

## ***The Game of Life*** ***Purchasing Auto Insurance***

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One of the most common experiences young adults encounter can be one of the most mysterious: purchasing auto insurance.

It might not seem like purchasing auto insurance should be complicated and mysterious, but, unfortunately, it can be.

This document will help you master the critical concepts that help you determine the best automobile insurance for you.

This document will include three sections:

- 1) Auto Insurance Key Concepts – you’ll learn about the key concepts that help determine how much auto insurance costs and what the type of auto insurance is right for you.
- 2) Auto Insurance Cost Levers – you’ll learn about the decisions that will help you lower the cost of your auto insurance, and the decisions that will make your auto insurance more expensive.
- 3) Auto Insurance Observations – you’ll learn what experienced adults think you should know about auto insurance.

After you review the information in this document (and the additional concepts in the Auto Insurance Word Bank) you’ll have the opportunity to demonstrate your understanding of key auto insurance concepts on a quiz.

You’ll earn ***The Game of Life*** points by doing well on this quiz. Even more importantly, this quiz will help you be prepared to purchase the right auto insurance policy once you graduate high school and report to work.

*You can also earn a **The Game of Life** point by downloading the **Wreck Check** app to your smartphone (or – if you don’t own a smartphone – by printing a **Auto Wreck Check** checklist and putting it in the vehicle you use most often).*

<b>Auto Insurance Key Concepts</b> For more details see Auto Insurance Word Bank			
Type of Insurance	Description	Who Covered?	Legally Required?
<b>Liability Coverage</b>	This coverage pays for injury <i>to others</i> and property damage when you are in an accident and the accident is your fault.	Others ( <u>not</u> you and your passengers)	<b>Yes</b>  Minimum Limits Required in Louisiana: <b>15/30/25</b>
<b>15/30/25</b>	Three numbers expressed like this indicate the three types of legally-required Liability Coverages: Bodily Injury (one person) / Bodily Injury (total) / Property Damage		
	Louisiana required minimum liability insurance coverage: \$15,000 for bodily injury to one person / \$30,000 for total bodily injury damages paid if more than one person is injured / \$25,000 in property damage		
<b>Collision Coverage</b>	This coverage pays for the damage to your vehicle that is the result of an accident, whether it is your fault or not.	You	No
<b>Deductible</b>	The amount that the policyholder must pay before insurance coverage starts. All Collision and Comprehensive policies include deductibles.		
	Example: Your vehicle is damaged in a collision. It costs \$2,000 to repair your vehicle. Your policy has a \$500 Collision deductible.  Your insurance company will pay \$1,500 for the repair - you must pay the \$500 dollars that's deductible from their coverage payment. <b><i>The higher the deductible on your policy, the lower your premium will be.</i></b>		
<b>Comprehensive Coverage</b>	This coverage pays when your vehicle is damaged but not in an accident (examples: car theft, weather damage, etc.)	You	No

Auto Insurance Cost Levers		
Coverage Decision		Description
<b>Makes Auto Insurance MORE Expensive</b>	Increase coverage limits	When you increase coverage limits, you increase the amount the insurance company would have to pay in the event of an accident, and, therefore, the premium you pay. <i>People select higher coverage limits when they have possessions they want to protect in the event they are sued after an accident for amounts beyond the state's minimum liability limits.</i>
	Decrease deductibles	When you ask the insurance company to pay a higher percentage of each repair, they will charge you a higher policy premium.
	Include optional coverages	You may <i>need</i> optional coverage like Emergency Road Service or Rental Reimbursement to make sure you can get to work and meet your family obligations in the event your vehicle is damaged in an accident. But these types of optional coverage will cost more.
	Poor driving record	Insurance companies don't want to insure drivers who are at high risk for future accidents. If you get tickets for moving violations your insurance premiums will go up. Your insurer may even cancel your policy if you accumulate too many tickets.
	Bad credit score	An insurance company may also cancel your policy if your poor credit score indicates you may be unable to pay your insurance premiums in the future.
<b>Makes Auto Insurance LESS Expensive</b>	Increase deductibles	Using the highest deductible you can afford will decrease your auto insurance premium. See next page, point 2.
	Cancel Collision coverage on old vehicles	According to the Department of Insurance <i>Auto Insurance Guide</i> : "Many people drop their <b>collision and comprehensive coverage</b> when their cars are about five years old, because they may be worth only a few thousand dollars. If you borrow money to buy your car, the bank or other lender may require you to carry comprehensive and collision insurance until the vehicle is paid for."
	Drive safely	Better drivers are better risks, and logically they pay lower premiums. Some insurers offer incentives like "deductible forgiveness" to drivers with safe driving records for many years.
	Improve your credit score	Improving your credit score will help you in many ways, one of which may be lowering your auto insurance premiums.

## **Auto Insurance Observations**

Let's end with a few important observations and suggestions that you should consider before purchasing auto insurance.

- 1) Prepare a checklist of the coverage you want when shopping for auto insurance. The Louisiana Department of Insurance Auto Insurance Guide offers you one type of checklist. *You and your classmates can design your own checklist to include additional types of coverage you think are important (see point 4 below).* Either way, make sure you get the insurance you want by listing what types of coverage you want *before* talking with an insurance agent. (When you show up with this list the insurance agent will be *very impressed*, and most likely find all the discounts you qualify for.)
  
- 2) Accepting the biggest deductible you can afford will save you money. When you shop for auto insurance you will see that every time you increase your deductible the premium you will pay goes down. Think about the highest amount of repairs you can afford to pay out of your pocket in the event your vehicle is damaged. *Accepting the highest deductible you can afford will make your auto insurance the most affordable.*
  
- 3) Research your insurer's claim service. If you have an accident you want an insurance company that will help you file the claim and make sure you receive the money to which you're entitled. Unfortunately, not all insurance companies are equally helpful when processing claims. Ask friends and family and look at online quality rankings to determine if your insurance company has a good reputation for helping policyholders file claims when they have an accident.  
  
(Also: closely inspect any repairs made to your vehicle by an insurance company body shop. Sometimes insurance companies use low-cost body shops that may not repair your car to the manufacturer's specifications.)
  
- 4) Make sure you include coverages that help you manage life crises. If you'll need a rental car (in the event your vehicle is damaged and you have a long commute to work), make sure that Rental Reimbursement with adequate limits is covered in your policy. If you're concerned that there might be a gap between fair market value and what you owe on your new vehicle, make sure



## CAREER COMPASS

that you purchase GAP Insurance. *Make sure you get the coverage you need to stay employed and financially solvent in the event of an accident.*