

# Auto Insurance



# What is **AUTO INSURANCE**?

= is a contract (agreement) between you and insurance company in which the insurance company agrees to cover certain financial losses you may have when you are involved in car accident.



# What are three main reasons for car insurance?

- 1) To provide financial protection.
- 2) Because your lender/lessor requires it.
- 3) Because it is may be required under state law.



## WHY HAVE CAR INSURANCE?

# 1) Financial Protection

- A car accident can be very expensive, especially if someone is seriously injured.
- Having auto insurance helps you protect your **assets** (*money and things you own*).
- The cost of a single accident can lead to financial ruin or bankruptcy if you don't have insurance.



## WHY HAVE CAR INSURANCE?

### 2) A lender/lessor may require it.

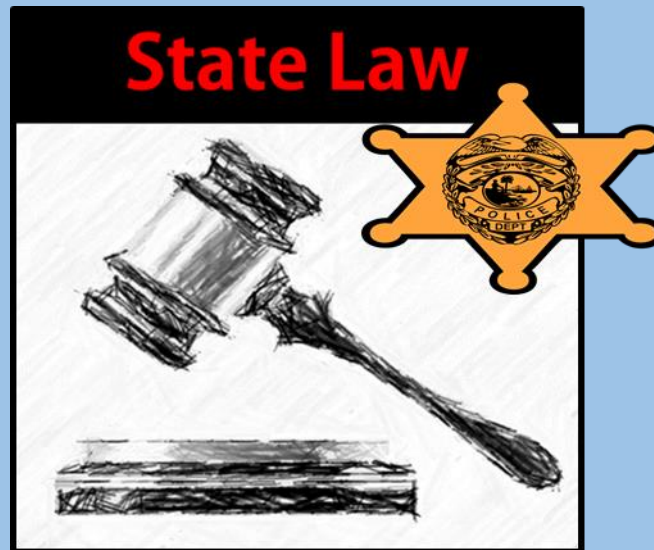
- If you lease a car or finance a car, you are required to properly insure it.
- Lender or lessor wants to protect their car encase it is damaged, lost, or stolen.
- Not maintaining car insurance on a financed or leased vehicle can result in **repossession** (*seizure*) of the car by the bank.



## WHY HAVE CAR INSURANCE?

### 3) Required by state law

- In most states, drivers are required to carry a minimum amount of liability insurance.
- Not having auto insurance can lead to your license being suspended, having your vehicle registration suspended, and/or receiving a ticket.



# What are five common types of auto insurance coverage?

- 1) Liability
- 2) Collision
- 3) Comprehensive
- 4) Personal injury protection
- 5) Uninsured motorist



## **1) LIABILITY INSURANCE**

- **Liability** car insurance pays a certain amount for damage to the people and property caused by a driver.

*It is important to understand that your liability insurance doesn't cover the damage to your car or your injuries when you are at fault*

### **Liability insurance is made up two types:**

**1) Bodily injury coverage** will pay for injuries suffered by others in an accident you caused.

**2) Property damage coverage** will pay the cost of damage you caused to another person's property (typically their vehicle).





## 2) Collision Coverage

**Collision coverage** will replace your car and/or pays for the repairs to your car if you cause an accident.

- *If you have a lienholder (lender or lessor), this type of coverage is required.*
- *If you own the car outright, then you don't have to purchase collision coverage.*

## 3) Comprehensive Coverage

**Comprehensive coverage** will cover the cost to your car if it is stolen, damaged by weather, or damaged by vandalism.

- If you have a lienholder, comprehensive coverage is require



## **4) PERSONAL INJURY PROTECTION (PIP)**

**Personal injury protection (PIP)** covers medical expenses you and your passenger may incur in an accident regardless of who is at fault.

- *Often referred to as “no-fault insurance.”*
- *Only 15 states require PIP. It is optional in many other states and isn’t available everywhere.*

## **5) UNINSURED MOTORIST COVERAGE**

**Uninsured motorist coverage** pays for medical bills and car repairs for you and your passengers if you are hit by a driver that doesn’t have insurance.

- *It is required in about half the states.*
- *As many as 25 percent of drivers are uninsured, according to the Insurance Research Council.*



# How much will your insurance pay for if you are in an accident?

There is a limit to how much money an insurance company will pay for the damage caused in each accident.

- The **limit** or maximum amount an insurance company will pay is called the **coverage limit**. What this means is that if you are in an accident, your insurance company will payout up to a certain amount of money per person and per occurrence (accident).

For instance, your liability bodily coverage limit may be:

- ✓ \$50,000 per person.
- ✓ \$200,000 per occurrence



*The amount of coverage or limit amount you have will depend on how much you want to purchase and your state's requirement.*



# What determines the cost of your insurance policy (premium)?

There are many factors that contribute to the cost of your insurance policy:

- Type of policy
- Amount of coverage
- Driving record
- Age and gender
- Mile driven
- Type of car
- Where you live
- Credit score
- Marital status
- Income



Because so many factors can affect your insurance rate, it is important to shop around your insurance. Rates can vary significantly from company to company.

