

Your Money: Auto Insurance

Do I need to get auto insurance if I buy a car?

Yes. It is the law. Auto insurance companies may allow your car and you to be covered under the auto insurance of your parents until a certain age. If so, your parents will pay a higher auto insurance bill to also cover you and your car — and your parents may make you pay your fair share of the insurance bill.

What are the types of auto insurance?

Liability Auto Insurance: Pays for: a) someone else's **property damage**, and b) someone else's

bodily injury if you are at fault (called "liable") for the accident. You may buy different amounts of auto insurance. You may buy "property damage" insurance to cover \$50,000 to \$100,000 or more per accident. You may buy "bodily injury" insurance to cover \$5,000 to \$100,000 or more per person. More coverage will cost more money. In the auto insurance contract, bodily injury coverage may be coded. For example: Bodily Injury 50/100 means \$50,000 maximum coverage for each person and \$100,000 maximum coverage for each accident. The auto insurance company will pay no more than \$100,000 for one accident.

Collision and Comprehensive Auto Insurance: Pays for your property loss. **Collision** insurance pays for damages to your car from an accident. **Comprehensive** insurance pays if your car is stolen or damaged by something other than an accident (such as flood or vandalism). Both collision and comprehensive auto insurance are sold with a "deductible." Deductible is the amount you must pay before the insurance kicks in and pays the rest. For example, you may buy collision and comprehensive insurance with \$250, \$500, or \$1,000 deductible. If you buy \$500 deductible for comprehensive auto insurance, then a person smashes your front windshield with a brick — the auto insurance company will pay repair costs over \$500. If the front windshield costs \$300 to replace, you will pay the \$300 and the auto insurance company will pay \$0 because the cost of repair was not higher than your deductible. **The higher the deductible** (for example \$1,000), the lower the "premium" cost on your auto insurance bill. Total cost of auto insurance is called auto insurance "premium." Some drivers may decide to not buy collision or comprehensive auto insurance because: a) It makes the premium lower to save money; b) Car is too old to repair.



Uninsured Motorist Auto Insurance: Pays for you and your passengers' medical bills, and pays for damages to your car after an accident if the other driver does not have auto insurance. You may buy "uninsured motorist" insurance for \$200,000 or \$500,000 per accident. More coverage costs more money.

No Fault Auto Insurance (also known as PIP — Personal Injury Protection): Pays for you and your passengers' medical bills up to a certain amount of money (call "limit") — no matter who caused the accident. No Fault auto insurance does not pay for damage to your car or damages to other people's property. If you or



your passengers' medical bills are higher than the limit, the other driver's auto insurance will pay the extra. If the other driver does not have auto insurance, you may need to sue the other driver in court to get the extra money. You may buy "no fault" insurance for \$100,000 or \$500,000 per accident. More coverage costs more money.



How much does auto insurance cost?

Total yearly price of auto insurance (called auto insurance premium) depends on several things: 1) Your age with younger drivers given higher premiums 2) Your past driving record with clean driving records given lower premiums. 3) Type of car that you drive with expensive cars given high premiums because these cars are expensive to repair. 4) Where you live with high crime cities getting higher premiums. 5) Your yearly miles driven with high yearly miles getting higher premiums. 6) Number of cars in auto insurance plan with lower premiums for plans with more than one car.

Auto insurance companies charge teens higher premium because car crashes are still the #1 killer of U.S. teens. Teens, more than any other age group, are more likely to get into car accidents. The number of fatal accidents for teens increased 9% due to distractions such as car radio, cell phone, and friends talking. Here are costs for 2017 Honda Accord auto policy in sample states:

	Alaska	Colorado	Florida
16 year old male with own auto insurance	\$6,531	\$8,288	\$9,456
16 year old female with own auto insurance	\$5,447	\$7,590	\$8,202
Parent auto insurance policy cost	\$1,318	\$1,733	\$2,502
Parent policy with 16 year old male added	\$3,710	\$3,485	\$5,452
Parent policy with 16 year old female added	\$3,348	\$3,258	\$4,855



QUICK CHECK:

- Why do you need to get auto insurance?
- What may auto insurance companies allow?
- What may your parents make you pay?
- If you are at fault for the accident, for what 2 things does Liability Auto Insurance pay?
- In what amounts may you buy: a) property damage insurance to cover? b) bodily injury insurance to cover? c) What does more coverage cost?
- What does Bodily Injury 50/100 mean?
- For what does collision insurance pay?
- For what does comprehensive insurance pay?
- Define "deductible."
- If you buy auto insurance with \$500 deductible, then someone slashes all your car's tires, and it costs \$800 to replace all the tires — How much will you pay and how much will auto insurance pay to replace all the tires?
- If you buy a higher deductible, what happens to the premium cost?
- List 2 reasons why some drivers may decide to not buy collision or comprehensive insurance.
- a) For what does uninsured motorist insurance pay? For what does no fault auto insurance: b) pay? c) not pay? d) If your medical bills are higher than the limit, what happens?
- Using your opinion, answer if you think this is fair, and write down one reason why or why not: a) Give younger drivers higher premiums? b) Give clean driving records lower premiums? c) Give expensive cars higher premiums? d) Give high crime cities higher premiums? e) Give those who drive more miles higher premiums? f) Give lower premiums for plans with more cars?
- a) What is the #1 killer of U.S. teens? b) Fatal accidents increased 9% due to what?
- In Colorado, 16-year-old male pays how much more money than 16-year-old-female: a) If each has their own auto insurance? b) If each is added to their parents' auto insurance?

Auto World Insurance Company Worksheet

Jason, Amelia, and Benjamin own cars covered by the following types of insurance

Liability --

- \$25,000 **bodily injury insurance** per person
- \$50,000 **bodily injury insurance** per accident
- \$10,000 **property damage insurance** per accident

Collision Auto Insurance

\$30,000 with \$750 deductible

Comprehensive Auto Insurance

\$5,000 with \$1,000 deductible

Uninsured Motorist Insurance

\$50,000 per accident



Event #1

Amelia's parents bought her a new 2018 Honda Civic for high school graduation. Amelia drove the Civic to school to take her senior finals, and parked in the student parking lot. After finals, Amelia went to the parking lot, and pushed the key to unlock her new Civic. Just then, another senior with raised pickup truck backed out of his space and crashed into the back of Amelia's new Honda Civic. He told Amelia, "Sorry. I don't have insurance," and quickly drove off. Amelia got a picture of his license plate. The police were able to identify the truck and driver, and cited driver as liable for the accident. (Note: If Amelia did not get the license plate or picture as proof, Auto World may be difficult and deny Amelia's claim and say Amelia backed into something. That is why it is good to get pictures and names of witnesses.) Amelia's Civic costs \$2,350 to repair.

- What type of insurance will pay for Amelia's car repair?
- How much will this type of insurance pay to repair the Civic?



Event #2

Benjamin walked out one morning to go to work at Del Taco. Benjamin parks his Prius on the street because there is no space in garage or driveway. When Benjamin hit the key to unlock driver's side, he was shocked. Ben saw that the driver side window was smashed and glass was on the street and in his car. And, his Prius was "keyed" from back to front! It will cost \$2,360 to repair the Prius.

- What type of insurance will pay to repair the Prius?
- How much will this type of insurance pay to repair Prius after deductible?



Event #3

Jason drives his girlfriend Emma to get pizza. When talking, Jason suddenly sees that a stoplight turned red, and he cannot stop in time! Jason slams on the breaks, slides into the intersection, but still hits the UPS truck crossing the street that had the green light. The sudden stop causes Emma to fly forward and hit her face on the dash of Jason's car. The police came to write an accident report. Jason was cited as driver at fault. It costs \$3,500 to repair the UPS truck. It cost \$1,600 for Emma to go to the doctor, get stitches, and medical care. It costs \$4,500 to fix Jason's car that is worth \$2,000. It cost Jason \$1,000 to go to a doctor to set his one broken texting thumb.

- What type of insurance will pay to repair the UPS truck?
- How much will this insurance pay to repair the UPS truck?
- What type of insurance will pay for Emma's medical bills?
- How much will this insurance pay for Emma's medical bills?
- What type of insurance will pay for Jason's car repair?
- How much will this insurance pay for Jason's car repair? (Insurance pays lesser of two amounts -- repair cost or value of car less deductible).
- What type of insurance will pay for Jason's medical bills?
- How much will this insurance pay for Jason's medical bills?