
CHAPTER 3

Auto Insurance You Can Trust and Afford

In this chapter you will find information to make the most protective auto insurance choices as well as money-saving tips. (Editor's Note: Some states may vary, contact your local agent to check what may apply to you.)

We rely on our cars to get to work, school, and the grocery store every day, so it makes sense to have the best protection for the best price. I will give you information about how your insurance rates are calculated and how to know if you are *paying too much*. Contacting your insurance agent directly is the best way to get the best deal and coverage for your automobile.

In a day and age when you can buy auto insurance on the web or by calling a 1-800 number, it is more important to have a trusted local agent in your area to

handle your insurance needs. You'll develop a relationship over time and get a better understanding of your coverage. Someone on the phone can't show you the policy; and sometimes on the web, all the information you need might not be there before you click "purchase."

Remember that sometimes "you get what you pay for." The cheapest option may not provide you or your family with the best protection. The saying goes, "you don't need insurance until you have a claim." When you *do* have a claim, that is a terrible time to discover you don't have adequate protection.

The truth is no insurance company has the lowest price for everyone. There are companies that are often among the lowest and there are companies that are usually among the highest, but no company is the lowest for everybody. Prices may fluctuate. Some companies may "buy the market" with low prices to gain new consumers only for their prices to gradually or immediately go up. They also have to change prices based on their profits, losses, and other factors.

Some insurers want only very good drivers who have no tickets and accidents. Some companies, believe it or not, actually want bad drivers. In fact, these companies specialize in insuring people with imperfect driving records. There are insurers who really like to do business in big cities, and there are others who would prefer to stay away from highly populated areas. A person who lives in a major city like Atlanta or Washington, D.C. will pay a higher premium than a person living in an area with fewer people, even if

there is no difference in his or her's driving histories. The above examples list average differences. Auto insurers vary on prices in a given area. Even if you have a great driving record, one insurance company might charge you \$500 a year for a policy that provides almost all the types of coverage available while another insurer *in the same location* might charge you \$1,500. As you can see, it can pay to shop around, so be sure that:

- You really understand the different coverage in your policy, or
- You have an agent you really trust who can examine coverage and prices for you.

Auto Insurance: How Much Should You Buy?

The fact is you can buy a lot of auto insurance or a little. By law, more than 40 states insist that drivers have car insurance. However, these laws are just for liability coverage, which only pays for medical expenses and damages to the car(s) of the other driver(s) if you cause the accident. The limits are very low, and they leave you and your car completely unprotected. For example, these limits below are typical legal requirements. (Note: These figures are noted as examples. Please check with your local agent to see what limits may apply as these are merely averages of most states.)

- **\$20,000 per person** Bodily Injury,
- **\$40,000 maximum** Bodily Injury for all persons
- **\$10,000 maximum** Property Damage

If you just have the liability limits required by law, you could find yourself owing the other party/parties

thousands of dollars, putting your money, home, and property, not to mention your family, in danger of financial collapse. *The main point to remember about liability coverage is that it covers people that you cause bodily injury to or damages to their property.*

SIX MAJOR TYPES OF COVERAGE IN AN AUTO POLICY

Read over these types of coverage and jot down in the note section the types of coverage you have and questions about your coverage you may have for your agent:

1. Bodily Injury Liability

Liability is the type of insurance required by law. It covers the other motorists injuries that are involved in the accident.

2. Property Damage Liability

When you hit another car, building, or object, this pays for the damage to that property.

3. Collision

This covers damage to your car when you hit a car or object regardless of fault.

4. Comprehensive

If your car is damaged by something other than an accident with another car, such as a fire, falling trees from a storm, or theft.

5. Medical Payments

This coverage pays for the hospital and doctor bills you and the passengers in your car have as a result of an accident, whether or not it is your fault. (If you are walking down the street and a car hits you, this coverage applies, too.)

6. Uninsured/Underinsured Motorist

This coverage pays for the costs of your medical bills if you are in an accident with someone who has no insurance or not enough insurance to cover your expenses. Despite the laws, many drivers don't have any insurance or have too little. (In some cases, property damage or your car may be covered. Ask your agent if these coverages apply.)

7. More Options

If you are not a member of a car club such as Allstate Motor Club (AMC), then you might think about adding these two types of extra coverage to your policy. Ask your agent how much the prices would affect your premium.

1. Towing: pays to have your car towed, if necessary.
2. Rental Car: pays for you to rent a car while yours is in the shop for a covered loss.

COVERAGE OF OTHER DRIVERS

If someone else is driving your vehicle, they are covered while driving your car. This only applies if someone is not a regular driver of your car. A regular driver must be added to your policy. If you don't add him or her, he or she might not be covered if he or she has an accident.

I made a long trip to visit a sick relative and asked my old friend to help me drive. My friend was covered because my friend was not a regular driver of my car. If I let a friend borrow my car on a regular basis, she would be considered a regular driver, and unless I added her to my policy, she might not be covered by insurance if she had a wreck.

BE CLEAR ABOUT HOW YOU USE YOUR CAR

If you drive your car to work, tell your agent and be honest about how many miles you drive. This will cost you a little more, but it protects you more. Being caught in a lie could leave you without coverage for your accident AND in trouble with the law. Lying to the insurance company is insurance fraud, and fraud is a crime.

The same goes for using your personal car for business and the other way around. Talk to your agent about how you use your car and a company car if you drive one. It's a good idea to find out the specifics of the company car's insurance policy, too.

Some Things are Never Covered by Your Auto Insurance

If you damage your car or another car on purpose, charge people for a ride (as in running your car like a taxi. Carpools where you share gas costs are okay), use your car for business deliveries, to make money (business trips and visiting clients are okay), you won't be covered.

Car insurance won't cover repairs you have to make to keep your car in working order, like mechanical maintenance or tires. The last part car insurance doesn't cover is if your car is damaged in a war, rebellion, or by nuclear weapons. If the last bit happens, you'll have more to worry about than your car anyway, right?

As you can see, there are many areas to consider regarding auto insurance coverage. Make note of questions or concerns you may have so that you can take them to your agent. His or her's assistance is truly where you get the help, coverage, and value from your policy. Now that you are more informed, we will move on to ways to save money.

Saving Money on Your Auto Insurance

You'll find that these nine points are very simple ways to save money on your auto insurance:

1. Higher Deductible = Lower Premium

The deductible is the amount you pay before the insurance company will pay if you have a claim. For example, if you have a \$250 deductible and you have an accident in which your car sustains \$1,000 in damage, you pay the first \$250 and your insurer pays the remaining balance of \$750. The lower the deductible you choose, the higher the premium, or price of your auto policy. If it's been years since you've had an accident, you may be better off raising your deductible and paying less each year for insurance.

2. Combine Your Policies With One Company

Using one insurance company for your homeowners, auto, life, and other types of insurance will save you money. As a driver, you are required by law to have auto insurance. If your car insurance is with a different company than your homeowners or renters insurance, consult your agent to place all of your insurance policies with his or her company. Also, if you have had one insurance company for many years and are pleased with its service, keep that company. The longer you're with one company, the more money you'll save.

3. Careful Driver = Lower Premium

A good driver who has few or no speeding tickets, no accidents, and no DUIs will have a lower premium than a driver with any of the above. If you are careful and follow the law, you will be rewarded with a lower price for your auto insurance.

4. Fewer Miles = Lower Price

Check your mileage on your car and then check with your agent. Drivers who clock fewer miles per month than the national average of around 1,000 miles a month, might get a discount.

5. Flashy Car = Higher Premium

If your car is fast, flashy, expensive, turns heads when you pass, and is more likely to be stolen, you will pay for more to insure it. It's going to cost more for your custom ride than what average drivers pay. For a list of cars that are most frequently stolen, visit the National Insurance Crime Bureau's website <https://www.nicb.org/> and click on "Hot Wheels."

6. Older Cars = Less Coverage

It doesn't make sense to have collision and comprehensive coverage on an older vehicle that has a resale value in the low thousands. Considering the deductible has to be paid before your insurance starts paying, it's just not worth it. You still need liability and medical coverage for yourself and your passengers, however. Consult the Kelly Blue Book website, www.kbb.com, to find out how much your car is worth.

7. Safe and Smart = Lower Premium

Safety devices on your car mean savings for you! Cars that beep until seat belts fastened, have ABS (anti-lock brakes), airbags, and car alarms will save you money. Good grades also pay off in more ways than one. Students with good grades have lower rates. It may be

worthwhile to take a free or inexpensive defensive driving course. Talk to your agent to find out how much you could save.

8. Rural Area = Lower Premium

If you live in a small town or in the countryside, you'll pay less money for your car insurance. People living in more heavily populated areas like major cities pay more for their automobile insurance.

9. Good Credit = Lower Premium

If you have a good credit score, you could be eligible for discounted premiums from several auto insurance companies. Many insurers now use your credit history as a major factor in determining what to charge you for auto insurance. You could save money by shifting your business to an insurer who uses credit as a rating factor, even if you have a so-so or poor driving record. On the other hand, if you have a poor credit score, you could save money by moving your auto insurance to a company that does not use credit as a rating factor, and many insurers do not. Regardless of your credit status, you should talk to your agent to make sure you have the best rates possible for your credit score.

Rental Car Insurance

When you rent a car, you will be asked if you want to buy "coverage" from the rental car company. You do not have to buy their insurance to legally drive the car. It is

best to be prepared and know that your auto insurance policy may cover you when you rent a vehicle.

However, if you only have liability coverage and do not have comprehensive and collision coverage, you NEED to buy the rental car company's insurance coverage because liability on your auto plan will not cover anything that happens to the rental car.

If your personal auto policy includes liability insurance, and most do, your policy will pay for any damage or injuries you cause to other cars or property up to the pay out limits of the policy. If you are comfortable with the amount of liability coverage you have for your own cars, you do not need to buy additional liability insurance for vehicles you rent.

If you do not have a car, and therefore have no auto coverage, be advised that many states require rental car companies to provide some liability coverage to you at no charge. The limit of the free liability coverage is the same as the state's minimum liability limits (\$15,000 for injuries to any one person, no more than \$30,000 for injuries to all persons, and no more than \$5,000 for damage to the vehicle(s) you hit). It's up to you to decide if it's worth the risk, but talk to your insurance agent if you have any questions.

