

### 3. See if you are eligible for any discounts.

Some insurers offer policy discounts for various reasons, such as carrying more than one policy with the same company. Also, you may qualify for a deduction if you drive below average miles or if you carpool to work.

### 4. Reduce insurance coverage on older vehicles.

As your vehicle gets older, you might want to make changes in your auto insurance. For example, you may choose to eliminate collision coverage from your policy. However, it is important to remember that if damage to your vehicle or someone else's is *your* fault, you may have to pay for damages yourself. This may be more costly than insuring an older vehicle.

### 5. Drive carefully and cautiously.

Accidents and traffic violations generally increase your premiums. Always drive defensively, and remember to wear your seat belt.

## Teenage Drivers and Your Insurance

Getting a driver's license is one of the great "rites of passage" for America's teenagers. However, what is exciting for teens can be less thrilling, financially, for parents. A teen driver can increase the cost of insurance for the family car, possibly even *doubling* your current rate.

Why is the increase so large? According to the National Highway Traffic Safety Administration (NHTSA, 2008), the accident rate for teenagers is three times the rate of other drivers. Therefore, if you have a teen behind the wheel, check with your insurer to see if you are eligible for any of the following discounts:

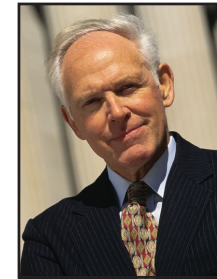
- **Principal vs. Occasional Driver** — You will usually have to identify a *principal* driver (the

person who drives the car more than half the time) and *occasional* drivers for each insured vehicle. Occasional driver status may cost less. However, if a family has three cars and two parents, the teen may be seen as the principal driver of the third car. Another potential cost-saving option is to designate your teen as the principal driver of the oldest car.

- **Driver's Education** — Some states require insurance companies to offer premium discounts of as much as 10% for teens who finish a driver's education course. Thus, it may pay to check if your state is one that offers this type of discount.
- **Honor Roll Student** — Investigate whether your insurer offers a discount if your child is an honor roll student.
- **Nonresident Student** — If your teen lives away at school without a car, he or she may qualify for a discount of 10% or more (in some states). To be eligible, the student must typically attend a school located at least 100 miles from the primary residence.

## Stay Current

For over a century, automobile insurance has helped compensate motor vehicle drivers, owners, passengers, and other injured parties for losses resulting from an accident. Sufficient coverage for property damage and liability plays an important role in *your* protection plan. Keep in mind that ensuring proper coverage can be cost effective without having a negative effect on your wallet. Through frequent reviews of your current policies and an awareness of potential discounts, you may be able to save money and stay adequately insured.



Name, Designation(s)  
Title

Company Name  
Street Address  
City, State Zip Code  
Phone Number  
Fax Number  
E-mail Address

# Auto Insurance

## *How to Reduce Costs and Stay Covered*



In 1769, the French engineer Nicolas Joseph Cugnot built the first steam-powered motor vehicle. Two years later, Cugnot crashed one of his inventions into a wall — constituting what is generally considered to be the very first “car accident.” It took over one hundred years for the first automobile insurance policy to come into being — the year was 1898. In those days, the policy was intended to cover drivers against accidents with horses.

Although not required in all states, auto insurance generally covers cars and people against more than just accidents. Possibilities of theft, damage from natural disasters, and potential injuries to passengers, pedestrians, and other drivers demonstrate the importance of proper coverage.

### Coverage Basics

In today’s mobile society, navigating the options, terminology, and varying costs for personal vehicle insurance can be like finding your way through a maze. Understanding the possible coverage “pathways” will help you make appropriate decisions for your personal situation. The following simple definitions can help you understand the basics of auto insurance:

- **Bodily Injury Liability Coverage.** This coverage protects you if you cause an accident resulting in injury to others, and it is perhaps one of the most important coverages on your policy. A severe accident could cause serious injuries, and it has the potential to cripple you financially. Higher limits are generally recommended, especially if you own property or other assets.
- **Property Damage Liability Coverage.** This important coverage provides protection for any damage to the property of others, such as

vehicles and telephone poles. It also covers the loss of use of damaged vehicles, which is especially important if you are involved in an accident with a business vehicle that generates income.

- **Collision Coverage.** Collision coverage is a valuable component of your policy, particularly if you own a newer or higher-priced automobile. This type of coverage insures against damage to the vehicle caused by a collision with another car or object, or by an overturn. It generally pays for repairs or, in the case of a “totaled vehicle,” provides a cash payment representing the vehicle’s fair market value (FMV).
- **Comprehensive Coverage.** This covers physical damage to your car caused by events *other than* a collision or an overturn, such as vandalism, fire, theft, hail, or flooding. Comprehensive coverage is optional, but it may be required if you have a car lease or loan.
- **Medical Payments.** Some policies have separate options for coverage associated with medical expenses of the named insured and others riding in the insured vehicle. Often, these expenses are covered even if the named insured is not at fault or if the named insured is not driving the vehicle. Coverage is generally limited to a stated dollar amount in the policy (e.g., \$2,500 per person).
- **Uninsured Motorist Coverage.** This coverage helps pay for damages or medical expenses (exceeding the limits of medical payments coverage) in an accident caused by an uninsured motorist. There is always the chance you could be in an accident with an uninsured driver. Some states do not require automobile insurance, and in states where automobile coverage is mandatory, some drivers illegally operate uninsured vehicles. If the other party is

at fault, you may be hard-pressed to recover damages. For this reason, uninsured motorist coverage is often a valuable addition to a policy. Insurers in many states also offer *underinsured* motorist coverage to protect motorists in cases where the other party is insured, but not to the extent necessary to cover the motorist’s personal injury damages.

### Factoring Auto Insurance Rates

Although the word “accident,” by definition, means “unintentional,” many accidents are the result of negligence by at least one driver. Consequently, they create higher insurance costs for *everyone*. These higher premiums particularly affect individuals who may be considered at greater risk of having an accident. Here’s a quick look at some of the factors that may affect your automobile insurance costs:

**Age Matters.** In order to arrive at equitable pricing, automobile insurers spread the cost of accidents over the insured population. According to the Insurance Institute for Highway Safety (IIHS, 2008), the highest death rates per mile driven occur among teenagers and young adults, especially young males. Fatal accident rates also increase among elderly drivers. Therefore, premium rates are generally higher for drivers under 25 and older drivers.

**Points for Safe Driving.** A **safe driver rating plan**, or some variation of it, rewards drivers with clean driving records and penalizes those with a history of accidents and/or violations. Thus, the driving records of operators listed on your policy directly affect your automobile insurance premiums.

**Where You Live.** Population density and the number of vehicles on the road are two other important factors that help determine your insurance costs. As people and cars vie for limited space on the road,

accidents are more likely to happen. Territories, which can be towns, large cities, counties, or defined geographical subdivisions, are rated based on their losses and “risk” profiles. Premiums are weighted by the record of insurance losses, such as accidents, theft, and vandalism, as well as the history of police enforcement of traffic laws in each given territory.

**Your Vehicle.** Since the potential for mechanical failure could be reflected in the year, make, model, and condition of the car you drive, relevant vehicle information is used to determine rates on particular automobiles. An automobile’s potential usage and exposure to hazardous situations will, in all likelihood, be factored into the premium.

### How Can I Lower My Costs?

Whether you are studying for your driver’s license exam or can remember driving a Model A, you might benefit from these coverage and cost-saving tips. Although situations vary, the following measures may help you reduce costs:

1. **Increase your deductible.**

When you have a claim, the deductible is the amount you must pay before your insurance takes over. By increasing your deductible, you may be able to lower your premium and save as much as 15 – 20%.
2. **Check insurance costs before buying a new vehicle.**

Some vehicles are more expensive to repair or more likely to get stolen, making them more costly to insure. Before you make the final buying decision on that shiny new car, make sure you have checked the costs of coverage for the make and model.