Common Terms Related to Automobile Insurance & Types of Insurance

1) Bodily Injury/Property Damage Liability

a) Nevada law requires liability insurance.
b) These coverages protect you if you injure someone else or damage someone else's property while operating your vehicle.
c) This coverage would pay damages on your behalf to the injured party.
d) To activate these coverages, you must be legally liable for injuries or damages.
e) Can be purchased as split-limit coverage or as combined single-limit coverage.
f) The current minimum limits of liability required by Nevada law are 25/50/20.

2) Collision

a) This coverage protects against damage to your vehicle resulting from a collision, regardless of who is at fault.
b) It provides for repair of the damage to your vehicle or a monetary payment to indemnify you for your loss.

3) Comprehensive Coverage (Other than Collision)

a) This insures you against theft or other damage to your vehicle resulting from causes other than collision.
b) This can include wind damage, falling objects, fire, flood and vandalism.
c) Comprehensive and collision coverage is not required by Nevada law and, in certain cases, because of the age or condition of the automobile, may not be available.

4) Credit-Based Insurance Scores

a) A credit-based insurance score, sometimes known simply as an insurance score, is a number, based on certain aspects of your credit history that is used by some insurance companies to help determine your insurance premium.
b) http://doi.nv.gov/Consumers/Credit-Scoring-FAQs/
c) http://doi.nv.gov/uploadedFiles/doinvgov/_public-documents/Consumers/NV_PPA_AB120_List.pdf.

5) Deductible

a) A deductible is a portion of a covered loss that is not paid by the insurer.
b) The deductible amount is selected by you.
c) The deductible is subtracted from the amount the insurer would otherwise be obligated to pay you as the insured.
d) If all other policies and consumer attributes are held constant, a higher premium is charged for a lower deductible and lower premium for a higher deductible.
e) Some insurers in Nevada offer a "vanishing deductible." For each year you stay claim-free, the insurer will reduce your deductible amount without increasing your premium, you, will pay a reduced deductible if a loss occurs in future.

6) Medical Payments

a) This coverage pays for reasonable and necessary medical expenses, without regard to legal liability, resulting from accidental bodily injury while operating or occupying an insured vehicle or being struck as a pedestrian by a motor vehicle.
b) An insurance company must offer this coverage because of Nevada Revised Statutes (NRS) 687B.145 (3), but you are not required by law to purchase this coverage.

7) Gap Insurance

a) In the event your vehicle is at a total loss, this pays the difference between the current market value of your auto and the amount you still owe the lender. Generally, this coverage is only available for brand new (or under one year) autos and motorhomes.

8) Indemnify

a) To indemnify means to restore a party who has had a covered loss to the same financial position that party held before the loss occurred.

9) Emergency Road Service

a) This covers the towing when your car breaks down.

10) Uninsured / Underinsured Motorist Property Damage

a) This covers you, your resident relatives, and occupants in your insured vehicle if you or they get injured in an accident in which the owner or operator of another motor vehicle is legally liable and does not have insurance (not insured) or does not have enough insurance (underinsured) to pay all your loss.
b) Per NRS 687B.145 (2), your insurance company must offer this coverage to you in an amount equal to your own liability limits. However, you do not have to accept the offer. This coverage does not pay for damage to your motor vehicle.

11) Underwriting

a) Insurance companies underwrite to assess the risk associated with an applicant, group the applicant with other similar risks and decide whether the company will accept the application.

12) Rating

a) Rating is the determination of premium based on several risk characteristics, some of which include the driver characteristics, house hold composition, driving record, automobile characteristics, and selected amount/type of coverage.

13) Driving Record

a) On your policy application, you will be asked about your driving record. Insurers will ask about accidents and traffic violations for any driver covered by the policy for the preceding three to five years.
b) Drivers with previous violations or "at- fault" accidents are considered to be a higher risk and are charged a higher rate.

14) Territory

a) The claims experience in your geographical area also will affect your rates. Policy applications include a question that asks for the address where the vehicle will be principally garaged.

15) Gender & Age

a) Statistically, males have more accidents than females. For this reason, men may tend to pay more for insurance than women. Insurers also have statistics that show a higher number of claims for some age groups than for others.

16) Marital Status

a) Statistics show fewer auto insurance claims among married policyholders than unmarried policyholders. Generally, married people pay a lower premium than unmarried policyholders.
b) Nevada law requires domestic partners to be rated as married policyholders.

17) Prior Insurance Coverage

a) Under Nevada law, if insurers ask for this information, they are required to also ask about the reasons for any previous cancellation, nonrenewal, or adverse underwriting decision. Insurers may not refuse to insure you or increase your premium solely on the fact that a previous insurer has cancelled or refused to renew your coverage.

18) Vehicle Use

a) You will be asked on the application how often, how far and for what purpose you drive the vehicle that you want to insure.
b) The fewer miles you drive the less chance you have of getting into an accident.

19) Usage-Based Insurance (UBI)

a) This methodology allows for discounts on your auto insurance premiums based upon the number of miles you drive. Some companies require a device to be attached to the On-Board Diagnostics (OBD-II) port.
b) This telematic device transmits mileage and other information to the insurer. Other insurers require scheduled "odometer reading" by the agent or other representatives of the insurance company to verify the mileage.

20) Make & Model of Vehicle

a) The type of car you drive directly affects the cost of comprehensive and collision coverage. It also can affect the cost of bodily injury and property damage liability coverage as well as the uninsured/underinsured and medical payment coverage.
b) A make or model of car that has a high number of claims or higher claim costs will be charged a higher premium. High claims costs are generally associated with two types of vehicles: higher-valued vehicles, which are more expensive to repair, and vehicles that have shown a higher severity of bodily injury losses or physical damage losses in an accident.