



## Understanding Auto Insurance

Auto insurance covers damages done to you, your car, other people, and other's property as a result of your car. The amount of insurance you need is dependent on the other insurance coverage you have, the value of your car, the amount of other assets you need to protect and the rules in your state. Auto insurance can be expensive if you have a poor driving record, want it to cover young drivers, drive extensively in crowded areas, or choose low deductibles.

### Basic Auto Insurance Coverage

**Collision coverage.** This portion of your policy covers repairs to your car after an accident, no matter who caused it. If the car is completely destroyed, this insurance will pay off. If the car was financed, you will need the proceeds to pay off the loan. Both collision and comprehensive insurance is generally written to cover the car's fair market value. If your car has much value, you should have this type of coverage. If your car is old and has very little value, you may want to drop this portion of the coverage.

**Comprehensive coverage.** This portion of your insurance covers damage to your car as a result of random acts like fire, theft, floods, hail damage, vandalism and even damages caused by a stone flying up on the road and denting a fender. The amount of comprehensive coverage you need is determined by the value of your car. Many drivers choose to keep comprehensive coverage on less valuable cars even if they drop their collision coverage because it tends to be cheaper. But, the insurer will not pay more than the car is worth.

**Auto liability coverage.** This type of coverage is absolutely essential. If you cause an accident with your car and injure someone or damage their property, auto liability insurance will pay the injured person's medical and repair expenses. This portion of your policy's cost is usually the greatest.

Most states require some level of auto liability coverage. You will probably want more than the requirement. If there is an accident and you are responsible for damages, you want to make sure your other assets are protected. If you have other assets, such as a home or investments, you want to make sure you do not lose them in a lawsuit over an auto accident. The more assets you have, the greater the coverage you need. Discuss the coverage and costs with an insurance agent. Also, if a driver that is uninsured or under-insured hurts you, your policy will pay for your expenses.

### Reducing your auto insurance costs

Your premiums are based on factors such as your age, where you live, type of car, driving record and how much driving you do. Costs for auto insurance vary greatly from area to area and company to company. It makes sense to check out several companies when choosing. Consider the premium levels and also the service level you can expect from the company. There are few things worse than not being able to get in touch with the insurance company after an accident or having to drive 50 miles to get your damaged car inspected or repaired.

**You can also reduce your premiums by considering the following ideas:**

1. Drive safely. Many insurance companies give discounts to drivers with no accidents or driving tickets. If you have a clean record, make sure the insurance company knows about it.
2. Raise your deductibles. Low deductibles increase premiums. Making claims for small damages is also a hassle.
3. Buy a car that is cheap to repair. There are probably resources at your public library or on the Internet that will identify the makes of cars that are expensive and inexpensive to repair.
4. Use the same insurance company. There may be an overall discount if you have auto and homeowners insurance from the same company.
5. If there is a student driver, get good grades. Many insurance companies offer discounts if a student driver gets B's or better in their studies.
6. Pay the premium all at once. Most companies allow policyholders to pay their premiums annually, semi-annually, quarterly or in some cases monthly. Do the math and you will find that paying annually will save you money.