Auto Insurance 101 – Guided Notes

These guided notes should accompany the NAIC Auto Insurance 101 presentation available at https://www.insureuonline.org/auto_101/story_html5.html.

The Basics

Guiding principle: Pay a little now to avoid paying a lot later when something bad happens.

Policy	Contract between purchaser and insurer.
Premium	How much the purchaser pays insurer for covering risk
Claim	Notification to the insurance company that you have suffered a loss
Loss	Cost in dollars of covered property damage or injuries defined in your policy
Limits	Maximum amount of protection in a policy for a specific type of coverage
Deductible	How much you pay before insurance reimbursement kicks in. They apply to two types of auto coverage, comprehensive and collision. As deductible goes up/down, premium goes down/up.

Types of coverage

	Required (yes/no)	Covers damage to vehicle when you strike a vehicle, pole, etc.	Covers damage to vehicle other than a crash (fire, falling objects)	Covers injuries to others when you are at fault	Covers medical bills for you and your passenger	Covers damage to someone's property when you are at fault
Comprehensive	Yes - By Lender		X			
Collision	Yes – By Lender	X				
Bodily Injury	Yes-State law			X		
Medical Payments	Usually-State law				X	
Property Damage Liability	Usually-State law					X
Uninsured Motorist					X	
Underinsured Motorist					X	

Who is covered?

Auto insurance is attached to the vehicle. If the car is covered, insurance protects any of these three roles likely affected by an accident or incident:

Driver	Passenger	Pedestrian

Purchasing Insurance

A statement from the insurance company of the cost and coverage of the policy you negotiate is called a quote.

Ways to Purchase	How it works
Independent agents	Can compare and sell policies from multiple insurers
Captive agent	Sells for only one company
Direct Buying/Purchasing	Completed directly with the insurer online or over the phone without an agent's assistance

List factors insurers review when setting your premium:

Vehicle make, model, age	Marital status
Annual mileage	Experience
Where you live	Driving record
Gender	Prior insurance

List ways you could reduce the premium:

Raise deductible	Good grade discount
Driver education class	Avoid tickets, DUIs
Theft protection	Pay annually or every 6 months instead of monthly