



Know Your Insurance

Auto

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Understanding EV and Hybrid Ownership and Their Insurance Costs

In recent years, electric vehicles (EVs) and hybrids have become increasingly popular among many drivers throughout the United States. These automobiles offer various advantages and attractive features, while also supporting an environmentally friendly lifestyle. However, while EVs and hybrids may offer exciting opportunities, owners may also need to consider possible drawbacks, including increased insurance costs.

Why Does It Cost More to Insure EVs and Hybrids Than Regular Cars?

As with any insurance policy, carriers must exercise due diligence when quoting rates. This means carefully analyzing a policyholder's unique circumstances, including their vehicle's specifications. For instance, if a vehicle is costly to repair or replace, its insurance premiums will reflect that. When it comes to EVs and hybrids, insurers may perceive greater risk levels for various reasons, including the following:

- **High replacement costs**—EVs and hybrids generally cost more than their combustion engine counterparts. As such, in the event of a total loss, potential claims costs are also likely to be higher.
- **More expensive parts**—These vehicles often include valuable parts and specialty components that may incur substantial repair or replacement bills. For example, an EV's battery alone may cost tens of thousands of dollars to replace, which could make insurers more likely to declare a vehicle a total loss after an incident.
- **Specialty maintenance and service**—Given the advanced technology and specialty features of EVs and hybrids, many garages, auto shops and mechanics may lack the knowledge and experience to service them. As such, those who are qualified to do so may charge more for their services.

How Can Policyholders Minimize Perceived Risk?

EV and hybrid vehicle owners may have minimal control over the cost of their vehicles, parts and qualified services. However, motorists who take responsible steps to care for and maintain their EVs and hybrids may be less likely to file claims, subsequently leading to savings down the road. Consider the following tips:

- **Storage**—As is the case with any motor vehicle, EV and hybrid owners should generally prioritize parking them in an indoor and secure garage to protect them from criminals, hit-and-run accidents and severe weather. Keeping potential ignition sources away may be especially important, as studies have shown that EV fires may be more difficult to extinguish, potentially causing significant damage. If a garage floods, vehicles should be removed as soon as possible, as batteries can be highly corrosive.

- **Charging**—If installing a home charging station, owners should make sure it's located far from any flammable materials or high-traffic areas. Enlisting the assistance of a qualified electrician is highly recommended, as they can make sure a home's electrical system is capable of handling the charging process. Adhering to all manufacturer guidelines regarding charging is also essential, as is checking chargers and cords for any damage or defects before each use. Extension cords should never be used.
- **Maintenance**—Although EVs may require less maintenance than internal combustion engine vehicles, owners must remain diligent regarding necessary tasks. Careful adherence to vehicle manuals can help limit issues that might otherwise lead to costly accidents or repairs. Batteries may require particularly close attention, as they come with a limited number of charging cycles. A defective or damaged battery, or one that has reached the end of its cycle life, should be removed, even if the vehicle will not be used until a replacement is acquired.

Even a veteran EV owner could experience a catastrophic incident on any given day if proper precautions are not taken, potentially incurring an expensive claim and subsequently leading to rate increases.

Additional Savings Possibilities

Regardless of what type of vehicle a motorist may be seeking to insure, there are additional steps that might help secure optimal rates and minimize costs, such as the following:

- Compare policies from multiple insurers.
- Bundle auto coverage with other policies, such as home or renters insurance.
- Maintain a clean driving record.
- Ask about possible discounts, including for low-emission vehicles, such as EVs.
- Improve credit scores.
- Consider telematics and usage-based coverage.
- Increase deductibles.

Finding the Right Coverage for an EV or Hybrid

Although auto insurance for EVs and hybrids may be costly, working with a knowledgeable, experienced broker can help vehicle owners address their coverage needs with competitively priced policies. Contact Connor & Gallagher OneSource today to discuss coverage options or compare personalized quotes.