

OOPS!!

You take a lot of chances as a driver. You may be in an accident or have your car vandalized or stolen. Auto insurance is available to protect you from the potentially huge costs associated with these risks.

Replacing just the bumper on a typical car can cost over \$300. Medical treatment for injuries resulting from an accident could add hundreds, or even thousands of dollars to the bill. And statistics show that one out of every five young drivers will have an accident each year.

But the extent of protection you get depends on the type and amount of insurance you buy, so there are several things you should know BEFORE you shop around...

COMMON QUESTIONS ABOUT AUTO INSURANCE

Q. Do I have to buy auto insurance?

A. In most states the answer is yes. Almost every state requires you to have auto liability insurance before you can legally drive a car. All states, however, have financial responsibility laws. This means that either you must purchase a minimum amount of liability insurance or prove that you have set aside enough money to pay for the damage you may cause in an accident.

Q. What are the different kinds of auto insurance?

A. Your auto insurance policy is really a package of six different types of coverage. Some may be required by law. Others, such as comprehensive and collision, may be optional.

1. Bodily injury liability, for injuries you cause someone else.
2. Medical payments or Personal Injury Protection (PIP), for treatment of injuries to you and your passengers.
3. Property damage liability, for damage you cause to someone else's property.
4. Collision, for damage to your car from a collision.
5. Comprehensive, for damage to your car not involving a collision (including damage from fire, earthquakes, floods, riots, explosions) and theft.
6. Uninsured motorists, for costs resulting from an accident involving a hit-and-run driver or a driver who does not have insurance.

Q. How much will my insurance cost?

A. Premiums, or the amount you pay for insurance can vary widely. The type of car you drive, your driving record, your age, your sex, where you live and how much you drive usually affect the cost. See the section "How Do You Buy Insurance?" for more explanations.

Q. Can I be added to my parents' auto insurance?

A. If you drive a family car, you can be added to your parents' policy. However, the cost of the policy will increase. If you have your own car, your parents' company may sell you a separate policy, but at a higher rate than what your parents pay.

Q. Will my insurance be affected if I'm involved in an accident or get a ticket?

A. You may have to pay more for insurance if you're at fault in an accident, get a ticket for a

serious traffic violation such as speeding or file too many claims. You may even lose your present insurance when it comes time to renew your policy if you appear to be a reckless driver. But you'll still be able to get insurance from an assigned risk plan (see glossary). Policies are generally renewed every six months.

HOW DO YOU BUY AUTO INSURANCE?

1. **Shop around.** Many companies sell auto insurance. Compare prices—in some states, prices vary by hundreds of dollars. Ask agents, brokers or insurance companies for price comparisons. Some state insurance departments publish guides showing what different companies charge in various parts of the state.
2. **See if you can lower your insurance rates.** Many companies offer discounts to people who have passed an approved driver education course or who have a B grade average or better. You can also save money by taking a higher deductible. But remember, the higher the deductible, the more you pay from your own pocket if you file a claim. Many companies also offer discounts if a car has anti-theft or safety devices.
3. **Investigate the types and amounts of coverage you need.** For example, if your car is worth under \$1,000, you may not want to buy comprehensive or collision coverage.
4. **Look for an insurance agent, broker or company representative that you can rely on.** Ask friends or relatives for the names of professionals they trust. Check consumer guides or call your state department of insurance.
5. **Read your policy.** As a contract, an insurance policy creates legal obligations for both you and the insurance company. For example, the company must defend you in court if you are sued under the policy and you must give your insurer complete, accurate and timely information about any accident or ticket. Before you sign anything, go over the policy and any confusing language with your insurance representative and family.

GLOSSARY OF INSURANCE TERMS

Agent: An insurance salesperson. a) An independent agent does not work for any insurance company and sells the policies of more than one insurer; b) an exclusive agent sells the policies of only one insurance company.

Assigned risk plan (Shared insurance market): A state-supervised insurance plan for people who cannot find insurance. Each driver in the plan is assigned to an insurance company. The cost of this insurance is higher than in the regular market.

Broker: An insurance salesperson who deals with agents and companies to find insurance for customers.

Claim: A person's request for payment by an insurer for a loss covered under a policy. Your claims to your company are "first-party claims." Claims made by one person against another person's insurance company are know as "third-party claims."

Collision coverage: Optional insurance which pays for damage to your car caused by collision with another car or object, or by the car rolling over. Frequently required if you have a car loan.

Comprehensive physical damage coverage: Optional insurance which pays for damage to your auto caused by things other than collision or the car rolling over, such as fire, theft, vandalism, flood or hail. Frequently required if you have a car loan.

Conditions: Part of an insurance policy which states your obligations and those of your insurance company in order for the policy to be in effect.

Deductible: The amount which you agree to pay, per claim or per accident. This is subtracted from the total amount paid by your insurer. If the claim is \$500 and your deductible is \$100, you pay \$100 and your insurance company will pay \$400. The higher the deductible, the lower your payment will be for the policy, but the more you will have to pay out of your pocket if you file a claim.

Insurance company: A company which, in exchange for a fee (known as a premium), agrees to pay all legitimate claims that may arise under your policy.

Insurance department: A state agency that enforces rules for the insurance business in each state. Valuable source of information about all types of insurance; also handles consumer inquiries and complaints.

Liability: A legally enforceable financial obligation.

Liability coverage: Insurance which pays other people's losses which you have caused unintentionally or through negligence. a) Bodily injury liability coverage pays medical costs of others and your legal defense costs if your car injures or kills someone; b) property damage liability coverage pays claims against you if you damage someone else's car or property.

Medical payments coverage: Optional insurance in states without "no-fault" insurance systems. It pays for medical and funeral expenses for you and your passengers from an accident, up to policy limits, regardless of who is at fault.

Negligence: Failure to exercise a generally acceptable level of care and caution.

No-fault insurance: A form of insurance available in many states under which each driver in an accident files claims for losses, such as medical expenses, with their own insurance company, regardless of who is at fault.

Policy period: The amount of time an insurance contract (policy) lasts.

Policyholder: The person who buys insurance.

Premium: The amount you pay for insurance coverage.

Proof of loss: Documents that you give to the insurer to support your request for payment of losses. The company uses these documents to determine whether and how much it will pay. (Examples: written repair estimates from auto body shops, police reports.)

Uninsured motorist coverage: Insurance which pays for your costs resulting from an accident involving a hit-and-run driver or a driver who does not have insurance.