

Insure.com: Switching to a Smaller Car Can Increase Your Insurance Bill

by PR-Newswire

DARIEN, Ill., July 16 /PRNewswire-FirstCall/ -- Insure.com, Inc. (Nasdaq: NSUR - News) has today released the results of a new study that confirms yet more bad news having to do with rising oil prices: Switching to a smaller car can actually increase your car insurance bill.

Americans are looking to smaller cars for savings on spiraling gas prices and for lower emissions, but will car insurance savings follow, too?

The answer is usually a big fat NO.

According to Autodata Corp., from June 2007 to June 2008, total light truck sales dropped 28.4 percent. Even the vehicles that have long reigned as top-sellers -- the Ford F-series pickups -- have taken a 40.5 percent sales hit from June 2007 to June 2008, according to Ford. Meanwhile, sales of the Toyota Corolla and Camry and Honda Civic and Accord continue to go up, filling in the sales gap. Honda reported that the Civic hit a new sales record in June 2008, up 23.1 percent from last year.

There are substantial fuel savings to be seen in vehicle-size changes. For example, switching from a Ford F-150 FWD pickup (13 mpg city/17 mpg highway) to a Honda Civic (25 mpg city/36 mpg highway) will save you close to \$2,000 annually in gas. (That's from a fuel cost of \$2,091 for the Civic and \$4,042 for the F-150 based on 45 percent highway driving and 55 percent city driving at 15,000 miles/year and at \$4.04 per gallon.) If you'd like to make side-by-side comparisons of other vehicles' fuel economy, visit <http://www.FuelEconomy.gov>.

Once you know how much you could save on gas, how about on car insurance? Does a smaller vehicle equate to smaller car insurance rates?

According to our latest car insurance rate research, switching from a larger vehicle to a small car like a Honda Civic or Toyota Prius is likely to raise your car insurance rate. We surveyed rates for four of the nation's largest auto insurers in multiple ZIP codes across the U.S. for the 2009 Toyota Prius and Honda Civic against the top-selling larger cars: The Toyota Camry (a sedan), Honda CR-V (an SUV), the Toyota Sienna (a minivan) and the Ford F-150 (a pickup). The results: The Prius and Civic are the most expensive to insure among the group.

2009 model vehicle	Average national premium*
Honda Civic	\$1,670
Toyota Prius	\$1,382
Toyota Camry	\$1,302
Toyota Sienna	\$1,266
Honda CR-V	\$1,258
Ford F-series	\$1,194

What's going on here? Do car insurers have no appreciation for fuel conservation, lower emissions and smaller carbon footprints? The answer for insurers is: Only when it's justified by their claims experience. Simply put, small cars are not as safe as large cars and they tend to get into more accidents, leading not only to more broken metal, but more broken bones as

well. And that, in turn, leads to higher repair costs and more litigation expenses.

"Small cars tend to increase insurance costs because they get into more crashes," says Russ Rader, spokesperson for the Insurance Institute for Highway Safety (IIHS). "There's a myth that a smaller car is more nimble and helps you avoid crashes, but smaller cars tend to have more collision losses."

Of course it's not the cars causing the accidents, it's the people behind the wheel. "Part of the reason is the driver," says Rader. "Smaller cars tend to be less expensive and driven by younger, higher-risk drivers. And they think they can zip around in traffic."

When auto insurers see those more frequent and more expensive claims attached to certain vehicles, they rate policies for those vehicles accordingly. Thus, when you buy a smaller car that has a history of high insurance losses, you're essentially paying for the blunders of other drivers of that vehicle model. Past insurance loss experience tracked by the Highway Loss Data Institute (HLDI), a division of IIHS, gives some insight into

where these smaller vehicles are resulting in bigger insurance losses (the most recent data comes from 2004 to 2006 model vehicles):

-- The Honda Civic is "worse than average" for personal injury protection losses and medical payments. That means passenger injuries are costly for this car.

-- The Honda Civic Coupe fares even worse: It is "worse than average" for bodily injury and "substantially worse than average" for collision, personal injury protection and medical payment losses.

-- The Honda CR-V, classified as a small SUV, performs at "average" for all loss categories except comprehensive losses, where it is "substantially better than average." Comprehensive coverage includes payments for theft, fire, vandalism and natural disasters.

-- The Toyota Sienna minivan is "better" or "substantially better than average" across all loss categories, meaning insurers are paying out less in claims for Sienna drivers. (Very large station wagons and minivans, like the Sienna, Honda Odyssey and Chrysler Town & Country, show no worse-than-average losses at all.)

-- Ford F-150 pickups perform "substantially better than average" for personal injury protection and medical payment claims. Their only "worse" category is comprehensive claims, probably because the F-150 ranks at No. 4 on the "most stolen vehicles" list compiled by the National Insurance Crime Bureau.

So while your big F-150 may catch the eye of car thieves, your passengers are safer from injury in an accident.

The Mini Cooper, Volkswagen New Beetle and Volkswagen Golf are small cars that stay at "average" or better for all loss categories, according to HLDI. Here, though, lower insurance losses may not be due to the car design but the fact they tend to be driven by more experienced drivers.

"There's a big safety downside to moving to a smaller car because you're putting yourself at more risk of injury," confirms Rader. "It all boils down to the laws of physics: People think about safety features like air bags, but no matter how many air bags you stuff into a smaller car, it's not going to be as safe as a larger, heavier vehicle."

Whatever vehicle you drive, the vehicle model is only one of many factors that go into the price of your policy: Your own driving record, claims history and your location affect your premium significantly. See "Twelve ways to save on your auto policy" for ways to lower your car insurance bill at <http://www.insure.com/articles/carinsurance/policy-save.html>.

To view the latest Car Crash Safety Ratings, click to: <http://www.insure.com/articles/interactivetools/carcrash/carcrash.jsp>

* Source: Insure.com research. Based on annual premiums for a male driver age 40 who drives 12 miles to work with policy limits of 100/300/50.

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