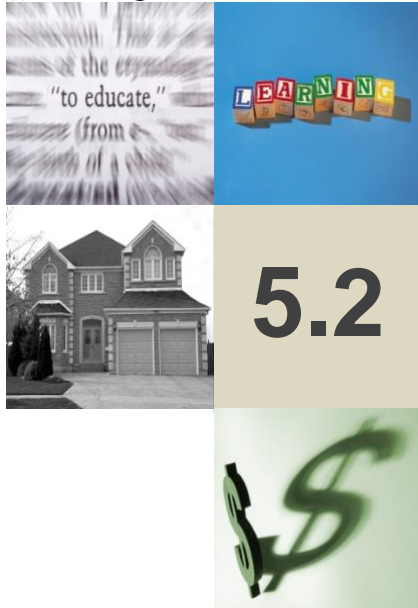


## 5.2 THINGS YOU MUST KNOW BEFORE BUYING OR CONTINUING WITH YOUR AUTO INSURANCE

SAVING 15% ON YOUR CAR INSURANCE IN 7 ½ OR 15 MINUTES ONLINE MAY NOT BE THE BEST SOLUTION FOR YOU. EVERYONE WANTS TO SAVE MONEY ON THEIR CAR INSURANCE, BUT WHAT'S THE REAL COST. ARE YOU TAKING THE TIME TO LOOK WHAT YOU WOULD BE GIVING UP TO SAVE THE MONEY? YOU MAY BE TRADING A SMALL AMOUNT OF SAVINGS ON PREMIUM FOR A HUGE AMOUNT OF MONEY OUT OF POCKET AT CLAIM TIME



# 5.2



### DO YOU KNOW IF THE LIMITS OF LIABILITY ON YOUR POLICY ARE ENOUGH?

- Most states have a statutory minimum limit for car insurance. For example in TN the requirement is \$25,000. Auto policies can have the liability limits listed in one of two ways... 1) Split Limits (eg 50/100/25) or 2) Combined Single Limit (eg 300CSL). Consider how much you need, by your surroundings.
- Split Limits typically have three separate limits - Bodily Injury each person/Bodily Injury each accident/Property Damage. In our example above, \$50,000 would be the maximum paid for Bodily Injury for each person injured; \$100,000 would be the maximum paid for Bodily Injury in an accident; \$25,000 would be the maximum paid for property damage
- Combined Single Limit simply means that the split limits are combined into one limit. In our example above, the maximum paid for an accident would be \$300,000

#### LOSS SCENARIO:

*Joe was in a hurry to get home! In his haste, he ran a red light and hit a Mercedes in the intersection. Joe was fine, however the driver of the Mercedes sustained injuries and needed to be cut out of the car & taken to the ER & surgery was needed. The Mercedes was totaled (est value \$85,000). The medical bills amassed to \$68,000. Joe carried ~~Split Limits of 50/100/25~~. Insurance paid the limit for Bodily Injury & Property Damage. but still left Joe with \$78,000 – a lien was put against his home.*



### DO YOU NEED COVERAGE FOR PHYSICAL DAMAGE TO YOUR CAR(S)?

- Two types of Physical Damage Coverage:- 1) COLLISION – where you collide with something else; 2) COMPREHENSIVE (or OTC – Other Than Collision) – where you hit an animal (eg deer), rock bounces up & hits your windshield & cracks it, etc
- If you have financed your car, the finance company may require you to carry certain deductibles. However, if you own your car & it is older, you may find that you don't need insurance to repair your car. You will find more savings by eliminating Collision or increasing the deductible (if you are a safe driver). Comprehensive is fairly inexpensive and you may want to carry it even on an older vehicle.

#### LOSS SCENARIO:

*Candice owned a 2000 Ford Explorer. She worked down town. The rain began during her commute and just never seemed to stop. By noon, the city's drainage system was at capacity and the waters were rising quickly. At the end of her work day, she came out to her car to find water from flash flooding up to the middle of her door. Worried, because she recently eliminated Physical Damage coverage from her policy, she called her agent. Her agent reminded her that she was covered subject to \$250 deductible under Comprehensive/OTC, which was retained because it was inexpensive.*



### DO YOU UNDERSTAND TOWING & GLASS CLAIMS CAN ACTUAL COUNT AGAINST YOU?

- Many insurance companies include towing & full glass coverage inside their policy. When a claim is filed it actually counts as comprehensive/OTC claim against your record. While these claims often pay out \$50 - \$250, it can remove any claims-free discount you may have earned, yielding a higher premium at renewal. All of those small claims add up!
- Market Value is the amount a buyer is willing to pay for the home in its current state.

#### LOSS SCENARIO:

*Maddie had an older car, so she made sure she had coverage for towing. She needed a tow three times in a six month period. At renewal her premium increased 25% and other companies were just as expensive when they ran her claims history.*

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### ARE YOU PREPARED IF YOU ARE HIT BY AN UNINSURED OR UNDERINSURED DRIVER?

- In some states, because their laws require every driver to have at least minimum limits of liability coverage. The drivers that carry only minimum limits often will fall into the Underinsured motorists category.
- Other states do not require drivers to have insurance at all. These drivers fall into the Uninsured motorists category.
- Both can impact you financially if they hit you.

#### LOSS SCENARIO:

*Barbara was driving her daughter home after a track meet. As she was driving, she came upon a car coming in the opposite direction – the driver did not appear to be paying attention to the road. As they were passing, the driver swerved into Barbara's lane striking her head on. Both Barbara & her daughter were seriously injured and hospitalized for several weeks. The other driver only had minimum limits, which meant Barbara and her daughter would have to share the \$25,000 limit. Their medical bills far exceeded that! Fortunately, Barbara elected to have \$500,000 of uninsured/underinsured motorist coverage as well as purchased a personal umbrella, extending another \$1,000,000, allowing both of them the finances to restore them to health, without declaring bankruptcy.*



### DO YOU HAVE YOUTHFUL DRIVER?

- Drivers under 25 can be very expensive. There is a larger number of accidents in the 16 – 25 age group than any other age group. The additional risks bring additional cost. You can reduce costs by sending them through driver training and keeping their grades above a GPA of 3.0.
- Finally, a personal umbrella adds additional protection, especially with youthful drivers. Being the largest group of accidents often brings added severity of accidents as well. The additional protection of a personal umbrella, may protect you from losing your assets, like your home.

## 5.2

Where is the best place to shop to ensure the greatest value for your Auto insurance (Hint: not necessarily online)?

- **Use an independent agent or agency!** Many agents only represent one company like State Farm or Farm Bureau. An independent agent represents multiple companies, so if the company you are with raises rates (and they all do sooner or later!), your agent can simply shop it for you to find the greatest value at the best premium. Finally, an independent agent can combine your home, auto & umbrella to bring you additional cost savings

### **Independent Agent Scenario:**

**Bill & Linda have been with Company A for 5 years. Their independent agent noticed that their annual premium had increased for both their home and cars by \$425. The agent took action and requested proposals from all the other companies that they did business with and discovered that by moving to Company B, Bill & Linda would save \$560 in annual premiums.**