



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

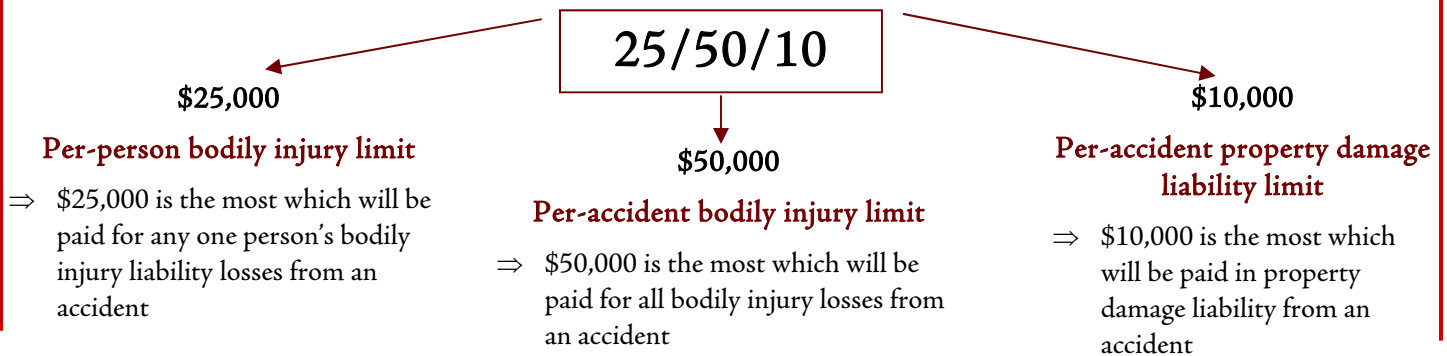
Medical payment insurance covers injuries sustained by the driver of the insured vehicle or any passenger regardless of fault. It also covers insured family members injured as passengers in any car or if they are injured while on foot as a pedestrian or while riding a bicycle. This insurance pays for 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

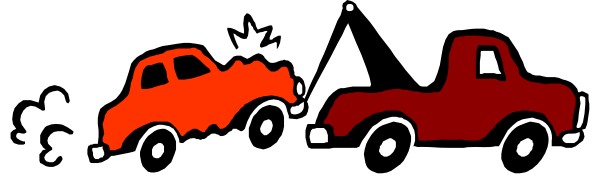
OTHER OPTIONAL PROTECTION

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