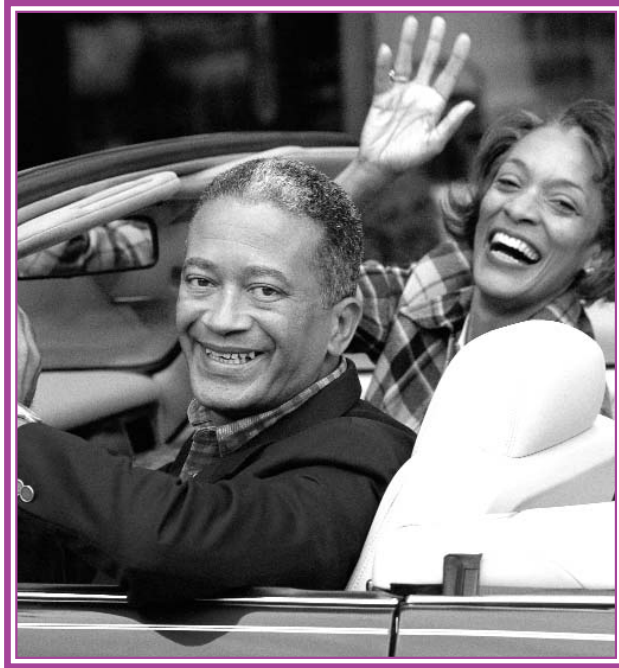


# ***A Consumer's Guide To***



# ***Automobile Insurance***

**nysut** Member  
Benefits  
Trust  
*A Union of Professionals*

**NYSUT Member Benefits Trust wants members to be the best-informed consumers in the state. This Consumer's Guide is one of our contributions to achieving that goal. We hope you will find it helpful and informative.**

If you own a car, chances are you're paying from several hundred to well over a thousand dollars a year for auto insurance. Yet how much do you really know about your policy? Do you have enough coverage? Are you going to wait until you have an accident to find out? Could you get the same protection for a lower premium? Did you know that some companies give special rates for educators?

If you do your homework before you buy an auto insurance policy, you're more likely to know the answers to these questions, to have adequate coverage, and to pay the right price for it.

### ***What is auto insurance?***

Auto insurance is really several kinds of coverage, each of which can be purchased in varying amounts. Taken together, the coverages are designed to protect you from financial losses caused by:

- personal injury to you or someone else
- damage to property – yours or someone else's
- damage to your vehicle
- theft of your car

Before you buy insurance, you should understand each type of coverage and what it costs. Most states mandate that you carry a certain minimum insurance. New York, New Jersey and Connecticut require (1) bodily injury and property damage liability, (2) medical payments for personal injury, (3) lost wages and accident-related expenses, and (4) protection against an uninsured or underinsured motorist. Collision, comprehensive and related coverages are optional.

The next section explains the coverage you must have – because your state requires it – and the coverage you can elect.

## ***What coverage is required?***

**Bodily Injury Liability** – Pays if you are held responsible under law for injury or death caused by your vehicle. You need this type of coverage more than any other. Here's what can happen if you don't have liability coverage. If your vehicle injures someone else and you are found to be negligent, you can be the object of a lawsuit. This is the case no matter who is operating your car: you, a family member, or even someone else. If you lose, you may have to pay for the injured person's medical expenses, compensation for pain and suffering, and loss of income. Lawsuits are common these days, and since increasing your limits doesn't cost much more, you should consider carrying the largest dollar maximum you can afford.

**Property Damage Liability** – Pays when you are legally responsible for damage that your vehicle caused to the property of others. It also covers legal expenses.

**A word about no-fault coverage and liability:**  
New York and New Jersey require no-fault coverage. In these states, your insurance company pays for part of the cost of injuries to you and any passengers in your car, no matter who caused the accident; likewise, other people's companies pay for their injuries. If you live in a state that does not require no-fault coverage, legal action may need to be taken to decide who is at fault and therefore liable.

**Basic Personal Injury Protection (also called no-fault benefits)** – Pays for necessary medical, dental, hospital and rehabilitation expenses for you, your household relatives, passengers in your vehicle, or pedestrians. Most policies also provide a separate death benefit amount. Personal injury protection also reimburses you for some or all of the income you lose because of an auto injury. If you live in a state that does not require no-fault coverage, the protection is optional.

Additional personal injury protection coverage can be purchased in varying amounts. Considering the relatively low cost, this extra protection – often called

“umbrella” coverage – is a good buy, but check first to see if Medicare or your sick pay benefits would duplicate these benefits.

**Uninsured-Motorist and Underinsured-Motorist Coverage** – These related coverages pay your expenses when the other driver is not insured or doesn’t have enough insurance. You also are protected if the accident is caused by a hit-and-run driver.

You can choose the dollar amount of coverage you want for these types of insurance, up to the limits of your own liability coverage. This protection is relatively inexpensive. Even if your state doesn’t require it, this type of coverage can be very important, especially when you consider that nearly 10 percent of drivers are on the road with no insurance at all and an even greater number are underinsured.

### ***What coverage is optional?***

**Collision** – Pays for damage to your car, no matter who caused the accident; however, you cannot collect more than the retail value, or “book value,” of your car. If your car is very old or in poor condition, you may want to give up collision coverage.

You have to decide a deductible amount on your collision coverage. The higher the deductible you select, the lower your premium will be. You can purchase separate coverage for glass replacement.

**Comprehensive** – Pays for damage to your car other than crash damage. Examples are damage caused by fire, theft, vandalism, hail, windstorm, floods, falling objects and deer. Usually excluded from this coverage is theft of or vandalism to radios, tape decks, speakers or mobile phones; also excluded is damage caused by war or nuclear accident. Check your homeowner’s policy to see whether it covers the contents of your car.

**Towing and Labor** – Pays a fixed allowance toward the cost of towing and for any labor performed at the site of the breakdown or accident. Parts installed are not included, nor are subsequent repairs caused by the incident. If you belong to an automobile

club, check whether free towing or a discount for towing is included. You probably don't need to be covered both ways.

**Rental Reimbursement Coverage** – Pays a fixed fee per day for a limited time while your car is being repaired or replaced. The damages to your car must be those covered by collision or comprehensive insurance.

### ***A look at insurance rates***

You may have wondered why one company charges several hundred dollars more than another for the same coverage. The answer depends on many factors, which will be explained in this section.

Each company has its own formula to figure the risk associated with you and with your vehicle. What's more, each state has different regulations that determine rates. Your total premium consists of a base rate, plus certain amounts determined by your age, gender, marital status, credit score, driving pattern and claims history. The base rate itself differs for your type of car and where you live.

**Age** – Young drivers and families with young drivers usually pay higher rates.

**Gender** – Young male drivers usually pay higher rates than females. This doesn't prove that females are more skilled – or more careful – drivers. As a group, men drive more miles and under more dangerous conditions than women do. Lately, however, some states have been limiting gender as a factor when they set rates. If you're a young man with a good driving record, shop around for a fair rate.

**Marital Status** – Generally, married men older than age 24 and married women of any age pay lower rates than their single counterparts.

**Credit Scoring** – Its use varies by state; however, credit scoring is most often used in underwriting auto insurance. The industry position is that credit scoring is an accurate predictor of loss – the lower the credit score, the greater the potential risk.

**Your car** – If you drive an expensive car or a car that is expensive to repair, you'll usually have to pay more for the collision and comprehensive portions of your insurance coverage.

**Where you live** – If vandalism and accidents are common in your area, your rates for liability, comprehensive and collision coverage will be higher.

**How you use your vehicle** – If you commute to work every day, you'll pay higher rates than if you use your car for occasional pleasure driving.

**Your driving record** – If you've had an accident or been convicted of a serious driving violation, usually within the last three to five years, you'll pay a surcharge under most policies.

**How many claims you've had** – Filing even one claim can raise your rates. Sometimes it's better to pay a small claim yourself because doing so will hold your rates down.

### ***Five ways to get the right coverage for the right price***

**Raise your deductible** – If you raise your collision and comprehensive deductibles from \$100 to \$500, you can save nearly half the cost of these coverages. If your car is old, you may want to cut out collision coverage entirely.

**Ask about special discounts** – Many companies offer discounts to drivers who represent good risks. Some companies consider teachers to be good risks. Discounts for security devices such as alarms, passive restraints, air bags and good student can result in a lower premium for your comprehensive coverage.

**Buy a safe car** – If you're ready to buy a car, ask an insurance agent to give you a list of models and makes that carry lower rates. For example, a four-door sedan is considered safer than a convertible.

**Don't pay twice for the same coverage** – A look at your other types of insurance may reveal some unnecessary overlap in coverage.

**Do your homework** – Depending on which company you choose, you can pay widely varying premiums for the same coverage, but the policy with the lowest rate is not always the best buy. Quality and promptness of claims service are two of the most important factors in consumer satisfaction with auto insurance.

### ***Now that you've read this booklet...***

...you're in a better position to evaluate your current auto insurance policy or to consider buying a new one. You'll ask the right questions: Does the coverage protect me, my family and my passengers against injury and liability? Does it protect my car against damage and theft? Am I paying a fair rate? Does the coverage duplicate what I already have under other plans? When I have a claim, do I receive courteous, prompt service and adequate compensation for my loss?

### ***Want more information?***

If you would like more information about the auto insurance endorsed by NYSUT Member Benefits Trust, please contact:

NYSUT Member Benefits Trust  
(800) 626-8101  
e-mail: [benefits@nysutmail.org](mailto:benefits@nysutmail.org)  
Web site: [www.memberbenefits.nysut.org](http://www.memberbenefits.nysut.org)

For information about contractual expense reimbursement/endorsement arrangements with providers of endorsed programs, please contact NYSUT Member Benefits Trust or refer to your NYSUT Member Benefits Trust Summary Plan Description.

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- **Life Insurance**
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