

car insurance



are you protected?

FINANCIAL MENTORING PROGRAM

PORT JOBS 

IN THIS MODULE YOU WILL LEARN HOW TO:

- Understand the basics of auto insurance and types of coverage.**
- Understand the minimum requirements for insurance in Washington State, and the penalty for driving without it.**
- Identify how much insurance you need.**
- Determine what options are available to increase your insurance protection.**
- Shop for insurance, and ask the right questions when getting quotes.**

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...You're driving along and someone dents your fender.

...You're involved in an accident and other people are hurt.

...You're parked on the street overnight and someone smashes your window.

Paying good money each month towards car insurance can feel like a huge waste...until you find yourself in a situation where you really need it. Are you protected? Do you know exactly what your insurance covers? It pays to find out!

But be aware — not all car insurance is the same.

Depending on your coverage, you may or may not be protected from the different problems that may arise. Unfortunately, many people don't fully understand what their car insurance pays for until they are stuck with thousands of dollars of uncovered expenses.

DRIVING WITHOUT INSURANCE IS NOT ONLY ILLEGAL - IT IS A QUICK WAY TO FIND YOURSELF IN SERIOUS FINANCIAL TROUBLE.

Why Do I Need Car Insurance?

Simple: because driving without car insurance is illegal. But there is more to this. Car insurance protects you, financially, if something bad happens. While car insurance can be one of the most costly parts of owning a car, it is also one of the most important!



Car Insurance *Basics*

Buying a car insurance policy is like making a contract between you and an insurance company. You promise to pay a certain amount of money on a regular basis. They promise to pay for specific car-related expenses as long as the policy is in effect. Before we get into more detail, let's define some basic car insurance terms.

PREMIUM

The premium is how much you will be charged for each type of coverage you choose – basically, how much this whole thing is going to cost you. Looking at premiums can help you compare insurance offers and identify possible savings opportunities. Most insurers will give you options for paying your premium, such as paying all upfront or making a down payment (often two months worth) and then paying the rest in monthly installments.

POLICY PERIOD

Your insurance coverage is only in effect during the period specified in your policy. Typically, auto policies are in effect for six months or one-year terms. When you are shopping for insurance, be sure you know the policy period.

DEDUCTIBLE

A deductible is the amount of money that you pay **BEFORE** the insurance money kicks in. Let's say you back your car into a tree. Your insurance has a \$250 deductible (which is low).



If the repair bill is less than \$250, you pay for the whole thing. But if the repair bill is over \$250, then you pay \$250 and the insurance company pays the rest. (This depends on your coverage.)

If a lower deductible means that you have to pay less money out of your pocket, why not have the lowest deductible possible? The answer is money. With a lower deductible, the insurance company is at greater risk of paying for repairs, so they will charge you **MORE** for the policy.

EXCLUSIONS

Exclusions are all things **NOT** covered by your policy. These are important to know before you are involved in an accident.

CLAIM

A claim is a request you make to your insurance company asking them to pay for a loss due to an accident or for other damage (such as theft.)

Types of Insurance Coverage

There many types of auto insurance coverage available. Some are required and others are optional. Learning about the kinds of insurance is the first step in making sure that you are protected, but that you're not carrying more coverage than you need.

LIABILITY COVERAGE

Pays for bodily injury and property damage TO OTHERS when you are found at fault in an accident. Bodily injury pays for other people's injuries and can include medical expenses, pain and suffering and lost wages. Property damage coverage kicks in when you damage someone else's property with your vehicle – usually their car. State law requires all drivers to carry some level of liability coverage.

PERSONAL INJURY PROTECTION (PIP)

Pays medical expenses for you and any passengers in your car due to an auto accident. PIP may also pay for other expenses, like rehabilitation or lost wages. PIP differs from liability coverage because it pays these benefits no matter who is at fault in the accident. By law, an insurance company must offer you this coverage, but you do not have to accept it. Optional.

COLLISION

Pays for damage to your car as a result of colliding with another vehicle or object. Optional.

COMPREHENSIVE

Pays for damage to your car when it is stolen or damaged by something other than a collision. This includes theft, falling objects, fire, hail, and vandalism. Optional.

UNINSURED / UNDERINSURED MOTORIST

Pays damages when you are injured in an auto accident caused by a driver who has no liability insurance or who doesn't have enough insurance. This includes hit-and-run drivers. Optional.

OTHERS COVERAGES

Rental Reimbursement pays expenses incurred for renting a car when your auto is disabled due to an auto accident. Emergency Road Service pays expenses incurred for having your auto towed as a result of a breakdown. Towing limits vary. Both are optional.



Required *Auto Insurance*

Washington State law requires that every driver maintain the following liability insurance coverage:

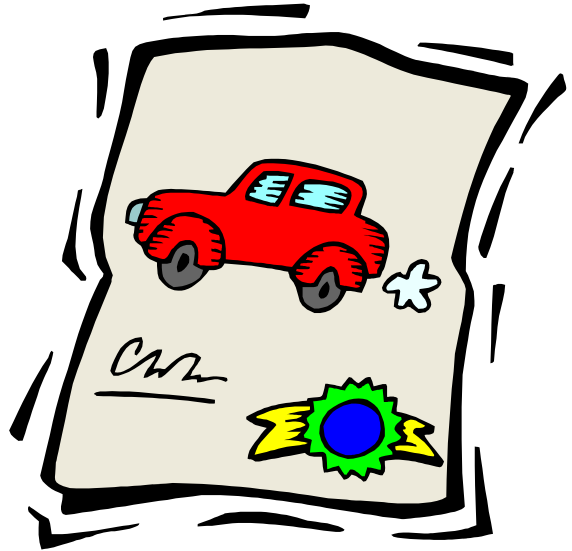
- **Bodily Injury Liability** coverage of \$25,000 (the maximum paid to any one injured person) and \$50,000 (the total paid out to ALL people injured in an accident.)
- **Property Damage Liability** of \$10,000 (the total paid for damage to the property of the person hit.)

This type of coverage is often shown as: Bodily Injury and Property Damage Liability 25/50/10.

What Does **Liability** *Cover?*

Liability coverage only pays for bodily injury and property damage of OTHERS when you are at fault in an accident. And it only pays up to the dollar limits in your insurance policy. Therefore, if the cost of an accident you caused is higher than these limits, you may be personally financially liable.

Liability coverage does NOT protect you against your own losses. If you cause an accident and your car is damaged, you will need to repair it.



These repair costs will come out of your own pocket, unless you have other appropriate (and optional) coverages. Plus, if you have a loan on your car, you will still have to pay the bank for the amount you owe on the loan.

What If I Don't Have It?

In Washington State, if you are caught driving without the minimum insurance, you will be fined at least \$450.



How Much Insurance Do I **Need?**

Part of determining what insurance coverage to buy involves examining YOUR situation to see what meets your needs. Other optional coverage that you may consider includes:

- Higher levels of Bodily Injury and Property Damage Liability
- Uninsured / Underinsured Motorist
- Personal Injury Protection
- Collision/Comprehensive

There are several questions that you should ask yourself before you start contacting companies including:

HOW HIGH SHOULD MY LIABILITY COVERAGE LIMITS BE?

No one can predict how much you would have to pay if you were to cause an accident. Ask yourself how you would pay for any damages exceeding your coverage (\$\$) limits. The higher your limits are, the more likely your policy will be able to pay all of the damages.

SHOULD I CARRY COLLISION AND COMPREHENSIVE COVERAGE?

You may be required to carry collision or comprehensive coverage if your vehicle is leased or financed. Even if you are not required to have it, you may consider getting these coverages to protect your car. As your car's value decreases,

you might consider dropping this coverage and pocket the savings on premiums.

Consider this. Would you have enough money to pay the entire cost of repairing or replacing your vehicle if it was damaged in an accident or stolen? Also, if your car was totaled, would you be able to continue paying the amount you owe to the bank?

HOW HIGH SHOULD MY COLLISION AND COMPREHENSIVE DEDUCTIBLES BE?

Higher deductibles lower the price of your premium, but increase the amount you must pay out of your own pocket if a loss occurs. Ask yourself how much you would be willing and able to pay (if your car was damaged) in order to save on the premium.



Factors That Affect Rates

Auto insurance rates are based on a variety of factors. The premium you pay reflects factors such as your age, gender, “insurance score” and driving record. Individual companies may differ in how they calculate premiums, but the major factors are fairly universal.

YOUR AGE

Statistics show that, as a group, drivers under age 30 have more accidents per mile driven than the general population. Thus, young drivers are charged higher rates, as are families with young drivers in the household.

YOUR GENDER

Young men are involved in more accidents per miles driven than any other population group. The difference is especially pronounced for male drivers under 30. Washington law allows insurance companies to charge on the basis of gender and age where there is proof that differences in risk exist.

YOUR CAR

The more expensive your car, the more you will pay. Because sports cars and high performance cars tend to be involved in more accidents, cost more to repair and are more likely to be stolen, they cost more to insure.

YOUR LOCATION

Heavily populated areas tend to have a higher number of accidents. The law allows a company



to calculate your rate based upon your address, even though you may drive to different areas.

DRIVING PATTERNS

The more you use your car the higher your rates. A car used to commute 15 or more miles to and from work everyday has an increased risk of being involved in an accident compared to a car that is driven once a week.

YOUR DRIVING AND CLAIMS HISTORY

Most companies apply a surcharge to drivers who have been involved in an accident or who have been convicted of multiple traffic violations. Also, the more claims you make, the higher your rates are likely to be.

INSURANCE SCORE

An insurance score is similar to a credit score. In general, the better your credit, the lower your insurance premiums will be. Washington State law limits how certain parts of your credit report can be used to calculate insurance premiums. See “Insurance and Credit” for details.

Shopping *For Insurance*

Buying car insurance is expensive, so it is wise to compare policies of at least three companies before making a final decision. It is important to compare policies in terms of price, coverage, exclusions, and the reputation of the insurance company. It is free to call for insurance quotes, and remember — getting a quote does not mean you are obligated to buy the policy if it does not meet your needs.

Getting Insurance Quotes

Be prepared before you call for insurance quotes. Know what questions to ask, and be ready to answer questions the agent may ask you.

When getting insurance quotes, ask the insurance agent the following questions:

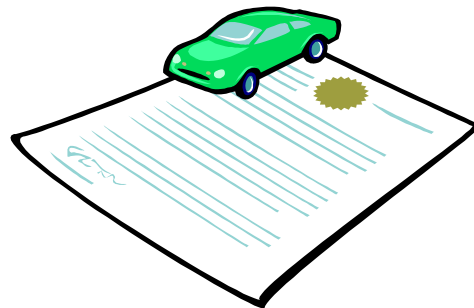
- How much will my premium be (how much will it cost)? *Be clear on what types of coverage this includes. Is this the coverage you want? Can you afford it?*
- What is the policy period (does the premium cover 6 months? 1 year?)
- Do I have to make a down payment? How much?
- What is my monthly payment? Is there an additional charge if I spread out my payments?
- When would my payments be due?

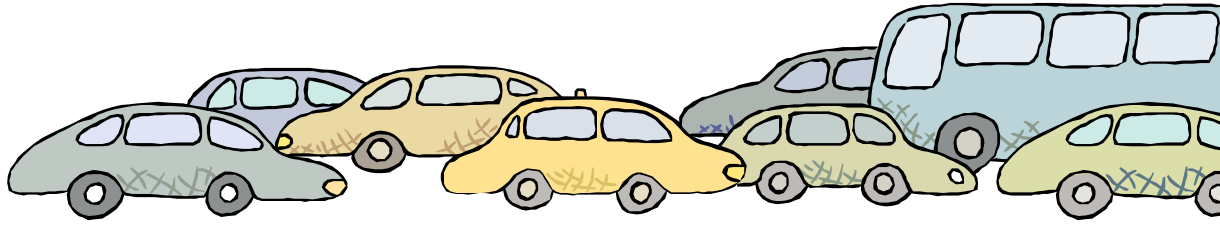
- Am I eligible for any insurance discounts? *(For example, you may be eligible for discounts if you have completed a safe driver training course or have another car insured by the same company.)*

In order for the agent to quote you a price, they will need to ask you some questions, too. Be prepared to answer questions about your car, your insurance history, where you live, how you will use your car, and who will drive it.

Use the worksheets on the following pages to help you prepare for getting insurance quotes.

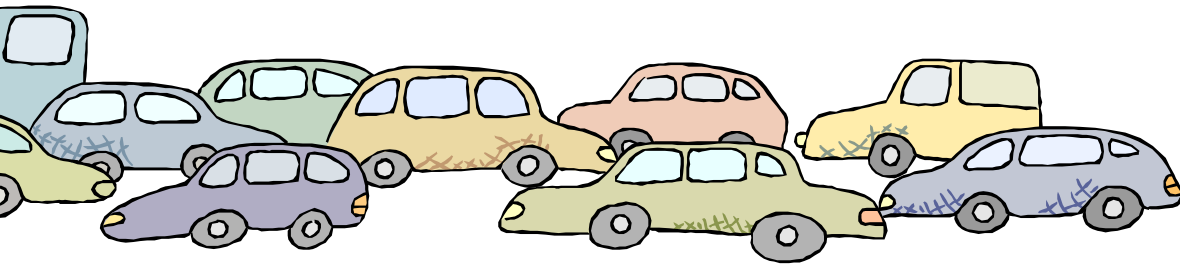
The agent will talk with you about insurance options to determine the best coverage. To meet the minimum coverage for Washington State, you must carry at least **Bodily Injury and Property Damage Liability at 25/50/10**. Remember that liability only protects OTHER people if you cause an accident, it does NOT protect you. By law, the agent will have to offer you Personal Injury Protection coverage, but you do not have to accept it.





INSURANCE QUOTE WORKSHEET

	Company 1		Company 2		Company 3	
Insurance Company Name						
Total 6-month Insurance Cost	\$		\$		\$	
What coverages are included in this cost? (Circle or write in)	Liability Only	Full Coverage	Liability Only	Full Coverage	Liability Only	Full Coverage
Down Payment	\$		\$		\$	
Monthly Payment	\$		\$		\$	
Are you eligible for any discounts? (List them)						



INSURANCE QUOTE PREPARATION SHEET

Car Info	Year, Model, and Make of your car:
	VIN Number:
Insurance History	Do you have car insurance now? If yes, how long?
	If no, why not (didn't own a car, etc.)?
	Have you ever had insurance canceled or not renewed? If so, why?
Driving & Other Info	Do you drive to / from work? If so, how far (one way, in miles)?
	Do you have any tickets or accidents on your driving record?
	What is your employment history for past 5 years?
	Where do you live now, and where have you lived in the past 5 years?
Additional Drivers	Are there other drivers in your household who will regularly drive your car?
	Name/Date of Birth:
	Social Security Number:
	WA State Driver License Number:

Insurance and Credit

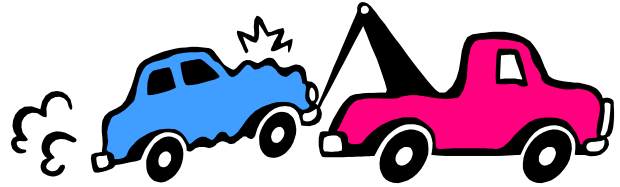
Insurance companies cannot use your credit history alone to cancel or non-renew your insurance policy. In addition, insurers cannot deny you new coverage based on:

- The absence of credit history.
- The number of credit inquiries.
- Collection accounts identified as medical.
- The initial purchase or finance of a vehicle or house that adds a new loan to your existing credit history.
- The use of a particular type of credit card, debit card or charge card.
- The total available line of credit you hold.

If you have been denied coverage, non-renewed or canceled, your insurance company must provide the reason you did not meet their standards in clear and concise language.

Under the Equal Credit Opportunity Act, a credit scoring system may not use certain characteristics like race, sex, marital status, national origin, or religion as factors.

Companies are not required by law to disclose that a credit check may be part of your application process. They are required, however, to disclose if they plan to perform a background investigation as a part of reviewing your application.



Additional Resources

The Washington State Insurance Commission provides information about many types of insurance. Check out the “Consumers” section of their website at www.insurance.wa.gov. On this site you can:

- Check the number of complaints an insurance provider has received.
- File a complaint against an insurance provider.
- Learn more about how different types of insurance work.

They also publish *A Consumer's Guide to Auto Insurance*. This FREE guide explains auto insurance in detail and gives tips about finding a policy and reducing your rates. You can download this publication from their website or call the toll-free Consumer Hotline at 800-562-6900 to order a copy of the guide.

Other Internet resources include:

- www.bankrate.com. Their section on automobiles has articles on everything from saving on insurance to filing claims.

About This Module

The Financial Mentoring Program (FMP) offers resources for community organizations interested in providing financial mentoring services to clients. This training module is part of the FMP's take-home curriculum. Other modules in this series include:

Developing a Spending Plan: How to create and use a spending plan to manage your finances and make your money work for you. Learn how to track income and expenses, reduce spending, and more.

Saving for Your Future: The basics of how to save money to reach your financial goals, such as paying yourself first, creating savings goals, making a savings plan, and tips for successful saving.

Taking Control of Your Debt: The basics of understanding debt, how to identify warning signs of debt problems, how to avoid debt traps, steps for getting out of debt yourself, and how to get outside help.

For copies, call Port Jobs at (206) 728-3883 or visit the FMP website at www.financialmentoring.net.

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