

Why is it so important to have good auto insurance coverage?

Your car has two unique qualities. First, it is probably one of the most expensive things you own. Insurance protects your investment and guarantees you a way of coping with the expense of accidents, vandalism or theft, as well as securing your financial responsibility to the bank or other institution lending the money to buy your vehicle. Second, when you drive, you are operating a powerful machine, weighing one ton or more and capable of moving at over 100 miles per hour. You are responsible for the safety of your passengers, your fellow drivers, other people's property, pedestrians and yourself. Insurance helps you live up to that responsibility by ensuring your ability to cover the costs of potential damages or injuries. You are also required to be financially responsible by state laws, which are best satisfied through your insurance coverage. In fact, in most states insurance is a prerequisite to registering your car. So if you want to drive your own vehicle, you must be insured.

What are the different types of policies and what do they cover?

Auto insurance is divided into several different types of coverage:

- General liability covers damage you may cause to other people's property and injuries to the people themselves.
- Collision covers damage to your own vehicle in an accident.
- Comprehensive (i.e., fire, theft and other non-collision damage) covers fire damage to your vehicle, break-ins, vandalism or theft, as well as natural disasters (earthquake, hail, hurricane, flood, etc.--unless the vehicle is overturned, then it is considered a collision).
- Medical payments insurance, usually in the range of \$5,000 to \$10,000, covers medical expenses for injuries. This "good-faith" coverage guarantees immediate medical payments for you, your passengers and other parties, regardless of who is at fault. It also covers you and members of your household in any accident involving an automobile, whether you are on foot, on a bicycle, in a friend's car, etc.
- Uninsured motorist (UM) and underinsured motorist (UIM) coverage protects you if you are injured in an accident with others who themselves carry insufficient or no liability insurance.
- Extra coverages include expenses for towing, labor, temporary replacement vehicles, etc. These are generally defined as add-ons or endorsements to your policy.

Why are some policies priced differently for different drivers?

Drivers are grouped according to the level of risk each one poses--i.e., the amount of loss incurred by insurers within various categories of policy holders. For various reasons, drivers are categorized by:

- Sex--Men have more accidents on the road than women.
- Age--Drivers under 25 (and, for some insurers, under 30) are considered at higher risk of having an accident.
- Marital Status--Married drivers tend to have fewer accidents than single drivers.
- Personal Driving Record--Years of driving experience, accidents, speeding tickets and drunk-driving offenses are all factors in determining how much of a risk you pose as a motorist.

- **How You Use Your Vehicle**--If you commute by car during rush hours, you're at greater risk of having an accident than if you only drive for errands and recreation on the weekends. Drivers who use their own vehicles for business also are considered to be at greater risk.
- **Type of Vehicle**--The value, size, weight, age of your vehicle--even the cost of replacement parts--are essential to determining the price of your insurance. Larger, heavier vehicles are considered at lower risk than smaller, lighter ones. Plus, more expensive cars are costlier to have repaired than economy models.
- The cost of your insurance policy is based on the average cost of covering actual losses, spread out over your particular "rating group" as a whole. Of course, you may never have an accident or have your car stolen, and therefore will never need to be compensated. But others in your category may not be so lucky. Your premium will help to pay for their losses, just as their premiums would help to pay for yours. In other words, you are investing a little today in case you need a lot tomorrow; your investment is pooled with others, and the pool pays for your loss.

Do all states require some kind of liability insurance?

No. Some states, while not mandating auto insurance, have "financial responsibility laws" that require all drivers to be able to pay for any damage or injury they may cause. However, carrying liability insurance is still the best way for you to meet your state's financial responsibility requirements. UM and UIM policies are offered by law in all states, including no-fault states. In fact, some states require all motorists to carry this coverage in order to gain protection from inadequate insurance coverage of other drivers.

What should I do if I am involved in an accident with an uninsured driver?

First, call the police to the scene to be sure all pertinent information is properly recorded. Your nerves will be shaken right after an accident, and it helps to have a calm and knowledgeable person walking you through the necessary details. Then, contact your agent immediately and ask about filing a claim. If you followed all the recommended guidelines when you bought your policy, you should be covered within the limitations of that policy. Remember, your insurance policy is designed to protect you. If the cost of your damages or injuries exceed the amount your policy will pay out, it may be time to take legal action against the other party. Even if you have no-fault insurance, sometimes the only way to be compensated is to place blame and responsibility where it belongs.

How do I keep my insurance company from canceling my policy?

The most obvious way to maintain your low-risk status is to keep a clean driving record. If you've been in an accident, consider taking a defensive driving course. Even those of us who have been driving for years rarely know the simple tricks to preventing accidents through defensive driving. Also, look into purchasing special safety and security features for your car, such as anti-lock brakes and an alarm system. Your insurance agent can give you further tips on how to convince your insurer you're a safe driver.

What steps can I take to reduce my rates?

Insurers often discount their rates in order to encourage good driving practices and the use of safety and security precautions. Depending on the insurance company, you can often lower your

rates from 5 to 35 percent. Sometimes the investment you make in your vehicle is worth the discount, and sometimes it's simply worth some peace of mind. For example, the purchase of anti-lock brakes merits a discount from nearly every insurer, but the discount probably will not pay for the brakes (which cost several hundred dollars) during the normal life of your vehicle. Anti-lock brakes are touted, nonetheless, as a life-saving feature and a serious consideration when safety is a top priority. Insurers generally offer discounts for:

- Safety Features--Anti-lock brakes, air bags and passive restraint systems (i.e., automatic seat belts).
- Defensive Driving--Clean violation record, driver's-ed courses for teenagers and defensive driving or accident prevention courses for adults (insurance discounts for the latter are required in some states).
- Security Systems--Alarms, electronic locks and disabling devices.
- Changing Driving Habits--Commuting by public transit, using a company vehicle for work-related travel and car-pooling.
- Formal Agreements Not to Drink and Drive--The availability of a discount for signing such an agreement varies among insurers and states.
- Buying Home Owners and Auto Policies from the Same Company--If you own a home and an automobile and you are insured by two different companies, check into the cost of carrying both policies by one insurer. Your agent can give you guidance as to which insurers offer discounts.
- You can also lower your insurance rates by requesting higher deductibles and the amount of money you pay before you make a claim. Increasing your deductibles on collision and comprehensive coverage from \$100 to \$250, or even \$500, will bring your rates down. Moreover, you may not need collision and comprehensive coverage if you drive an older car. Ask your agent which discounts are available to you.

How does adding drivers to my policy affect my rates?

The more people you allow to drive your vehicle on a regular basis, the greater the chances of your vehicle being in an accident. Teenagers are especially expensive to insure because they are the least experienced drivers. A driver's-ed course can help ease the burden of insurance costs since it teaches your teenager defensive driving techniques. If your child's high school does not offer driver's-ed, try to find one offered by another school or a private firm in the area. After all, the cost of driver's-ed could be cheaper than the extra cost of your insurance. (Many insurers offer "good student" discounts as well.)

An adult's driving experience can also affect your rates significantly. Don't assume that every adult you know has been driving since age 16 or is a competent driver with a clean record. Again, taking a defensive driving course is a good way for adults to prove they are responsible drivers, thus lowering their risk and their insurance rates. (This is a great solution for new couples who are jointly insured but unmatched in their driving skills or experience.)