

Basis of the Auto Insurance premium

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Vehicle insurance or Auto Insurance is insurance that people can purchase for cars, trucks, and other vehicles. Its primary use is to provide protection against losses incurred as a result of unexpected traffic accidents. An Auto Insurance Company may declare a vehicle totally destroyed or 'totaled' or 'a write-off' if it appears that the replacements would be cheaper than repair.

The Auto Insurance Company can cover some or all of the following items, the insured party, the insured vehicle and third parties. Different Auto Insurance Company policies specify the circumstances under which each item is covered. A vehicle can be insured for theft, fire damage, or accident damage independently.

In many countries it's compulsory to purchase Auto Insurance before driving on public roads. In the United States, penalties for not purchasing auto insurance vary from state to state, but often involve a substantial fine, license or registration suspension or revocation, as well as possible prison time in some states.

Usually the minimum requirement of the law is the third party insurance to protect third parties against the financial consequences of loss, damage or injury caused by a automobile. Typically, coverage against loss of or damage to the policy holders own vehicle is optional, one notable exception to this is in Saskatchewan, where SGI provides collision coverage which is less a \$700 deductible as part of its basic insurance policy.

Basis of premium charges -

Depending on the jurisdiction, the Auto Insurance premium can be either mandated by the government or can be determined by the Auto Insurance Company in accordance to a framework of regulations set by the government. Often, the insurer will have a lot of freedom to set the price on physical damage coverage's than on mandatory liability coverage's.

When the premium is not mandated by the government, it is usually derived from the calculations based on statistical data. The premium can vary depending on many factors that have an impact on the expected cost of future claims. Those factors can include the car characteristics, the coverage selected such as deductible, limit, covered perils, the profile of the driver and the usage of the car whether commute to work or not and predicted annual distance driven.

A combined single limit includes property damage liability coverage and bodily injury coverage under one single combined limit. For example, an automobile insured with a combine single liability limit strikes another vehicle and injures the driver and the passenger, the payments for the damages to the other driver's car, as well as payments for injury claims for the driver and passenger, would be paid out under this same coverage.