

# What's the difference between calling an agent and buying insurance online?

The main thing to watch out for when buying auto insurance online is understanding what each coverage option is and resisting the temptation to just buy the cheapest possible insurance. There's a difference between having an affordable, competitively priced auto insurance policy with simply having the cheapest policy possible.

Oftentimes, the cheapest insurance will mean buying only the state minimum liability limits with no other types of coverage. Or having both collision and comprehensive coverage on your policy is expensive, you might be tempted to save money elsewhere, such as on your liability coverage.

Buying the state minimum liability limits can be very risky because it simply doesn't cover you for much money if you're responsible for an accident.

If you cause an accident and your insurance limits aren't high enough to cover the other person's injuries (or lawsuit costs if there's a death involved), then you'll be responsible for paying the rest of the money out of your own pocket. And if you don't have that money laying around, your other assets could be taken, including your house, vehicle and a portion of your future earnings.

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# How can I get auto insurance discounts?

Most insurance companies offer more discounts on auto insurance than any other type of insurance. Each company offers slightly different discounts, but some of the most common ones include:

- **Multi-policy:** Almost every insurance company offers a multi-policy discount, which knocks off 10% to 20% when you bundle your auto insurance with a homeowners or renters policy.
- **Multi-vehicle:** If you have more than one vehicle on your policy, you'll likely receive this discount, which makes each vehicle in a household slightly less expensive to insure than it would be if it was the only vehicle on the policy.
- **Vehicle safety features:** Most new vehicles have advanced safety features, such as passive or active restraints and blind spot monitoring. Each vehicle that has these is eligible for these discounts.
- **Safe driving record:** Insurance companies like to minimize risk, and having a safe driving record is a big indicator that you're likely to keep your driving record clean. Companies typically look back between three and five years at your record, but this can be one of the larger discounts available.
- **Good student discount:** Having teen or early 20s drivers on your policy can have a dramatic impact on your rates. To help offset part of this, your child could receive a good student discount if they earned at least a B average last semester.
- **Defensive driving course:** Anyone is eligible for a defensive driving discount, but this can be particularly attractive to people who don't qualify for a safe driving discount. Enroll and

complete an approved online defensive driving course and receive a discount.

- **Telematics:** Not every insurer offers this, but enrolling in your company's telematics program could save you extra money. Telematics is the program that tracks certain aspects of your driving for a period of months and gives you a discount based on how you drive.

There are usually many more discounts available, such as paying for your policy in full, enrolling in automatic payments, quoting well ahead of time, going paperless, etc. Be sure to talk with an independent insurance agent to find out which discounts you qualify for.

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## **Who is included on my auto insurance policy?**

When you buy a new auto insurance policy, you'll be asked to list all the drivers who should be on your policy. This typically includes anyone living in your household.

You'll definitely want to include any vehicle that is titled and could be driven. Auto insurance primarily follows the car, not the driver. If you get pulled over by the police, they are looking to see if that vehicle is insured, not if the person driving the vehicle is on the policy or not. As far as insurance, the police only want to see if the vehicle is covered by an active insurance policy.

You can let anybody drive your vehicle and they will be covered

under your policy. But insurance companies want you to list anyone who has regular access to your vehicle as a driver.

If you knowingly omit a driver, such as your teenage driver who just got their license because you know your rates will spike, you could be risking having your claim denied by the insurance company.

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## How much does auto insurance cost?

The average cost of auto insurance in the United States is around \$1,300 a year, or about \$110 a month. However, that number is the average cost across the entire country, meaning it takes into account rates in expensive states like Michigan and California along with rates in cheaper states like South Dakota and Missouri.

Auto insurance rates are mainly based on:

- **Age:** Younger drivers under the age of 25 pay the highest rates, mainly because that age group gets into the largest number of accidents.
- **Location:** City drivers pay more than rural drivers due to the increased likelihood of having a claim (traffic jams, thefts, stop-and-go driving).
- **Gender:** Female drivers have lower rates than male drivers due to their better driving records.

- **Driving history:** Your own driving history plays a large role. If you're a safe driver, you'll have fairly low rates for your vehicle type and location.
  - **Type of vehicle:** The more expensive the vehicle, the more it will cost to insure because the insurance company will have to pay more money to replace it. Pickup trucks are among the most expensive vehicles to insure because they are involved in more accidents and can cause more damage.
  - **Current insurance:** Some insurance companies require you to have a current policy in force before they will insure you. If you don't have prior insurance or have a long lapse in coverage, your options will be more limited and you'll likely pay higher rates.
  - **Credit score:** Credit scoring may not stick around as it's being reviewed by state legislatures as an insurance rating tool at the time of this writing. But most states still use it as a rating factor, with better credit scores leading to lower rates.
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## What does auto insurance cover?

The liability part of car insurance gives money to other people if you're responsible for their injuries or property damage. There are additional aspects of car insurance that can cover your own vehicle, your own medical expenses, and various other options.

**The basics:**

- **Liability:** Car insurance liability is typically broken down into three limits: bodily injury per person, bodily injury per accident, and property damage. The liability limits that you buy, for example \$100,000/\$300,000/\$50,000, mean that the insurance company will pay for injuries or property damage that you cause, but only up to the limit. So your insurance company would only pay a maximum of \$300,000 in any one accident if you chose those liability limits.

- **Collision:** This covers your own vehicle if it's damaged from a collision with another vehicle or solid object, such as a telephone pole or a building. If you're in an accident with another car and it's the other person's fault, then their insurance should pay for your damage. But if you cause the accident or if you live in a no-fault car insurance state, you'll need to have collision coverage to pay for the damage to your own vehicle.

- **Comprehensive:** Also known as Other Than Collision, this covers your own vehicle for almost any other type of damage it could receive. Comprehensive includes damage such as theft, fire, hail damage, falling objects, windshield damage, and nearly anything that's not wear and tear.

#### **The extras:**

- **Uninsured/Underinsured motorist:** Also known as UM/UIIM coverage, some states actually require this. It's designed to cover your own injuries and property damage if the at-fault person either has no insurance, or their limits aren't high enough to fully cover your injury expenses.

- **Medical payments:** This is money that's paid out to you and anyone in your vehicle if you suffer injuries in an accident. Medical payments is no-fault insurance, meaning it doesn't matter who caused the accident or what happened: if you got hurt

in your car, you're eligible for medical payments. It's often used to cover someone's deductible before their health insurance kicks in.

- **Rental car costs:** If your car is being fixed in the shop because of a covered accident, then this coverage will pay for you to rent a car. It's typically limited to both a daily amount and a maximum amount, such as \$30/day with a maximum payout of \$900.

- **Roadside assistance:** The insurance company will often have a contract with a roadside assistance company, who can come out and help you if you get stranded on the road. Most expenses are covered for free, though each company has slightly different guidelines.

- **Towing expense:** This is different from roadside assistance because it will only reimburse you for towing expenses. It won't provide the towing service or a phone number to call, it will simply reimburse you for the expenses that it cost.

- **GAP coverage:** If you have a claim on your own vehicle, the insurance company will pay you its current market value. Since cars depreciate so quickly, its current market value could be much less than what you still owe on it. GAP coverage will pay the difference between what you receive for your car and what you still owe on your loan.

- **New car replacement cost:** An alternative to GAP coverage, this will pay to fully replace your vehicle with the latest model. This means you could actually get a newer car than what you currently drive. This coverage is typically only available on brand new cars anyway, meaning you bought it new and are the first owner.

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# Why do I need auto insurance?

Nearly every state, including Maine, has a legal requirement to buy car insurance if you're going to drive a vehicle on the road. The two states that don't – Virginia and New Hampshire – have laws that essentially make it required, though technically it's not mandatory.

For example, Virginia requires you to pay \$500 a year to be able to legally go without car insurance, while New Hampshire requires proof that you have the financial assets to pay for any damage you would cause, equivalent to other state's minimum liability coverage.

Legal requirements aside, it can be too costly not to have car insurance. Serious accidents and deaths happen every day and without car insurance, you could be responsible for hundreds of thousands of dollars worth of injury expenses if you cause it.

Car insurance can also protect your financial investment in your vehicle. Many new vehicles cost at least \$30,000, whether financed or not. If you spend the money one time but your uninsured vehicle gets totaled, you'll have to spend that money again if you want a new car. But if you have car insurance you'll get most, if not all, of that \$30,000 back.

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# What is auto insurance?

Car insurance provides you with insurance coverage if you're responsible for an accident and somebody else gets hurt or suffers property damage. This liability coverage can include settlement costs, legal defense costs in court, and the dollar amount that you're responsible for to the injured person or property.

Liability is the part of car insurance that's required by nearly every state, though it's not the only thing covered by car insurance. You can also protect your own vehicle for physical damage to it, as well as add on various other coverage options.

Most auto insurance policies are effective for either 6 or 12 months at a time. During that policy period, your rates are locked in and can't change unless you make a change to your policy. Once your policy renews, you could receive new rates, either higher or lower, that will be locked in again during your next policy period. □