If it looks too good to be true…

You’ve heard this before: If it looks too good to be true, it’s likely not true. There are many applications for this maxim, but when it involves auto insurance, the stakes can be high. Sometimes, an insurer will give an applicant an amazing premium quote that is significantly lower than what the applicant currently is paying or is being quoted by other insurers. Unfortunately, the quoted and bound premium may not be the final premium. Insurers generally are allowed to complete their underwriting review and revise the billed premium according to the rating elements discovered after the policy was bound. What initially seemed like a great bargain could end up being burden.

Suppose Dave is ready to purchase a vehicle at the local dealership. He calls his insurer to quote the insurance on the new car. The premium will be $3,000 per year, but the current insurer knows the traffic violation record, drivers in the household and losses that have been incurred over the last five years. This kind of information is available to all insurers, but they must pay a fee for it.

Dave is reluctant to purchase the car because the car payment, combined with insurance costs, exceeds his budget. The car salesperson doesn’t want to lose the sale, so she recommends that Dave call an insurer that she relies upon under these circumstances. This insurer quotes an annual premium in the amount of $1,500. The insurer asks Dave all the right questions, but Dave does not remember the fender bender or the speeding ticket he got two years ago. However, this insurer does not want to pay for the records to verify statements on the application until it has bound the policy and received the first premium installment. Dave, then, proceeds to purchase the car on the assumption that the car insurance is affordable.

Six weeks later, Dave gets the bad news. Underwriting reports have been obtained by the new insurer, including the motor vehicle abstracts for all drivers, investigative report and C.L.U.E. report, and it turns out the annual premium will be $3,200. As frustrated as Dave is, he probably will stay with that insurer; because to return to the prior insurer now will

require another down payment, and it will take weeks to get an unearned premium refund from the new insurer.

Shopping for the right price, service and coverage is a wise thing to do. Our agency represents multiple insurers that compete for your business. The difference is that we can ensure that each of these insurers knows the pertinent details about you ahead of binding time so that you don’t end up with an underwriting surprise. That not only sounds good, but it’s true.