



Know Your Insurance

Auto

Courtesy of SCS Agency Inc

Usage-based Car Insurance

Auto insurance is an essential part of being a responsible car owner; however, there are many coverage options for drivers. One lesser-known option is usage-based car insurance. Usage-based car insurance is a policy that takes your driving habits into greater consideration. Standard auto insurance policies typically use factors such as your age, location and driving record to determine your risk for accidents, but usage-based car insurance focuses primarily on how often and how safely you drive.

Insurers typically monitor your driving behavior using a plug-in or mobile device for usage-based car insurance. These devices can analyze various driving habits, such as hard braking, acceleration, speed, distracted driving and turning rates. The insurer will then use this data to calculate your premium, which can be lower than a traditional auto insurance policy. Even though usage-based car insurance can result in lower rates, some drivers hesitate to choose this option because they do not like the idea of having their driving monitored.

Benefits of Usage-based Car Insurance

Due to its potential benefits, usage-based car insurance has become more popular in recent years. The following are some benefits of a usage-based car insurance policy:

- **Lower premiums**—Drivers who enroll in usage-based car insurance may benefit from immediate discounts and long-term savings.
- **Safer driving**—Drivers who know they are being monitored are more likely to engage in safe driving behaviors, resulting in fewer accidents and traffic violations.
- **Improved driving habits**—A driver may not realize they have dangerous driving tendencies until they receive the analysis from the usage-based program. Once the issue is identified, they can make improvements.

It's important to note that lower premiums are not guaranteed for usage-based car insurance. If you continue to engage in unsafe driving practices, your insurer could raise the cost of your policy. Additionally, this type of policy isn't available in every state or to every driver.

Usage-based Car Insurance vs. Pay-per-Mile Policies

Some insurers may also offer pay-per-mile car insurance, a policy that only uses the number of miles you drive to determine your premium. Pay-per-mile car insurance is typically less cost-effective than usage-based car insurance because the mileage adds up quickly, resulting in higher rates. Pay-per-mile insurance is usually only for people who drive less than 10,000 miles a year.

For More Information

Many people are enrolling in usage-based car insurance to help cut costs without compromising on coverage. Speak with your agent to learn more about usage-based car insurance and determine if it may be right for your circumstances.