Article Side
The truth about car insurance by Hiteshbhoi

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Youâ€™ve now got your driverâ€™s license and for months, you eagerly search for a new car. Once you f your dream car, youâ€™re ready to take it out on the open road. Or are you? In many countries, it is compulsory to purchase auto insurance before driving on public roads and property. Auto insurance protects a third party against the financial consequences of loss, damage, or injury caused by any vehicle.

When first purchasing auto insurance, it is important to understand all aspects of the insurance. First off, an excess has to be paid. This is a fixed amount of money that must be paid each time your car is repaired through the insurance policy. A compulsory excess is the minimum excess payment that your insurer will accept. This varies according to your own personal details, driving record, and of course, insurance company. A voluntary excess is an excess that you agree to pay on top of the compulsory excess in case of a claim on the policy. A bigger excess reduces financial risk for the insurer, and thus they can offer lower premiums.

Depending on the location of the insurer, premiums may be government mandated or may be based on statistical data. The premium may vary based on many different factors that the insurer may deem will have an effect on the cost of future claims. These factors include gender, age, driving history, and usage of the car.

Because men average more distance driven per year than that of women, they have a higher proportionality of accident involvement. This leads insurance companies to offer lower premiums to women as opposed to men.

Teenage drivers have no driving record, and so they are less experienced on the road. This is the reasoning behind offering these teenagers higher driving premiums. However, these premiums may be lowered if the teenager decides to go through further driving training on the training that was required to obtain his or her license.

Car usage is also a large factor in determining premiums. By logic, it can be deduced that with more usage of the car, there is more potential for accidents, and thus more potential for claims on the policy. Insurers can estimate car usage by odometer, GPS, and OBDII (OnBoard Diagnostic) based systems. With the odometer system, customers buy prepaid insured miles and keep track of them on their odometer to determine when they need more. The GPS system tracks the usage of the car as it moves and records the distance it has travelled. The OBDII system works by utilization of the TripSense device. This connects to a computers OnBoard Diagnostic port, which is in all cars built after 1996.

Auto insurance may be both a blessing and a curse. Financially, it may save you a lot of money and keep you safe; however, auto insurance, like health insurance, can result in a lot of disagreement with the insurer and the insured. It may be wise to do you research before committing to one insurance program.

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