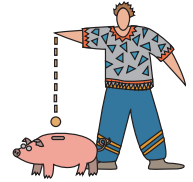


Auto Insurance Basics

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Automobile insurance protects you from the risk that you'll have to pay large sums of money for injuries to others or damages to their property if you cause a car accident. If an uninsured motorist causes an accident, insurance can cover costs of your injuries and your passengers' injuries. Insurance also can protect against theft or physical damage to your car that is caused by collision, a fire, a windstorm or hail.

There are few types of insurance that are required by law—auto liability coverage is one of them. Other types of auto coverage are optional, but in Missouri, if you own or operate a motor vehicle, it must have at least the following liability coverage:

- \$25,000 per person for injuries you cause to another
- \$50,000 per accident for injuries you cause to one or more persons
- \$10,000 per accident for property damage you cause to someone else's property

The law also requires uninsured motorist coverage of \$25,000 for bodily injury per person and \$50,000 for bodily injury per accident. (It may be a good idea to also get *underinsured* motorists insurance, which will cover you if the person who causes an accident doesn't have enough insurance to pay all costs from injury to you or damage to your property.)

The Missouri Department of Revenue tracks drivers to make sure their liability policies remain in force. If you let your coverage lapse or expire, your vehicle registration can be suspended and you can lose your driver's license.

Before you decide how much automobile insurance to buy, think about what would happen if you caused an accident. How much property damage or loss can you afford? What do you own that could be damaged or stolen, and how much would it cost to replace it? If someone sues you because an accident is your fault, how can you pay legal costs and possible awards for damages? Depending on how you answer these questions, you may well want more insurance than the minimum required by law.

In addition to basic liability coverage and uninsured motorists insurance, you can get protection through:

- Medical payment insurance (covers medical costs up to the limit stated in your policy; covers you, and your family whether you are a rider, pedestrian, or passenger in someone else's car, and your passengers as well).
- Comprehensive insurance (covers damages to your car from fire, theft, explosion, windstorm, hail, vandalism, glass breakage, birds and animals).
- Collision insurance (pays for damages to your car during collision, no matter who is responsible).

If you have an expensive car, consider purchasing both comprehensive and collision insurance to protect the cost of repair or replacement. In fact, if you have a loan on the car, your lender probably will require both comprehensive and collision coverage—although they can't tell you who to buy it from. It pays to shop around.

Your auto policy *may* provide protection for you when you are driving a rental car. If so, you do not need to purchase rental car insurance from the rental agency, so be sure to ask your agent. If you do not own a car but sometimes rent one, you will need to purchase the coverage. It is possible to purchase a separate car renter's policy, which might be a cheaper option if you rent frequently.

Selecting the insurance agent or broker who's best for you takes a little homework and time. Not only will you want an agent to help you select the coverage you need, but you will want one who assists you in filing claims and making sure your claims are settled efficiently and fairly.

A good agent or broker will:

- Spend time with you to explain your coverage and answer any questions you have about your policy.
- Review your situation once a year and recommend any changes you need in coverage.
- Explain how your insurance premium rates are calculated.
- Suggest ways that you can save money on your auto insurance.

Before you make a final decision about which broker or agent to use, interview at least three of them. Ask your friends and relatives about agents or brokers they have worked with and get their advice. Compare services the different agents offer.

Auto insurance policies have some standard sections, including:

- Declarations (information about the buyer of the policy, the dollar amount of the policy, type of coverage, extent of coverage, cost of coverage, date and time coverage begins and the date the policy expires).
- Insuring agreement (states what losses will be covered and provides for legal defense up to policy limits).
- Exclusions (a.k.a. the “fine print” - says what the policy will not cover; typical exclusions are intentional damage to your own car, damages caused while you used the car as a public or delivery vehicle; and damages caused by a garage or parking lot attendant; read this section closely and ask questions until you fully understand it).
- Conditions (rules and duties if there is a loss; includes reporting the loss to the company as soon as possible; using care to prevent additional damage to the car; cooperating with the company; required paperwork to document loss; providing the insurer with any documents related to lawsuits under your policy).
- Endorsements (form listing changes in coverage that are added to the policy, signed by a company official and attached to the policy).

Insurance rates vary substantially from company to company, as well as from individual to individual. Rates depend on:

- The amount of coverage purchased and how many premium payments you make per year.
- The amount of the deductible (the higher the deductible, the lower the rate).
- Where you live and where the car is garaged.
- Whether the car is used in the city or on a farm.
- How the car is used and the number of miles put on it each year.
- The type and age of the car.
- The age, gender and marital status of the insured driver (men under 25 years old can pay two to three times what men over 25 pay, and rates are generally lower for married people).

Some companies offer discounts for completing a driver training program, getting good grades, using a carpool, driving fewer than a set number of miles in a year, or insuring more than one car. The one thing that affects your rates most is your driving record. Every moving violation you get and every accident you cause exposes you to the risk that you will have to pay a higher premium or that your policy will be cancelled.

Drive safely, and insure yourself against the financial consequences in case the worst happens. Armed with information and a willingness to shop around and ask questions, you can find the best policy for you.

For informational brochures on a variety of insurance topics, see:

<http://insurance.mo.gov/>

For more information on auto insurance, see

<http://insurance.mo.gov/consumer/auto/>

Sources:

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(<http://insurance.mo.gov/consumer/auto/autobuy/>)

If you'd like to learn more about this and other personal finance topics, the University of Missouri offers 'Personal & Family Finance' a correspondence course, through the Center for Distance and Independent Study (800-609-3727). Information about this course is available at <http://cdis.missouri.edu/CourseInfo/DetailCourseInfo.asp?1985>.