

## **Automobile Insurance—Do You Have the Right Protection?** *Best Practices for Buying Auto Insurance*

*You have probably seen dozens of ads for auto insurance, but do you know what to consider when buying a policy? It's important to understand what your insurance will cover and how to protect yourself.*

### **Top Considerations**

Everyone who owns a car should purchase auto insurance so they are covered for property damage, medical bills, and legal costs. Nebraska, as well as most other states, requires the owner of a vehicle to purchase insurance or provide proof of financial responsibility.

### **Components of an auto policy:**

- **Declarations/information page** includes all information about your policy such as the policy number, effective dates, the cars covered, any loans, coverages, limits and deductibles, your premium, risks and discounts, as well as contact details for your company and agent.
- **Personal auto policy** or policy form features specifics about what is covered, the conditions of the policy and any exclusions.

**Coverage options for your car:** When it comes to protecting your own vehicle and occupants, here are some basics to discuss with your agent.

- **Collision coverage** pays for physical damage to your car as a result of your auto colliding with an object, such as another car or a tree.
- **Comprehensive coverage** pays for damage to your auto from almost all other losses other than collision. These may include theft, fire, vandalism, falling objects or animal damage.
- **Optional coverages** include anything from rental car coverage to towing services. AAA or other memberships may already include some of these coverages.
- **Medical Payment Coverage (MPC)** pays for the medical and/or funeral expenses for you or others injured or killed in an accident while riding in or driving your automobile. This coverage also often extends to pedestrians.
- **Rental reimbursement coverage** or transportation expenses pays for a rental car if your vehicle is damaged by a covered loss. This coverage is usually purchased with a daily and total maximum. For example, \$20 per day up to a total of \$600.
- **Towing or emergency road service coverage** pays the cost of towing your car to a repair shop.

**Liability coverage:** Most policies contain three major parts related to liability to other vehicles and people.

1. Bodily injury liability insurance does not protect you or your car directly. If you cause an accident in which other people are injured due to your negligence, this insurance protects you against their claims for damages.
2. Property damage liability insurance pays for any damage you cause to the property of others, like another vehicle, fence, or tree caused by a collision.
3. Uninsured motorist coverage provides coverage for injury or property damage if you are injured by a hit-and-run driver or a driver who does not have auto liability insurance.

**Determine your deductible:** A deductible is the amount of money you agree to pay prior to the insurance company making any payment on a loss. Typical deductible amounts are \$250, \$500 and \$1,000. Generally, the higher the deductible, the lower the policy premium.

### **Information to disclose to the insurer:**

**Drivers/Operators.** Include all drivers. If you fail to include household drivers and they are behind the wheel in an accident, the company could cancel, decide not to renew your coverage or charge additional premiums. If you drive commercially, such as for a ride-sharing service, you should disclose this to your insurer to make sure you are properly covered.

**Driving Record.** Generally, insurance companies ask for three years of driving history and will use a Motor Vehicle Report (MVR) to check the driving records of all named drivers. Some companies rate your premium by measuring at-fault accidents and traffic violations (often called risk classification factors). Check all quotes for discounts or surcharges based on driving history and risk classification factors.

**Credit Rating.** In most states, it is legal for insurers to use credit-based insurance scores as a risk classification factor in pricing a policy. Review your credit reports for errors before getting a quote.

### **How to Protect Yourself**

Do your research: The lowest quote may not always be the best choice. Before making a payment, do your homework. Talk with friends and family about their auto insurance experiences. Check with the Nebraska Insurance Department to verify that the company and agent (if you are dealing with one) are licensed in your state. You should also inquire about complaints made against the company. Review the declaration page for:

**Personal Information.** Verify all information on the policy is correct. Parking your car in a garage, or even parking it off the street can mean lower premiums.

**Year, Make, Model, Vehicle Identification Number (VIN).** The amount you pay is based on the car you drive, so make sure this information is accurate. If not, it could cause problems if you file a claim.

**Lienholder Information.** If you obtained a loan to purchase your car, the lienholder should be listed on the policy. If you have paid off the loan, call to have the lienholder removed.

**Collision.** The higher your deductible, the lower your premium. Since this is the amount you have to pay if the car is damaged in an accident, make sure you will be comfortable paying the amount.

**Comprehensive.** It is possible that removing the comprehensive and/or collision coverage from a policy could save some money. Before you decide to cancel comprehensive coverage weigh the value of the car and the cost to replace or repair it against what you would save.

**Discounts.** Check the list of discounts to see what is included in your overall premium.

### **Three Things to Remember**

- Research the types of coverage offered and what is required in your state. Be prepared to discuss your needs with your insurance agent.
- Regularly review your auto policy and make any updates when your circumstances change.
- Weigh premium vs. deductible to make the right financial decisions for the coverage you need. Discuss all options with your insurance agent.

### **Additional Information**

Additional insurance information on all types of insurance coverage are available on the Department's website at [doi.nebraska.gov](http://doi.nebraska.gov). If you have insurance-related concerns, call the Department's toll-free consumer hotline at 1-877-564-7323 for assistance.