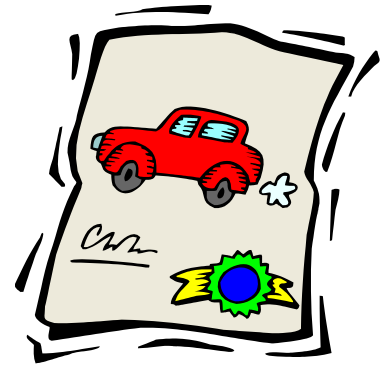


AUTOMOBILE INSURANCE

Managing the Risk



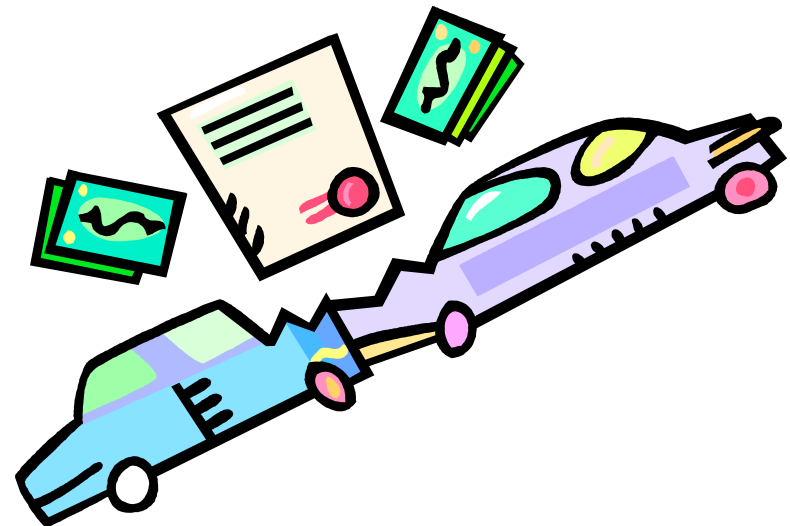
DID YOU KNOW?



- There are 35 million automobile accidents annually!
 - Insurance Information Institute
<http://www.iii.org/>
- Motor vehicle crashes are the leading cause of death in the United States!
 - Consumer Education & Economics

WHAT IS RISK?

- Risk –
 - Uncertainty about a situation's outcome
 - Unpredictable events which can lead to loss or damage



WHAT IS AUTO INSURANCE?

□ Automobile Insurance

- Arrangement between an individual (consumer) and an insurer (insurance company)
- Protects individuals against risk from automobile accidents



WHAT IS A POLICY?

- **Policy** - Contract between the individual and insurer specifying terms of the insurance including:
 - **Premium** – fee paid to the insurer to be covered under the specified terms
 - **Deductible** – amount paid by the policy holder for the initial portion of a loss before the insurance coverage begins

PURPOSE OF AUTO INSURANCE

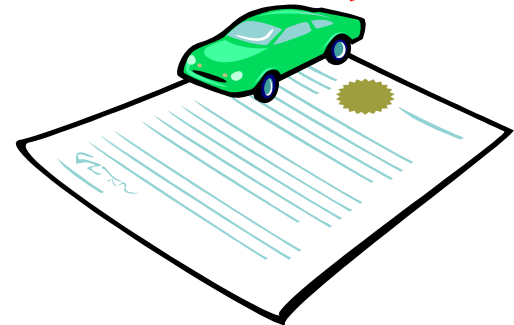
- To help individuals limit financial loss when an auto accident occurs
- When people buy auto insurance, they transfer part of the financial risk to the insurance company



FOUR TYPES OF COVERAGE

1. Liability Insurance
2. Medical Payment Insurance
3. Uninsured/Underinsured Motorists Insurance
4. Physical Damage Insurance
 - Comprehensive
 - Collision

(Full Coverage)



LIABILITY INSURANCE

- **Liability Insurance**
 - Covers injuries or damage caused to other people or their property
- Two types of liability occur from owning and operating a vehicle:
 1. **Bodily Injury** – driver or car owner is held legally responsible for injuries suffered by another person
 2. **Property Damage** – driver or car owner is held legally responsible for damaging another's property

LIABILITY INSURANCE

CONTINUED

I.16.1.GI

- Policy limits for liability are usually quoted with three figures such as 25/50/20, 50/100/50, or 100/300/100
 - Each figure represents a multiple of \$1,000
- 25 = \$25,000
 - Per-person bodily injury limit
 - \$25,000 is the most which will be paid for any one person's bodily injury liability losses from an accident



LIABILITY INSURANCE

CONTINUED

I.16.1.GI

- 50 = \$50,000
 - Per-accident bodily injury limit
 - \$50,000 is the most which will be paid for all bodily injury losses from an accident

- 20 = \$20,000
 - Per-accident property damage liability limit
 - \$20,000 is the most which will be paid in property damage liability from an accident



LIABILITY INSURANCE

CONTINUED

I.16.1.GI

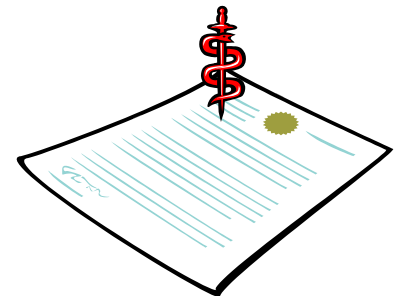
- Liability insurance is the minimum amount of insurance required by law
- Does not cover losses suffered by the insured or property damage to that driver's car if he or she caused the accident
- Must have at least the state minimum for liability insurance
- Oregon's minimum liability limits:
 - 25/50/20

Blake
Ecker 100/300/100



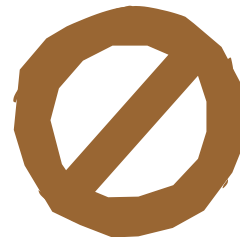
MEDICAL PAYMENT INSURANCE

- **Medical Payment Insurance**
 - Covers injuries sustained by the driver of the insured vehicle or any passenger regardless of fault
 - Covers insured family members injured as passengers in a car or injured while on foot or bicycle
- Pays for hospital and medical bills
 - Some pay for funeral expenses
- Not required in all states



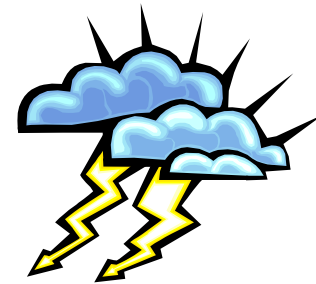
UNINSURED/UNDERINSURED MOTORISTS INSURANCE

- **Uninsured/Underinsured**
 - Covers injury or damage to the driver, passengers, or the vehicle caused by a driver with insufficient insurance
- Situations where this is needed:
 - Hit-and-run accidents (unidentified driver)
 - Accident with an uninsured driver
 - Accident with someone with insufficient insurance to cover the losses
- Not required in all states



PHYSICAL DAMAGE INSURANCE

- Physical Damage Insurance / Full Coverage
 - Provides protection for damages caused to the vehicle
- Two types of coverage are available:
 - I. **Comprehensive Coverage** – includes all physical damage losses except collision and other specified losses. Usually includes deductible. Losses covered include:
 - Theft, vandalism
 - Fire, ice, windstorm, or hail
 - Glass breakage
 - Contact with animal



PHYSICAL DAMAGE INSURANCE ^{I.16.1.GI}

CONTINUED

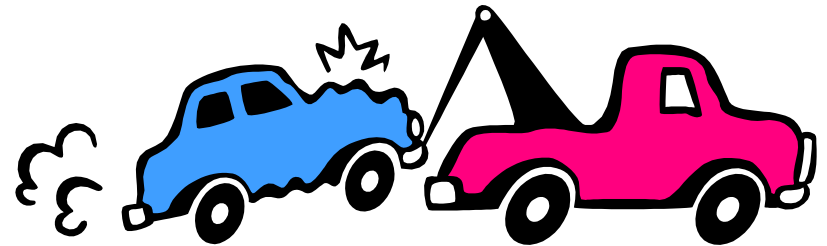
2. **Collision Coverage** – covers a collision with another object, car, or from a rollover
- Paid regardless of fault
 - Generally covered when driving someone else's car with their permission



OPTIONAL PROTECTION

□ Towing Coverage

- Pays the cost of having a vehicle towed to receive repairs



□ Rental Reimbursement

- Provides a rental car when the insured's vehicle is being repaired after an accident or if the vehicle was stolen
- May provide only part of the funds



INSURANCE RATE INFLUENCES

- Insurance rates are determined for individual cases – these factors influence the rates:
 - Age
 - People under age 25 pay higher premiums
 - Gender
 - Men have more accidents, rates may be higher
 - Marital status
 - Married drivers have fewer accidents, so rates are lower

INFLUENCES CONTINUED

- Driving record
 - Safe drivers have lower rates
 - Number and type of tickets will raise rates
 - Number and severity of accidents will raise rates
- Type and age of vehicle
 - Newer, more expensive, and higher repair cost vehicles have higher rates
 - Frequently stolen vehicles have higher rates
 - Color of vehicle does not matter



INFLUENCES CONTINUED

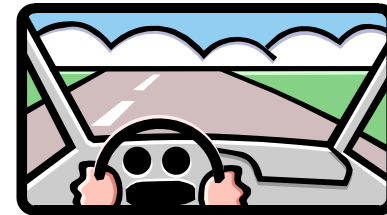
- Vehicle use
 - Rates are usually higher when driving more than 7,500 miles a year
 - The more one drives, the greater the chance of an accident



- Place of Residence
 - Rates vary among states
 - People in large cities usually pay more than in rural or suburban areas
 - Weather conditions may affect rates

INFLUENCES CONTINUED

- Number of drivers on the policy
 - Additional drivers raise the premium
 - Costs a driver under the age of 25 less to be added to his/her parents' policy than to purchase a separate policy
- Driver training
 - May receive a discount for having taken a driver's education course



INFLUENCES CONTINUED

- Good student discount
 - May receive a discount for good grades in school
- Multiple car discount
 - May receive a discount for having two or more vehicles on the same policy
- Anti-theft systems
 - May receive a discount for anti-theft devices such as car alarms



INFLUENCES CONTINUED

- Multiple policies with the same company
 - Having both auto and home insurance
- Long-time customers
 - Some companies might offer discounts to long-time customers



ASSIGNED RISK

- When the insurance company goes to renew your policy it will check your driving record. Each accident or speeding ticket, etc. will earn you negative points.
- A point on your record can increase your insurance by 10%, 2-3 points can increase it 25-100%. They can then choose to drop you.
- You will then be classified as *assigned risk*. You may not be able to find coverage or you will have to pay a high premium.



SAVE MONEY ON AUTO INSURANCE

I.16.1.GI

- ❑ Shop around
- ❑ Select appropriate coverage and limits
- ❑ Avoid expensive or high-performance vehicles
- ❑ Take advantage of discounts



CONCLUSION

Auto insurance protects
against the risk of accidents!

It's required by law!

