

Does the age of a car affect your auto insurance coverage?

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November 14, 2022 6 min read



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Selecting which type of [car insurance coverage](#) is right for you is an important decision and may need to be reviewed multiple times throughout your car's life. [How much you pay](#) for that insurance depends on your car's age, the type of car, and possibly its safety features.

If your premium is higher than you would hope, there are ways you can lower your costs, including eliminating any unnecessary coverages. Especially as your car ages, it's important to review your policy to understand what policies are mandatory to purchase, and which may be excessive.

How does the age of a car affect insurance premiums?

Your car's age is considered by your insurer when calculating your insurance premium since it can determine which types of coverage may be necessary.

For instance, a new car may benefit from optional new car replacement coverage, which is not available for older vehicles. On the flipside, an older car that has a lower value might not need comprehensive and collision coverage.

Aside from age, there are several other factors that impact how each individual's car insurance is calculated, says Bronwyn Koopman, head of auto product for Farmers Insurance, which include:

- Make and model of the vehicle
- Safety features included
- Type of engine
- Safety record of the vehicle

After your car insurer determines what coverage is necessary for your vehicle, they determine how much it will cost. Factors that are considered when calculating your car insurance premium include:

- How often you plan to drive
- Where you live
- Your credit history
- Your age

Insuring a new vs. used car

There is no set policy for a new car as opposed to a used car. But your coverage may be different depending on whether you financed the vehicle or purchased it outright—such as the addition of [gap insurance](#), which helps pay off your outstanding car loan if your car is totaled or stolen.

New car: Purchasing a brand-new car is a huge financial investment, and insuring your vehicle helps protect you from unexpected costs, should the unexpected happen. Because of this, drivers may opt for full auto insurance coverage on their new vehicle, which refers to adding comprehensive and collision insurance on top of your state- or lender-mandated coverage.

There are several types of car insurance coverage you can add on beyond this—like [new car replacement coverage](#) to your insurance policy on a new vehicle, which helps cover the cost difference between a depreciated version and a new version of the same vehicle. It's important to remember that agreeing to any additional coverage types will increase the overall amount you pay for your auto insurance coverage.

Used car: If you purchased a used vehicle that exceeds the age and mileage limit for new car replacement insurance, then you don't need to purchase the optional coverage. Generally, both new and used cars are required by states to hold a minimum amount of auto coverage, which includes liability coverage for property damage and bodily injury and sometimes personal injury protection.

But as your car ages, you may be wondering whether or not it's worth it to continue paying for comprehensive and collision coverage, which helps pay for damages to your vehicle. A general rule of thumb is that if your vehicle is over a decade old or worth less than \$4,000, you might want to consider dropping this additional coverage.

Paying for full auto insurance coverage on an older vehicle may not be the best use of your money, especially if the actual cash value of the car is less than the cost to insure the vehicle. If that's you, consider consulting with your local, experienced insurance agent about what insurance coverages are right for you, says Koopman.

How is car insurance calculated?

Car insurance can be calculated using a variety of factors about your individual vehicle, and may vary depending on your insurer.

Typically, most insurance companies determine your car insurance based on your car's age, make, and model, and safety features like a backup camera or a monitor that warns you a vehicle is in your blind spot, says Koopman. But other factors in consideration include:

Your age: Typically, older drivers are involved in fewer accidents than younger drivers. Because of this increased risk, insurance companies charge more to insure drivers under the age of 25.

Your gender: On average, men tend to pay slightly more for car insurance than women. This is likely due to men being more inclined to take risks behind the

wheel—such as driving fast and not wearing a seat belt—which can lead to higher rates of severe car accidents, according to [data from the Insurance Institute for Highway Safety](#).

However, the price gap between genders actually decreases as drivers age.

[View this interactive chart on Fortune.com](#)

Your credit: Insurers consider your credit-based insurance score as a way to tell in advance whether you will file a claim on your vehicle and if so, how much that claim might cost. To determine this score, your insurer considers information on your credit report, like outstanding debt, bankruptcies, and your length of credit history.

Your driving record: If you have been involved in multiple accidents or traffic violations, your driving record might be flagged as a risk to your insurance agency and can increase the amount you pay for coverage. On the flipside, a clean driving record is less risky to insure and can save you money on insurance premiums.

How often you plan to drive your car: If you plan to put a lot of miles on your vehicle, there is a greater risk of being involved in an accident or sustaining damages to your vehicle. Because of this, car insurance companies may charge you more. If you plan to drive only once in a while, your insurer may give you a small discount on your premium.

Where you plan to drive your car: Your insurance company will consider the location of your vehicle to calculate the likelihood of accidents, theft, and vandalism. Typically, people in large cities pay more for insurance than those in rural towns.

What type and amount of car insurance you hold: The cost of your insurance policy can change depending on your coverage limits, your deductible, and the types of auto coverage included in your policy.

Factors that could lower your rate

If your insurance premium is higher than you'd like, there are some ways you may be able to lower the cost.

- Request quotes from multiple car insurance companies

- Compare insurance costs of a vehicle before purchasing
- Shop for safety features, such as a backup camera or collision warning technology
- Consider an increased deductible
- Lower your coverage on an older vehicle
- Take advantage of safe driving discounts

The takeaway

When determining what car insurance coverage is necessary to purchase for a used or new vehicle, “there are many factors to consider, including the value of your vehicle and your ability to absorb the cost of your vehicle in the event of a total loss, should it be through an accident or if your vehicle is stolen,” says Koopman.

It’s also important to keep in mind that no matter the age of your vehicle, there is a minimum auto insurance coverage required by your state. Optional coverage for both new or used vehicles may be useful in protecting you from any potential financial ruin, should an accident occur.

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