Auto Insurance

Choosing the policy that meets your needs
Driving is a privilege, but it comes with a price. There’s the cost to purchase a vehicle, maintenance, repairs, fuel, and, of course, auto insurance. When you buy auto insurance you’re paying for more than the replacement or repair of your vehicle after an accident. You’re buying a financial safety net — protection against financial losses that might otherwise be staggering.

This booklet will guide you through some important decisions about your automobile insurance. It will provide information to help you determine how much coverage you need, how much liability insurance you need and an appropriate deductible amount. Additionally, you will also learn ways to help save money on auto insurance.

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The Benefits of Auto Insurance

Auto insurance can help offset the cost of:

- Vehicle repairs due to damage caused in an accident.
- Vehicle repairs due to damage caused by something other than an accident (e.g., flood or vandalism).
- Medical expenses due to bodily injury to yourself and others resulting from an accident.
- Lost wages due to injury resulting from an accident.
- Benefits to survivors when an accident results in death.
- Lawsuits, including legal fees, brought against you as the result of an accident.

What Are My Options?

When you buy an auto policy, you put together a “package” of insurance from standard types of coverage — a package that will protect you, your family, your vehicle and your assets. Note that many states require at least a specific minimum amount of insurance. Before you can determine the specific insurance coverage that’s right for you, you need to become familiar with the standard types of auto insurance coverage offered. They include:

- Bodily Injury Liability
- Property Damage Liability
- Collision coverage
- Comprehensive coverage
- Medical Payments coverage
- Uninsured/Underinsured Motorists Protection

What Is Liability Insurance?

If you are judged to be legally liable for an accident, you can be sued for the full cost of the damages, including property damage; hospital and medical payments; rehabilitative care; lost income; and even the pain and suffering of injured person(s). Liability insurance helps protect you from the financial impact of these costs. If the total of a given loss exceeds the amount of your liability insurance, however, you may have to pay the rest out of your own pocket. Since liability coverage protects your assets in this way, you can see why you need to consider buying more liability coverage than the minimum required by your state.

Almost all states require basic liability coverage. The Insurance Information Institute (III) provides information on states’ minimum limits for auto liability insurance on the Internet at: www.iii.org. See For More Information on page 8. Remember, your state’s requirement is a minimum — it’s up to you to determine how much insurance you really need.

Two types of liability insurance are offered:

- **Bodily injury liability** protects you in the event it’s determined you are responsible for an accident in which someone is injured or killed.
- **Property damage liability** covers the damage your vehicle causes to someone else’s property, such as their car, mailbox or a fence on their land. Auto insurance policies usually describe the amount of liability coverage in a series of three numbers, called **Split Limits**.

### Suppose your coverage reads: “50,000/100,000/25,000”

1. The first number, $50,000, is the maximum the insurance company will pay for bodily injury to **any one person** in an accident.
2. The second number, $100,000, is the maximum amount the insurance company will pay for bodily injury for a **single accident**, no matter how many people are injured.
3. The last number, $25,000, is the maximum amount the policy covers for damage to someone else’s property.

Bodily injury and property damage liability may also be shown as a **combined single limit (CSL)**. The CSL number is the maximum dollar coverage (e.g., $100,000) for bodily injury and property damage combined, no matter how many people are involved or the amount of property damage. Note that all limits are **per accident**.
Many states require drivers to carry a minimum amount of liability insurance, approximately 20,000/40,000/10,000. That means $20,000 to cover injuries to any one person, $40,000 total for all injuries and $10,000 for property damage.

**Collision and Comprehensive Insurance**

**Collision insurance** pays for damage to your car that results from colliding with another vehicle or object, or from a vehicle rollover. Your car is covered no matter who causes the accident.

**Comprehensive coverage** pays for damage to your car caused by something other than a collision. This includes theft, vandalism, collision with animals and disasters such as fire, flood and hail. Collision and comprehensive insurance usually do not pay for the entire loss.

Typically your policy will carry a **deductible**. The deductible is a specified amount you must pay out of your own pocket, before receiving money from the insurance company. In other words, the insurance company “deducts” the deductible amount from any settlement. This means that if you have a $1,000 loss and your deductible is $250, the insurance company will pay you the difference between the loss amount and your deductible, which is $750 in this example.

You select a deductible amount — usually between $250 and $1,000 — when you purchase the insurance. Bear in mind that higher deductibles mean lower premiums, since the insurance company will be responsible for paying you less in the event of an accident.

**Depreciation** also affects the amount you can recover. As your car ages, its value declines — or depreciates — and the amount you can collect for a total loss declines as well. If your car is a total loss, the insurance company will reimburse you for the **actual cash value (ACV)** of your car minus the deductible. The ACV is what it would cost to replace your car with one in the same, or similar, condition. Age of the vehicle, mileage, previous damage and general wear and tear are all factors when determining the actual cash value.

Sometimes it doesn’t make financial sense to pay for collision and comprehensive insurance. If you have an old car or one in poor condition, you may find that collision coverage would pay only a small dollar amount in the event of a major accident, while eliminating it could mean significant savings. When deciding whether or not collision coverage is appropriate for your specific situation, consider:

- Is your car paid for, or do you make car payments? If you owe money on your car, you’ll have to pay it off, even if the car is totaled. If you have collision coverage you can use the money to pay off the loan.
- How much does collision and comprehensive coverage cost for your car?
- What is your deductible amount?
- What is the amount you would receive if your car were “totaled”? (i.e., the actual cash value minus the deductible.)

In the end, only you can decide whether the cost of insurance is more economical than the cost of repairing or replacing the car at your own expense.

**Medical Payments and Personal Injury Protection Insurances**

**Medical payments insurance** covers the cost of doctors, hospitals and funeral expenses, for you and/or your passengers that result from an accident, regardless of who was at fault. This coverage will also protect you when you drive another person’s car (with permission) or if a vehicle strikes you or family members, as pedestrians. This coverage is relatively inexpensive. Although it varies by state, coverage is generally available with limits between $1,000 and $100,000.

**Personal injury protection (PIP)** is a form of insurance coverage that may be required in states with no-fault laws. This coverage is a broader form of medical payments insurance. It pays for medical care, and may also pay for lost wages and replacement services for an injured party (for example, paying for a babysitter to look after children while a mother is hospitalized). Personal injury protection pays regardless of who is at fault in an accident.

States with no-fault laws may limit the right to sue for non-monetary damages such as pain and suffering, but you may still be able to sue in cases of incapacitating disability or death. This coverage varies by state, and is sometimes an optional offering in states without no-fault laws. When evaluating this coverage, remember that medical payments insurance and PIP also protect your passengers.

Before considering medical payments or personal injury protection coverage, check with your state insurance department for details of no-fault coverage/requirements in your state.
Uninsured/Underinsured Motorists Protection

If you are involved in an accident with an uninsured driver, it will probably be difficult to collect damages from the responsible party. Uninsured motorists (UM) coverage pays the cost of damages and injuries resulting from being hit by an uninsured driver or by a hit-and-run driver. It also provides coverage if an uninsured driver strikes you or family members as pedestrians. UM will cover you and your passengers for medical expenses, lost wages and other injury-related losses. You may also be able to collect for pain and suffering.

Similarly, underinsured motorists (UIM) coverage will pay for damages that exceed the amount of coverage carried by an underinsured driver.

You choose the amount of coverage when you buy this protection. Keep in mind that both uninsured and underinsured motorists insurance requirements vary by state.

How Are My Rates Determined?

The premiums you pay to insure your car can vary dramatically. Here are some of the factors that can influence how much you pay:

Your driving record. Your record plays a crucial role in determining premiums. If you’ve been involved in an accident that was determined to be your fault, or if you have traffic convictions on your record, you may pay more for your insurance. That’s because statistics indicate such drivers generally have repeat accidents or violations within three years. For drivers with poor records who cannot find coverage, there are state-regulated insurance plans called “assigned risk pools” or “shared markets.” In these plans, the state assigns a company to provide coverage for a high-risk driver.

The car you drive. Certain car models may be considered higher risk because they cost a lot to repair, are frequently involved in accidents or are popular with car thieves. Owning one of these cars may double your collision and comprehensive premiums. High-performance cars and sports cars, for example, usually cost more to insure. Keep this in mind when shopping around for a car, and remember, you can ask your insurance agent about insurance rates for specific cars before you buy.

Marital status. Statistically, young married drivers have fewer accidents than young single drivers, so they generally pay lower premiums.

Where you live. Rates are regulated on a state-by-state basis, so rates in California and Rhode Island will differ. Rates also vary between locations within a state. That’s because the risks — of accidents, theft and vandalism — vary significantly from one community to another. For example, people living in small towns generally have fewer auto accidents than people living in large cities, so they may pay less for insurance. Other variables include typical regional weather conditions and local auto repair prices.

Age. As a general rule, since drivers under age 25 have more accidents than older drivers, they pay more. Drivers between 50 and 65 years of age have low accident rates and are sometimes offered discounts. Past the age of 65, accidents seem to increase and rates generally begin to rise again. People over 70 may have trouble finding an insurer to accept them as a new customer, and when they do find coverage, it may be expensive.

Gender. A young man under age 25 generally pays more than a woman of the same age. This is because young men are typically involved in more accidents than young women and have more than three times as many fatal accidents.

Your family members. Insurance premiums not only reflect your age, gender and driving record, but those of other licensed drivers in your household as well. A teenage son who drives your car, or a spouse with a poor driving record will likely increase your insurance rates.

How Can I Save Money on Auto Insurance?

Here are some things you can do to help trim the cost of your auto insurance:

• Get quotes from at least three different companies to compare prices, features and services.

• Choose a safe vehicle. Safety ratings can dramatically affect the price of insurance, so research the vehicle(s) you’re considering. See if the vehicle has a high accident rate or is popular with thieves. Crash test results are available on the Internet at www.nhtsa.gov or by mail.
• Increase your deductible if you know you can handle the out-of-pocket expense in the event of an accident. Increasing your deductible to $500, rather than the standard $250, will cut the cost of your insurance. But it will cost you an additional $250 out-of-pocket in the event of an accident.

• Consider dropping collision coverage, if your car is paid for. There comes a point when an aged auto’s book value is less than the cost of repairing it, and the most your insurer will pay is the car’s book value.

• Drive safely and responsibly. Obey the speed limits, don’t drink and drive and always wear your seat belt. A good driving record helps keep rates down.

The following discounts can cut costs. They are not, however, permitted in all states and are not offered by all insurance companies.

• Safe driver discounts. The definition of a safe driver varies, but usually includes those with no accidents or convictions on their records for the previous three years.

• Discounts for taking driver training, driver improvement and/or defensive driving courses. You may qualify if you’ve recently taken an approved driver education course. The National Safety Council offers several courses in English and Spanish for both mature and teenaged drivers. See For More Information on page 8.

• Mature driver discounts, for drivers between ages 50 and 65.

• Multi-car discounts, for those insure more than one car with the same company.

• Multiple policy discounts, for buying more than one type of insurance (e.g., homeowners, auto, life) from the same company.

• Restricted mileage discounts, for those who drive less than 7,500 miles annually.

• Antilock brake discounts, for cars equipped with computerized antilock braking systems.

• Passive seat belt and air bag discounts are sometimes offered for cars equipped with factory-installed air bags and automatic seat belts.

• Antitheft system discounts, for vehicles with devices that make them more difficult to steal—for example, ignition and fuel-cutoff systems, alarms, and hood- and wheel-locking devices.

• Good-student discounts are sometimes offered for drivers under age 25 who have maintained a B average for the preceding semester in high school or college.

What to Do in Case of an Accident

Even good drivers are sometimes involved in accidents. If you’re involved in an accident, the following steps can help protect you:

1. If possible, stop your car in a safe and visible place. If the car cannot be moved, turn on the hazard lights. Turn off the ignition. Be careful when exiting your car.

2. Determine if anyone is injured. Do not move an injured person.

3. Call the police (911 in most places) immediately. Report any injuries.

4. If another vehicle is involved, write down the driver’s name, address and driver’s license number. Also get the car’s year, make, model, license plate number and the insurer’s name. If the driver does not own the car, get the name of the car’s owner. Write down names and addresses of other passengers or witnesses.

5. Write down the names and badge numbers of police and emergency personnel at the scene. Ask the officer how to obtain a copy of the police report for your insurance claim.

6. If you suspect that the other driver was under the influence of alcohol or drugs, ask that a breath test be performed on you and the other driver.

7. Cooperate with the police, but do not admit guilt for the accident. It is generally not wise to reveal how much coverage you have.

8. Do not accept any money the other driver may offer. By accepting money, you may give up your right to file a claim against the other driver, even if the damages turn out to be more extensive than you first thought.

9. Do not agree to forget about a minor accident. You may see later that there were hidden damages or injuries. The other person may even file a lawsuit against you.

10. As soon as possible, write an account of what happened: time of day, weather, hazards, road conditions and driving speed. Draw a picture of the site, showing stop signs, signal lights, etc. If other cars are involved, note any damage, being sure to note damage that appears to have been there prior to the accident. If a camera is available, take pictures of the accident.

11. Report the accident to your insurance company as soon as possible.
Accident Information Checklist

If someone is injured call 911 immediately.

Date/Time __________________________________________

Driver Information
Name ____________________________________________
Address __________________________________________
License No. _______________________________________

Vehicle Information
Make, Model & Year _______________________________
License Plate No. __________________________________
State Registration No. ____________________________
Owner’s Name (if not driver) _______________________

Insurance Co. ______________________________________

Passengers and Witnesses
Name ____________________________________________
Address __________________________________________
Name ____________________________________________
Address __________________________________________
Name ____________________________________________
Address __________________________________________

Police/Emergency Personnel
Name/Badge _______________________________________  
Name/Badge _______________________________________ 
Name/Badge _______________________________________ 

Notes/Descriptions
________________________________________________________________
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Auto Insurance Terms — A Quick Reference

Actual cash value (ACV) of your car is what it would cost to replace it with one in the same condition. Age of the vehicle, mileage, previous damage and general wear and tear are all factors when determining the actual cash value. The book value is a starting point for determining the ACV.

Assigned risk. If an applicant for auto insurance cannot find a company willing to insure him or her voluntarily, the state assigns the risk to an insurance company in that state.

Bodily injury liability is insurance coverage that helps protect you from financial loss and pays legal defense costs when you’re judged legally liable for injuring other persons. In auto insurance, state law usually requires both bodily injury and property damage liability insurance. The two are often referred to jointly as liability insurance.

Book value. The value of a car based on information in one of several reference books or websites; values are listed by make, model, age, etc.

Claim. The notification of an insurance company to request payment for losses covered by an insurance policy is a claim.

Collision insurance provides protection against loss resulting from any damage to a policy owner’s car caused by collision with another vehicle or object, whether it was the insured’s fault or not.

Combined single limits. The number that is the maximum dollar coverage (e.g., $100,000) for bodily injury and property damage liability combined, no matter how many people are involved or the amount of injury or property damage.

Comprehensive insurance is insurance that reimburses you for damage to your vehicle from causes other than collision, rollover or general wear and tear. It covers perils such as hail, flood, fire, earthquakes, windstorms, vandalism, riot or civil commotion and damage from a bird or animal. It may include glass replacement, towing charges and theft. Coverage varies from state to state.

Coverage. A term used to describe the monetary limits and risks covered by an insurance policy.

Deductible. The amount you must pay before your insurance coverage begins paying. For example, if you have a $250 deductible and a loss of $800, you pay the first $250 and the insurance company pays the remaining $550. If the loss were only $250, you would pay the entire amount and the insurance company would pay nothing.
Depreciation. The gradual loss of value of an asset (e.g., your car) through increasing age natural wear and tear, deterioration or damage, even though the item may retain or even increase its replacement value due to inflation.

Exclusion. A type of loss a policy will not cover.

First-party coverage. Compensation for losses by each driver’s own insurance company rather than by the insurer of the person who caused an accident (e.g., collision and comprehensive insurance).

Insured. A person covered by a policy.

Liability. Any legally enforceable obligation.

Liability insurance. Covers accidental injuries and damages resulting from an accident caused by the insured. Liability insurance pays on behalf of the insured.

Limit. The maximum amount that an insurer is bound to pay for a covered loss. For example, if you have a $5,000 loss and the limit on your policy is $2,500, then $2,500 is the maximum your insurance company will pay.

Loss. A value reduction in an insured’s automobile caused by an insured peril; also, the amount sought in a claim, or the amount paid on behalf of an insured under an insurance contract.

Medical payments insurance. Coverage that reimburses you and your passengers—regardless of legal liability—for medical or funeral expenses stemming from bodily injury or death by accident.

No-fault insurance allows automobile accident victims to be directly reimbursed for medical and hospital expenses and loss of income by their own insurance company, regardless of who caused the accident. Only some states have no-fault provisions; the right to sue in no-fault states may be restricted.

Peril. Possible causes of loss (e.g., fire, windstorm, theft, riot). Some perils may be excluded.

Personal injury protection (PIP). Under no-fault insurance, the portion of an auto insurance policy that covers medical costs, loss of earnings, additional living expenses, and funeral costs for occupants of the insured automobile and pedestrians, other than those insured under other policies. Coverage varies from state to state.

Policyholder. The person who pays a premium to an insurance company in exchange for the protection outlined in an insurance policy.

Premium. The amount of money paid for an insurance policy. Often stated in terms of an “annual premium.”

Property damage liability. Insurance that protects you against financial loss if you are legally liable to others for auto-related damage to their property.

Renewal. A policy issued to replace one that has expired.

Safe Driver Discount. A system for adjusting standard rates up or down based on good or bad driving records of those insured.

Split limits. A type of auto liability overage that has separate limits for bodily injury and for property damage. See combined single limits on page 5.

Uninsured/Underinsured motorists insurance provides protection in the event that damage is caused by a motorist who has no insurance or not enough insurance to cover the loss.

The Insurance Package — A Quick Reference

Listed below are descriptions of the basic elements available in a typical automobile insurance policy.

Bodily Injury Liability

- Medical costs of injury resulting from a loss for which you were found to be at fault.
- Loss of income for someone you injure in an accident.
- Cost of your legal defense if you are sued and determined to be at fault for an accident involving injury or death.

Property Damage Liability

- Claims against you for damage to someone else’s property caused by your car.
- Your legal costs if your car damages someone else’s car or property.
Collision
• Damage to your car caused by collision or rollover.

Comprehensive
• Damage to your car by something other than a collision, including theft, fire, vandalism, flood, riot and hail.

Medical Payments/PIP
• The cost of doctors, hospitals, medical care, lost wages, replacement services and funeral expenses for you and/or your passengers, regardless of who caused the accident. (Payments are generally stopped two years after the accident.) Coverage varies by state.

Uninsured/Underinsured Motorist Protection
• The cost of injuries or death for you or your passengers in an accident caused by an uninsured or hit-and-run driver.
• The cost of injuries or death caused to you or your family members as pedestrians by uninsured or hit-and-run drivers.
• Expenses not adequately covered by an underinsured driver.

Optional Coverage. In addition to standard coverage, optional coverage such as rental reimbursement, towing and vehicle customization (to name a few) may be purchased, depending on your particular needs.

Auto Insurance Comparison Worksheet
Compare “Apples” to “Apples”

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<tr>
<th>Types of Coverage</th>
<th>Desired Coverage</th>
<th>Deductible</th>
<th>Your Premium Costs</th>
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<tr>
<td></td>
<td>Co. 1</td>
<td>Co. 2</td>
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<tr>
<td>Bodily Injury Liability</td>
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<td>Medical Payments and/or PIP</td>
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<td>Collision</td>
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<td>Comprehensive Physical Damage</td>
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<td>Uninsured/Underinsured</td>
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When requesting price quotes you’ll need detailed information about your vehicle (e.g., make, model, vehicle identification number, car safety features). You’ll also need detailed information about you and your family (e.g., all drivers of the vehicle), including date of birth, driver’s license number and traffic violations/convictions for the last three years.

Making Choices
As you can see, choosing the auto insurance coverage that’s right for you requires some time and careful thought. You have a lot of choices to make, and there are terms and concepts that may be new to you. To help make it a little easier, this booklet includes some quick-reference pages: Auto Insurance Terms, on page 5, The Insurance Package on page 6 and an Auto Insurance Comparison Worksheet on this page.

Time to go shopping!
For More Information

Helpful Websites

www.kbb.com
The Kelley Blue Book features 15 years of used car values on more than 10,000 models of cars, trucks and vans. It is available online, in bookstores, auto supply stores and public libraries.

www.edmunds.com
Edmunds publishes new and used pricing guides for thousands of models of both new and used cars. It is available in bookstores, auto supply stores and public libraries.

Free Brochures

The quarterly Consumer Information Center catalog lists more than 200 helpful federal publications. Obtain a free copy by calling 888-8-PUEBLO or on the Internet at www.pueblo.gsa.gov.

Other Resources

For information about auto insurance in your state, contact your state’s Insurance Department. Go to the website www.naic.org/state_web_map.htm where you can access all 50 state insurance department websites.

The Insurance Institute for Highway Safety has crash test and safety data available on the Internet at www.iihs.org, select “Vehicle Ratings.”

The National Safety Council offers driver improvement and defensive driving courses for teenagers and adults. Many courses are offered in Spanish as well as English. Check on the Internet at www.nsc.org, or call 800-621-6244 to find out how to enroll.

The Insurance Information Institute provides information on auto insurance, safety tips and answers to frequently asked consumer questions. Visit www.iii.org.

The National Highway Traffic Safety Administration is an extensive information resource for all drivers. Accident data, recall alerts, teen driving tips and much more is available at NHTSA’s website www.nhtsa.dot.gov.

For information about other Life Advice topics, go to www.metlife.com/lifeadvice
To order up to three free Life Advice brochures, call 800-METLIFE (800-638-5433)