their existing policies at a fraction of the cost of independent motor club programs, such as American Automobile Association (AAA) or Allstate Motor Club -- which are open to all consumers and can cost between \$45 to over a \$100 a year.

By comparison, those insurance policyholders that have added on emergency roadside services through their carrier can receive basic assistance such as towing services, jumpstarts, tire changes, lockout services or gas delivery for as little as \$3 to \$10 for a six-month policy period - an attractive price for services you hope you won't have to use too often.

But what you may not know is that many insurers consider roadside assistance claims as one predictor of risk, which can impact premiums.

"Insurance companies have a huge amount of data at their disposal which they use to find correlations to loss history," said George Yates, president of Dayton Ritz & Osborne, a Long Island-based insurance agency. "If an insurance company could determine eye color correlates with loss history, they'd use it to determine rates. It doesn't always make sense logically and may not always be politically correct but if they can determine a correlation, they'll use it."

Insurers consider a bevy of risk variables when attempting to quote a price on a policy, said Insurance Information Institute spokeswoman Loretta Worters.

"The type of car you drive, your driving record, where you live, your credit history... all that information helps companies measure risk so that they can charge customers a fair premium," she said.

While a one-time jumpstart is unlikely to raise any red flags for insurers or send underwriters running to raise rates, consumer usage of the emergency roadside service will be compared to other variables when insurers are determining a risk profile for a policyholder.

Keeping an eye on towing claimsSpokesmen for State Farm and Allstate -- two of the largest auto insurers in the country -- said their companies take note of roadside emergency claims but the use of those services would only impact a policyholder's premiums if there were multiple claims alongside a number of other risky variables.

"The chance that one of those claims would have an impact premium-wise is probably very minimal," said State Farm spokesman Dick Luedke. "But there is a correlation between those claims and auto insurance risk." And consumers should know that, in some cases, any claims made under the add-on roadside assistance coverage can be reported as a towing and labor claim.

Towing claims are reported to a national database run by Atlanta-based ChoicePoint, which provides insurers with claims information on consumers to help insurers process insurance applications.

Insurers generally use that information to double-check their applications and make sure an applicant has been forthcoming with their accident and towing claims history. From there, insurers can make pricing determinations.

Richard Collier, senior vice president and general manager of insurance data services at ChoicePoint, said the company does not include auto club -- such as AAA or Allstate Motor Club -- claims in its database. He said ChoicePoint attempts to keep roadside service claims out of the database and has advised insurers not to submit any claims made under "auto club type" services.

But Allstate spokesman Mike Siemienas said the company considers all usage of its roadside services “from jumpstarts to tire changes to gas delivery” as towing claims.

And that may put consumers at a disadvantage if an insurer sees a towing claim but can't determine whether that claim was made because a car was towed after an accident or if it was made because a driver got a flat tire.

While insurers won't reject an applicant or cancel an existing insurance policy due to towing and labor claims, those types of claims - particularly if there are a number of them - may impact a policyholder's premiums, according to the Insurance Information Institute.

Shop around For those interested in roadside assistance coverage, which can be desirable protection to have in case the unexpected happens, it pays to shop around.

Not all insurers use roadside assistance as a pricing variable. Spokesmen for Progressive and Geico said the companies don't consider usage of their roadside assistance programs in determining rates.

And Geico spokesman Kevin Grenier said the company is also putting a halt to reporting any towing claims to ChoicePoint.

Motor clubs such as AAA and Allstate Motor Club “which is run by Allstate but is not affiliated with the auto insurance coverage” may be a good bet for some consumers.

Motor Clubs are pricier but they provide a wider range of services than just basic towing and breakdown help.

AAA provides discounts on car rentals and hotels as well as other travel-related services while Allstate Motor Club also provides members with services such as legal defense for moving violations and arrest bonds.

An added perk? Consumers can rest assured that any claims made will be kept private.

By Shaheen Pasha, CNNMoney.com staff writer

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