

# decision time

## conquer car uncertainty

The motivations for buying a car are as plentiful as the myriad of makes and models that populate dealers' lots.

Of course, there are times when you have little choice in the matter. Like that heart-dropping moment when the repair shop tells you that your car's not worth fixing or if your car has been totaled in a crash.

More likely, you may be looking to upgrade to better safety and technology or fuel economy features. Or maybe with a growing family you're tired of being scrunched in the sedan and are eyeing a new SUV or minivan.

Of course, it could be that you simply want a slick new ride because, well, just because.

All these motivations are valid. But unless you're in a must-buy spot, it's wise to be informed, purposeful and strategic when you buy your next vehicle.

So, is 2021 the year to buy?

Ultimately, only you can answer that question. Yet there are a range of factors to consider to help you decide if it makes sense for you.

### Market trends that hit home

The big headline to keep in mind when you're considering whether to buy is that inventory for both new and used vehicles is tight and will likely remain that



way deep into 2021 or beyond. While car sales plummeted last spring as COVID-19 emerged, so did auto production. Last April, for instance, only about 5,000 cars rolled off the assembly lines. Compare that to a typical month when carmakers pump out a million vehicles or more.\*

Although car-buying rebounded rather quickly following the initial COVID-19 wave, production continued to lag behind.

Lower new car inventory, in turn, spiked demand for used cars. That demand was further fueled by the fact that more people started shopping for affordable cars to avoid mass transportation or shopped for a less-expensive option than they may have sought out in more stable economic times.

All this being said, there are still ample opportunities to get fair deals, particularly since interest rates are at historically low levels.

Whether you're thinking new or used, safety matters. Have you ever wondered if higher safety ratings could result in lower auto insurance rates? Check out our blog to find out everything you need to know about vehicle crash tests and then talk to your Agent. Go to [erieinsurance.com/pricefactors](http://erieinsurance.com/pricefactors).

It's also a great idea to talk to your ERIE Agent who can provide key insights on potential insurance costs for particular vehicles and other factors to consider.

\*According to a story in The New York Times.

## Pros and cons of new cars

Ah, that new car smell.

It's one key selling point that's hard to duplicate. Add to that the flawlessly clean interior, ding-free gleaming paint job, the trendy look and the many advanced safety, technology and fuel economy features, and it can be hard to resist pulling the trigger on a new car.

Beyond those perks, new cars all carry warranties that cover major repairs. Brands such as Buick, Cadillac, Lincoln and BMW offer up to four years or 50,000 miles. Buy a new Volkswagen and you can get covered for up to six years or 72,000 miles.

Of course, the primary cons of buying a new car come down to money. New cars have always been more expensive to buy than their used brethren.

These days, that disparity is even greater, with tight inventories allowing dealers to stand firm at close to sticker price. Greg Macke, a professional car-buying specialist and inspector, says your best shot at negotiating a dealer down is the rare chance that a holdover 2020 model is still sitting on a lot.

Macke says he typically recommends buyers focus on low-mileage, late-model used vehicles that are certified or still have ample warranty left. Yet historically low interest rates and dealer pricing incentives such as zero percent down or rebates up to \$3,500 can make a new car purchase more compelling now than in more normal times.

"I typically recommend a slightly used car," Macke says. "However, what evens the odds a bit these days is that new cars are getting the low interest rates and big rebate offers. If you're looking at a slightly used certified car that's going for a high price vs. a new car that is getting zero percent financing and has the full warranty and no wear-and-tear at all, then buying new may be worth considering."

Even if you get a great interest rate, the reality is that a new car begins to depreciate the moment you drive it off the lot—and mile after mile it incrementally loses its value. According to Carfax.com, the value of a new vehicle can drop by more than 20 percent after the first 12 months of ownership. Then, for the next four years, you can expect your car to lose roughly 10 percent of its value annually.

Beyond the value of the car, there are other financial factors, such as insurance costs, to consider with a new car purchase, including:

**Cost to insure.** A customer's insurance premiums often change upon buying a car. This is because what you pay on auto insurance premiums depends mostly on two factors: what you drive and how you drive. There is not a hard and fast rule on how premiums might change. For example, a new car that has higher safety ratings is usually less expensive to insure than those with lower ratings. However, those heightened safety features could be more expensive to fix after an accident than the cost of mending an older vehicle.

**Fuel efficiency.** Many new cars—particularly hybrid and electric options—consume gas at a far slower pace than their gas-guzzling predecessors. For instance, a car that gets 30 MPG will cost you \$598 less to fill up each year compared to one that gets 20 MPG (assuming 15,000 miles of driving annually and a per-gallon cost of \$2.39). Over a period of five years, driving the 30-MPG vehicle will keep an additional \$2,988 in your pocket.

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## total loss?

### No worries with New Auto Security

There are few experiences worse than having your car totaled. Yet traditionally, drivers get an added dose of insult to injury when they learn that, because of depreciation, insurance payouts could be less than what they paid for the car.

That's why ERIE offers a coverage endorsement called New Auto Security<sup>1</sup> that can be an easy add to your ERIE auto policy for an additional cost.

If you've owned your car less than two years and it gets totaled, ERIE will pay you the cost to replace it with the newest comparable model year (minus your deductible).

This endorsement from ERIE isn't just for brand new cars. If you've owned your car for more than two years, ERIE will pay the cost to replace it with a comparable model that is up to two years newer and up to 30,000 fewer miles than the current mileage on the covered vehicle (minus your deductible).

And if you lease your car, coverage is provided for the difference between the actual cash value of the vehicle and the amount due under the terms of your lease or loan.

### Talk to your ERIE Agent for more details.

<sup>1</sup>Vehicle is considered new when less than two years old. The endorsement is sold on a per-vehicle basis, not per policy, and contains the specific details of the coverages, terms, conditions and exclusions. Coverage is not available in New York or North Carolina. Eligible vehicles must carry both comprehensive and collision coverage and replacement value must be based on a comparable model. See individual policies for specific coverage details. New vehicle replacement and better vehicle replacement do not apply to leased vehicles. Only auto lease/loan component applies to a leased vehicle. Coverage does not include items such as overdue payments and carry-over balances from previous leases/loans, etc. When payment is made under new vehicle replacement or better vehicle replacement, auto lease/loan coverage will not apply. Coverage is not available in all states. Insurance products are subject to terms, conditions and exclusions not described here. Ask your ERIE Agent for details.

“ You don't need to be wealthy to afford umbrella coverage.

have no other option but to take legal action against you if they are overwhelmed by costs related to a serious injury.

Your home or auto policy includes liability insurance up to a certain dollar amount. In insurance terms, that's known as your limit. If you file a claim for a covered loss, your policy can pay up to the dollar amount stated in that limit.

But if the bills climb above that limit, the rest of the cash has to come from somewhere. If you don't have umbrella coverage, that somewhere is your bank account if you are held legally responsible for the damages.

**Myth: I won't get sued. That only happens to wealthy people.**

**Truth: Unfortunately, bad things can happen to anyone and you don't have to be rich to be sued.**

#### Protection for your assets now and in the future

Bloom often hears people mistakenly dismiss umbrella policies as only for the wealthy. In reality, he says it's those who don't have unlimited financial resources who need to make sure their assets and future earnings are protected, both of which could be jeopardized by a judgment entered against you.

“Say the limit on your homeowners policy is \$500,000 and there's a judgment from someone getting hurt at your home for \$2 million,” Bloom says. “Without an umbrella, you have a tremendous financial responsibility. And if you don't have the money, they may be able to satisfy the judgment by pursuing your financial assets.”

**Myth: My auto policy will cover me for anything bad that happens.**

**Truth: A large judgment entered in court resulting from a tragic auto accident could exceed your auto liability limits, leaving you personally on the hook for costly damages.**

#### Protection at home, on the road and on the sidewalk

People typically think of umbrella coverage for incidents occurring at a home. Sometimes that's the case. But data shows that last year the majority of ERIE's umbrella coverage claims were related to auto accidents.

In an accident, both drivers may have great auto insurance coverage, but costs related to the accident exceed the auto coverage payout limits, requiring additional financial resources. Again, an umbrella policy would pick up where the auto coverage tapped out.

Then there are instances in which, even if you are fully insured with home and auto insurance, an accident might not be covered by either, but may be covered by the umbrella policy.

**Myth: Umbrella policies are expensive.**

**Truth: You may be surprised just how affordable it is to provide a financial safety net for your family.**

#### Financial security for under a dollar a day

Fortunately, you don't need to be wealthy to afford umbrella coverage. ERIE's umbrella coverage ranges from \$1 million up to \$10 million. For the peace of mind it provides, the average Customer's annual premium is less than \$250.

Your ERIE Agent can provide guidance on how much umbrella coverage is right for you based on a range of factors, including the value of your assets and your long-term earning potential.

For a small annual cost, you can be sure that if and when life rains down on you, a good umbrella has you covered.

Your ERIE umbrella policy comes with a knowledgeable local Agent and local claims service, so you'll have the help you need when you need it. **Talk to your Agent today. ■**

The insurance products described in this article are not offered in all states and are not available in Illinois, North Carolina, Wisconsin and West Virginia (expected to be available as of June 2021) and New York (expected to be available September 2021) and may change at any time. Personal Catastrophe Liability continues to be offered until the Umbrella Liability coverage becomes available in those states. The policy contains the specific details of the terms, conditions, limitations and exclusions that apply. Talk to your Agent for details.