

# AUTOMOBILE INSURANCE

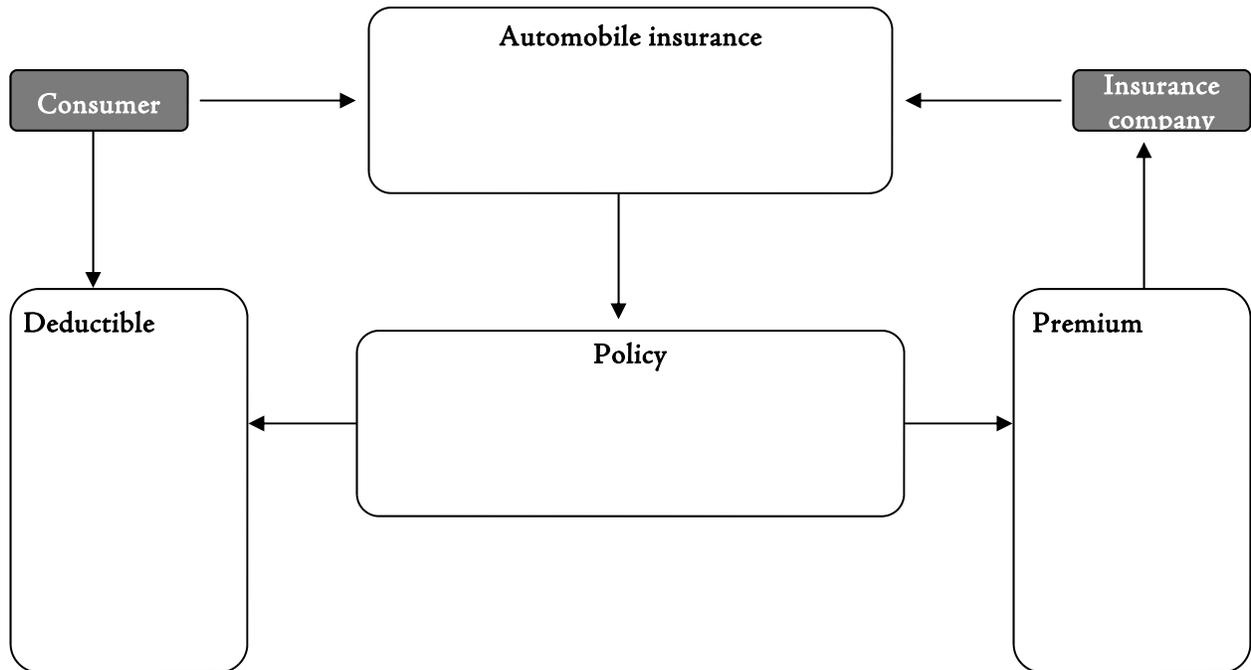
Name \_\_\_\_\_

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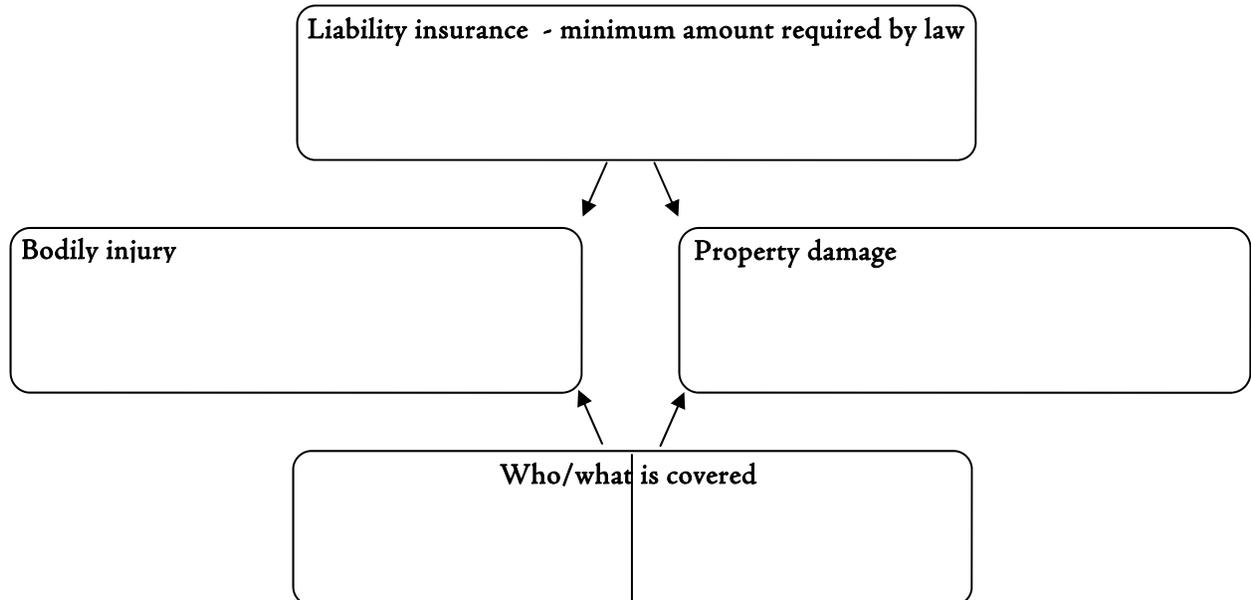
Class \_\_\_\_\_

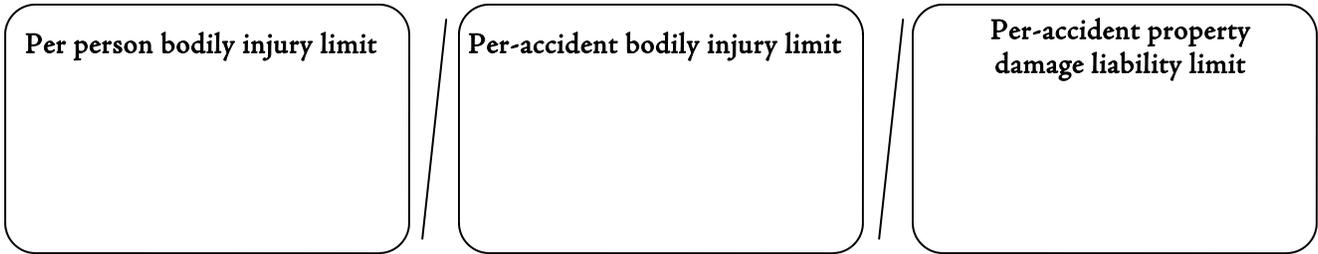
	Total Points Earned
41	Total Points Possible
	Percentage

**Risk**

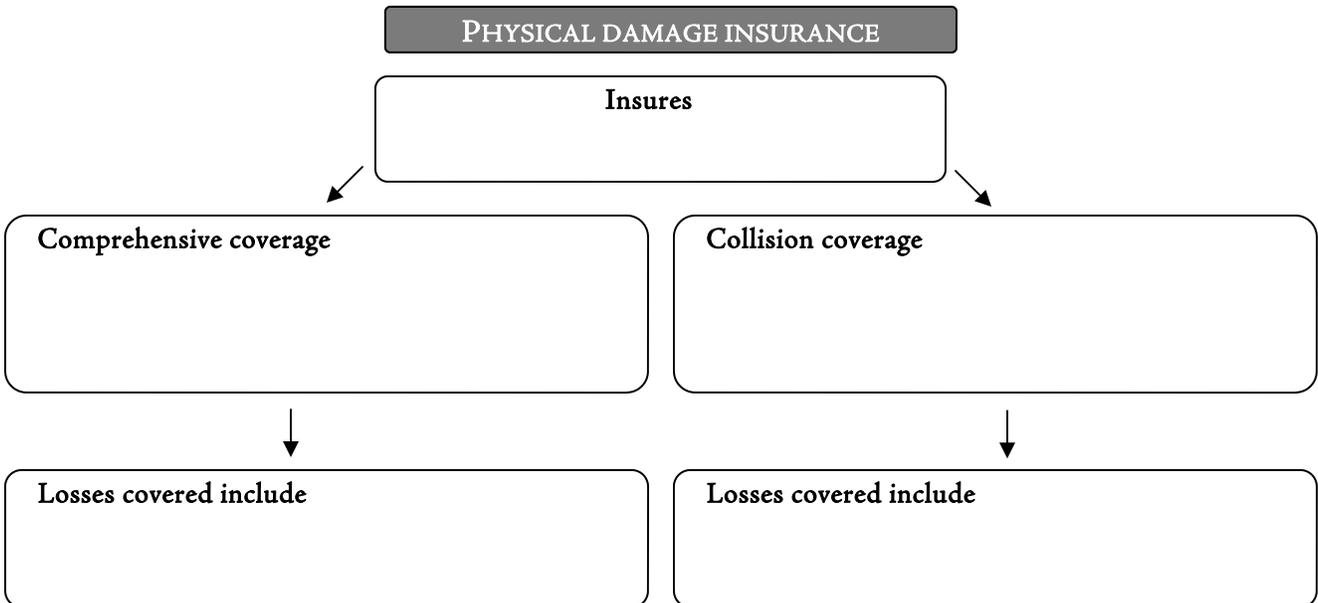
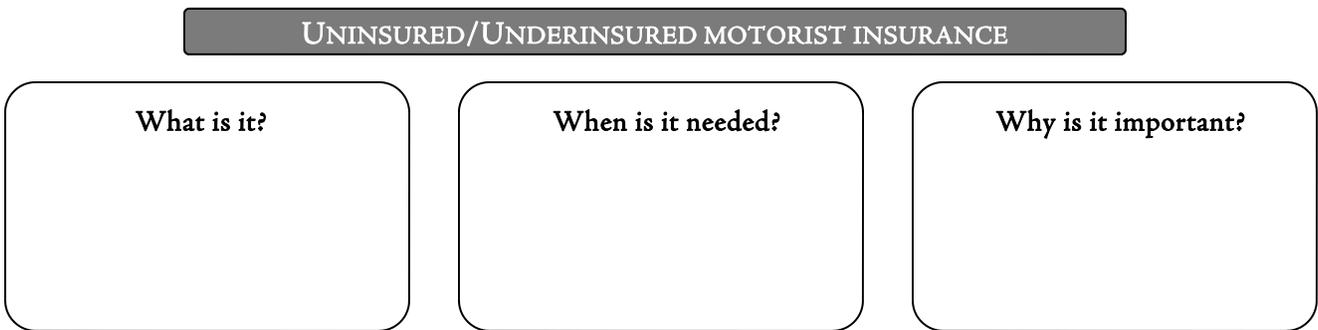
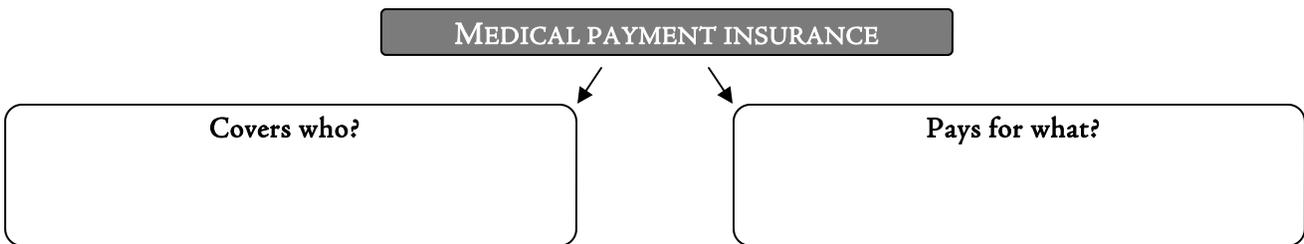


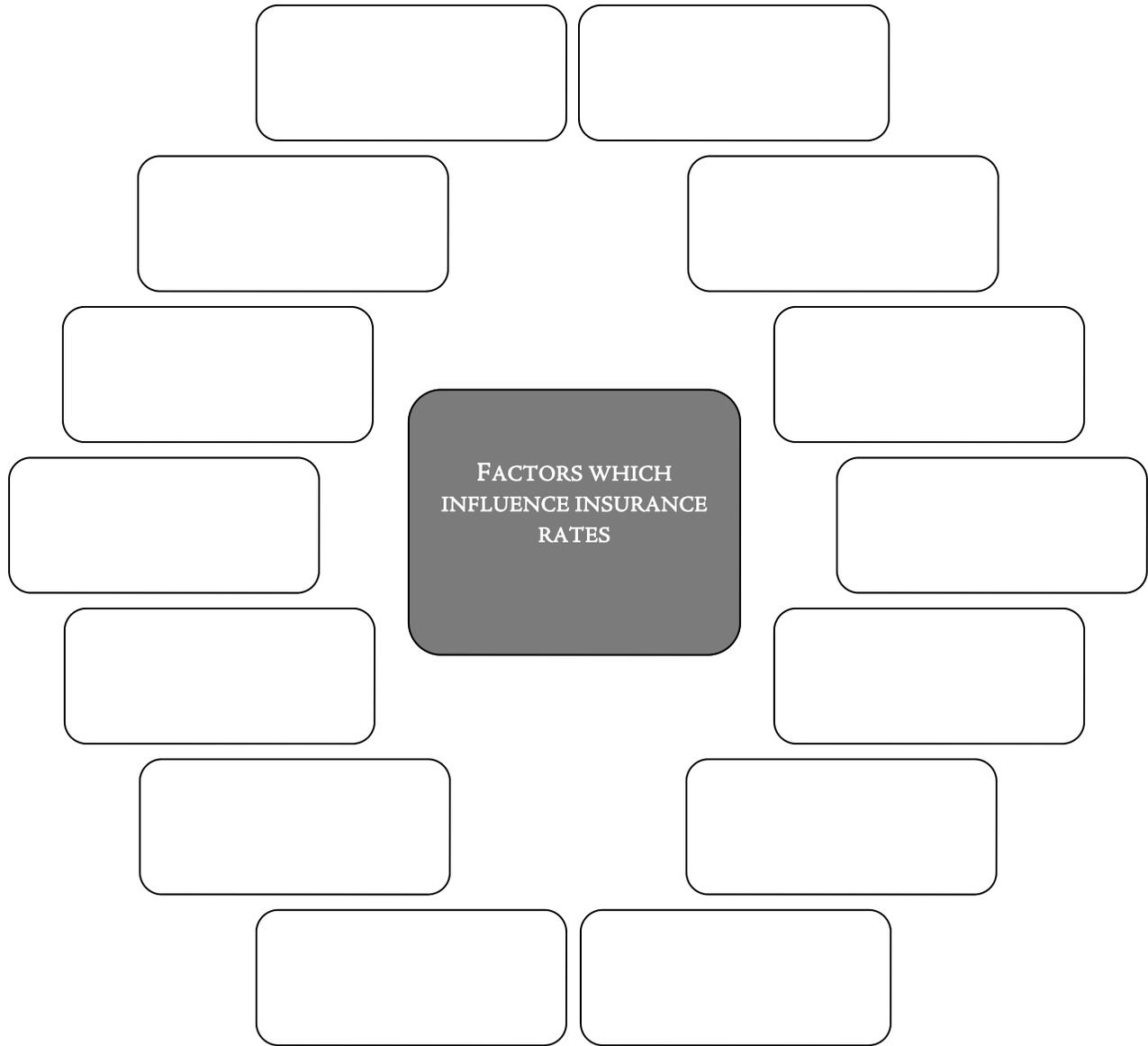
**LIABILITY INSURANCE**





Each figure represents a multiple of \_\_\_\_\_ Minimum policy limit amounts vary by \_\_\_\_\_





**Ways to save money include:**

- 1.
- 2.
- 3.

# SPECIFICS OF AUTOMOBILE INSURANCE

	Total Points Earned
27	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

Directions: Complete the questions during the PowerPoint presentation.

1. Define risk. (1 point)
2. Who is the arrangement for automobile insurance between? (2 points)
3. What type of contract specifies the terms of insurance? (1 point)
4. Identify and define two of the fees found in an automobile insurance policy. (4 points)
5. What is one purpose of automobile insurance? (1 point)
6. Define liability insurance. (1 point)
7. Name two types of liability which occur from owning and operating a vehicle. (2 points)



Name \_\_\_\_\_

Date \_\_\_\_\_

Total Points Earned	
Total Points Possible	13
Percentage	

# FACTORS AFFECTING AUTOMOBILE INSURANCE CROSSWORD

## Across

1. Health and auto
3. Not just one vehicle
4. Men may have higher rates
5. An additional \_\_\_\_\_ may raise the premium
8. 2003 BMW vs. 1982 Mazda
12. Course to learn how to use an auto
13. Devices to discourage vandalism

## Down

2. Montana or New York
4. A+
6. Continuing clients
7. Single rates vs. married rates
9. Under or over 15,000 miles per year
10. Safe driver or accident prone
11. Under 25 have higher rates

# AUTOMOBILE INSURANCE REVIEW

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

	Total Points Earned
13	Total Points Possible
	Percentage

Directions: Complete the following questions about automobile insurance.

- The snow was coming down heavily and the roads were becoming icy. As Jill came around the corner, her car went into a skid and came to rest in someone's yard. The car went through a chain link fence before it stopped. What coverage would pay for the repair of the fence and the damage to the yard? (1 point)
- Mary and her friends were talking and laughing while driving back to school from lunch. When the car in front of Mary stopped for a pedestrian in the crosswalk, Mary did not notice and ran into the back of the car. A passenger in Mary's car was injured when she hit the windshield. What coverage would pay for the injuries to the passenger? (1 point)

What coverage would pay for the medical bills for the driver of the car Mary hit? (1 point)

- Returning home one evening, Jim momentarily lost concentration. When he looked back to the road, he could not avoid hitting a deer crossing the road and damaged his vehicle. What type of insurance coverage would pay for the damage to his vehicle? (1 point)
- Jason parked his car on a back street and walked to the bank. When he returned to his vehicle, the entire side of the car had been damaged. No one had witnessed the accident. Would any insurance coverage pay for the damages in this hit and run case? If so, what type? (2 points)
- What affects the cost of automobile insurance? Check the applicable factors. (5 points)
 

<input type="checkbox"/> Your age	<input type="checkbox"/> Value of car	<input type="checkbox"/> Community in which you live
<input type="checkbox"/> Color of car	<input type="checkbox"/> Your income	<input type="checkbox"/> How many passengers
<input type="checkbox"/> Grades for a teen	<input type="checkbox"/> Marital status	<input type="checkbox"/> are in the vehicle
- What is the relationship between risk and insurance? (2 points)



# AUTO INSURANCE

## WHAT IS AUTO INSURANCE?

**Auto insurance** is an arrangement between an individual (consumer) and an insurer (insurance company) to protect the individual against risk from automobile accidents. **Risk** is uncertainty about a situation's outcome. Risk can be unpredictable events which lead to loss or damage.

To purchase auto insurance, consumers purchase a policy. A **policy** is a contract between the individual and the insurer specifying the terms of the insurance arrangements. The policy will state the premium and deductible amounts. A **premium** is the fee paid to the insurer to be covered under the specified terms. A **deductible** is the amount paid by the policy holder for the initial portion of a loss before the insurance coverage begins.



## WAYS TO SAVE MONEY ON AUTO INSURANCE

- \$ Shop around!
- \$ Select appropriate coverage and limits!
- \$ Avoid expensive or high-performance vehicles!
- \$ Take advantage of discounts!

## WHAT IS THE PURPOSE?

The purpose of auto insurance is to help individuals limit their financial losses when an automobile accident occurs. It helps the individual to be prepared for the unexpected. When people buy auto insurance, they transfer part of the financial risk of accidents to the insurance company.

## FOUR TYPES OF COVERAGE

1. Liability Insurance
2. Medical Payment Insurance
3. Uninsured/Underinsured Motorists Insurance
4. Physical Damage Insurance
  - Comprehensive
  - Collision

## MEDICAL PAYMENT INSURANCE

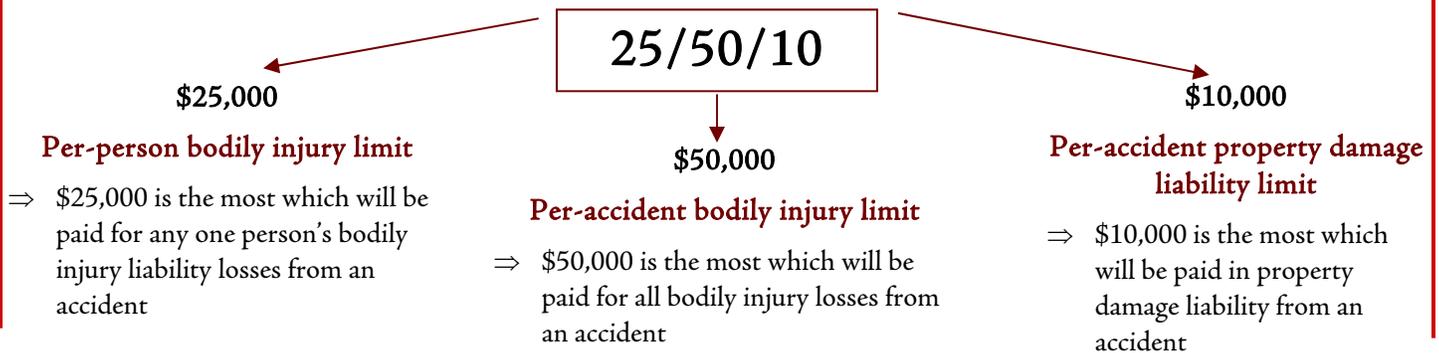
**Medical payment insurance** covers injuries sustained by the driver of the insured vehicle or any passenger regardless of fault. It also covers insured family members injured as passengers in any car or if they are injured while on foot as a pedestrian or while riding a bicycle. This insurance pays for hospital and medical bills. Sometimes, it may pay for funeral expenses. It is not required in all states.

## LIABILITY INSURANCE

**Liability insurance** covers the insured if injuries or damages are caused to other people or their property. Liability does not cover losses suffered by the insured or property damage to that driver's car if he or she was responsible for the accident. It is the minimum amount of insurance required by law for automobiles. Two types of liability occur from owning and operating a vehicle.

1. **Bodily injury**—the driver or car owner is held legally responsible for injuries suffered by another person.
2. **Property damage**—the driver or car owner is held legally responsible for damaging another's property.

Policy limits for liability insurance are usually quoted with three figures such as 25/50/10. Each figure represents a multiple of \$1000 and is explained below. It may also be quoted as a single figure such as \$250,000. This means \$250,000 is the per-accident limit for all liability losses and is the most which will be paid in any liability losses occurring from one accident.



## UNINSURED/UNDERINSURED MOTORISTS INSURANCE

It is illegal to own and operate a vehicle without auto insurance. However, some people still choose not to purchase it. **Uninsured or underinsured motorists insurance** covers injury or damage to the driver, passengers, or the vehicle caused by a driver with insufficient insurance. An **uninsured motorist** is someone without auto insurance. An **underinsured motorist** is someone who carries insurance, but not enough to cover the losses in the accident. It is not required in all states. Situations where this may be needed include:

- ⇒ Hit-and-run accidents where the driver leaves the accident before he/she is identified;
- ⇒ An accident with an uninsured driver;
- ⇒ An accident with an underinsured driver.

## PHYSICAL DAMAGE INSURANCE

**Physical damage insurance** covers damages caused to the vehicle. Two optional forms of coverage are available:

**Collision**—covers a collision with another object, car or from a rollover.

- ⇒ Paid regardless of fault
- ⇒ Generally covered when driving someone else's car with their permission

**Comprehensive**—covers all physical damage losses except collision and other specified losses. There usually is a deductible of \$500 to \$1,000. Losses covered include:

- ⇒ Theft, vandalism
- ⇒ Fire, ice, windstorm, or hail
- ⇒ Glass breakage



## TRANSPORTATION

## OTHER OPTIONAL PROTECTION

**Towing Coverage**

- ⇒ Pays the cost of having a vehicle towed to receive repairs if it broke down

**Rental Reimbursement**

- ⇒ Provides a rental car when the insured's vehicle is being repaired after an accident or if the vehicle was stolen



## INSURANCE RATES INFLUENCES

Insurance rates are determined for individual cases. The following factors influence the rates:

**Age**

- ⇒ People under age 25 pay higher premiums

**Gender**

- ⇒ Men have more accidents so they may have higher rates

**Marital Status**

- ⇒ Married drivers have fewer accidents statistically, so their rates are lower

**Driving Record**

- ⇒ Safe drivers have lower rates
- ⇒ Number or type of tickets will raise rates
- ⇒ Number and severity of accidents will raise rates

**Type and Age of Vehicle**

- ⇒ Newer, more expensive, and higher repair cost vehicles have higher rates
- ⇒ Frequently stolen vehicles have higher rates
- ⇒ Color of vehicle does not matter

**Vehicle Use**

- ⇒ Rates are usually higher when driving more than 7,500 miles a year

**Place of Residence**

- ⇒ Rates vary among states



- ⇒ People in large cities usually pay more than in rural or suburban areas

- ⇒ Weather conditions may affect rates

**Number of Drivers on the Policy**

- ⇒ Additional drivers raise the premium
- ⇒ Costs a driver under the age of 25 less to be added to his/her parents' policy than to purchase a separate policy

**Driver Training**

- ⇒ May receive a discount for having taken a driver's education course

**Good Student**

- ⇒ May receive a discount for good grades in high school or college

**Multiple Car Discount**

- ⇒ May receive a discount for having two or more vehicles on the same policy

**Anti-theft Systems**

- ⇒ May receive a discount for anti-theft devices such as car alarms

**Multiple Policies with the Same Company**

- ⇒ Having both auto, home, or life insurance

**Long-time Customers**

- ⇒ Some companies may offer discounts to long-time customers