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AUTO INSURANCE

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Janice Carberry*

Owning and operating a car is one of the greatest risks a person takes. Automobiles are potential killers and maimers of human life and can do serious damage to property. The car owner must be financially responsible should such an accident occur. Automobile insurance helps protect car owners against a financial catastrophe.

Financial Responsibility Law

All states have laws that require car owners to prove they are financially responsible for damages and injuries caused by an automobile accident. If a driver has an accident and cannot meet the requirements of the state's financial responsibility law, the driver's license and car plates can be confiscated. Most people meet this legal requirement by purchasing bodily injury and property damage liability insurance **at least** in the minimum amount set by law. The minimum liability coverage set by Texas law is \$10,000 per person involved in the accident, \$20,000 per accident and \$5,000 for property damage. This is usually written on policies as 10/20/5.

Types of Coverages

There are several types of automobile coverages available to protect you.

Liability insurance includes coverage for bodily injury and property damage. Bodily injury coverage applies when your car injures or kills pedestrians, persons riding in other cars or guests in your car. Property damage coverage applies when your car damages the property of others, such as another car, telephone poles or buildings. It does not cover damage to your car. This coverage is in force as long as your car is driven by you, members of your immediate family or others who drive your car with your permission. You and all members of your family are covered even while driving someone else's car if you have the owner's permission. When claims or suits are brought against you, this coverage provides protection in the form of legal defense. If your insurance company agrees — or a

court decides — that you are legally liable for the injury or damage, the insuring company will pay damages assessed against you, up to the limits set in your policy. **This is the most important coverage you can have — for financial protection and peace of mind.**

Personal Injury Protection (PIP) covers medical, funeral and disability payments for all persons in the policyholder's car, up to three years from the date of the accident and up to the limits set in the policy. Limits of \$2,500, \$5,000 and \$10,000 per person can be chosen. A car owner can elect to refuse this coverage in writing to the State of Texas.

What about no-fault insurance? Under the present insurance system, liability insurance is purchased to protect against claims others may make against you if you are at fault in an accident. Under no-fault, insurance is purchased to protect yourself only, no matter who is at fault. Total no-fault would pay your expenses and eliminate the right to sue the other party for any "pain and suffering" resulting from the accident. Texas has not yet adopted total no-fault insurance. Personal injury protection insurance, though not true no-fault insurance, was passed by the state legislature in 1974 in an attempt to satisfy the federal government's request to the states for no-fault insurance coverage.

Medical payment insurance covers medical expenses resulting from accidental injury. It applies to you and your immediate family whether in your car, someone else's car or if struck while walking or bicycling. It applies to guests in your automobile. Payment is made regardless of who is at fault. **Accidental death benefits** may be purchased with medical payment insurance, which provides a lump sum to beneficiaries if you die in a car accident.

Uninsured motorist insurance applies to bodily injuries for which an uninsured driver or a hit-and-run driver is legally liable. It covers the policyholder, family and guests while occupying or alighting from the policyholder's car. The insurance company will pay damages to injured persons up to the limits required by the financial responsibility laws of Texas. Uninsured motorist coverage must be rejected in writing to the state of Texas if such coverage is not desired.

*Extension family resource management specialist, The Texas A&M University System.

Collision insurance covers only your car when it is damaged as a result of colliding with a vehicle or other object, or from turning over. Damages are paid regardless of fault. Most collision insurance is sold on a \$50 or \$100 deductible basis, meaning the policyholder will pay either the first \$50 or \$100 of damage to his car and the insurance company will pay the remainder.

Comprehensive (physical damage) insurance provides protection against financial loss resulting from breakage of glass, falling objects, fire, theft or larceny, missiles, explosion, earthquake, windstorm, hail, water, flood, vandalism or malicious mischief, riot or civil commotion or collision with a bird or animal. It does not cover damage resulting from collision with other vehicles or objects. Comprehensive coverage is available in full or on a deductible basis.

Emergency road service or towing insurance covers the cost of towing your car to a garage if it breaks down on the road. Available for a nominal fee, it can be quite valuable for frequent travelers. Check into other extra coverages that may be available.

The Texas Automobile Insurance Plan, or the "automobile assigned risk plan," is available for drivers who, because of their driving records or the lack of sufficient information as to their qualifications as drivers, are unable to purchase insurance through normal channels. In Texas, the auto insurance plan provides liability coverages only up to the limits specified in the state's financial responsibility law. Uninsured motorist and personal injury protection coverages are also available under the state plan. Drivers insured under the state plan pay almost double the normal rates.

How Much Insurance

In Texas, you should have **at least** liability coverage with limits of \$10,000 per person, \$20,000 per accident and \$5,000 for property damage to meet minimum requirements established in the state's financial responsibility law. However, the minimum requirement may not give you **adequate liability coverage**. Increasingly higher settlements are being awarded to claimants for damages and injuries. Most insurance experts recommend at least 50/100/25 (\$50,000 per person, \$100,000 per accident and \$25,000 for property damage). If you can afford more, you might go as high as 100/300/25. Additional liability protection costs very little and is well worth it.

You, with the assistance of a reputable insurance agent, can determine what other coverages you will need to adequately cover your personal and family needs.

What About Cost

Several factors determine automobile insurance rates. The principal factor is the **rating territory** in which you live. A territory may be a city, a part of a city, a suburb or a rural area. For each territory, statistics on number of insured accidents and amount of money paid in claims are compiled. The insurance rate is based on this "loss experience." The higher the amount of money paid out in claims, the higher the rates in that territory.

Other factors contributing to insurance rates are number of coverages purchased; the limits of protection chosen for coverages; the amount of deductibles for coverages; driver classification, which is based on age, sex, marital status, how you use your car and your driving record; driver discounts, which may include driver education and defensive driving classes, high scholastic achievement for students or non-drinking and non-smoking habits; and the make and model of your car.

Ways to Slash Insurance Costs

- Shop for coverage. Costs vary considerably from company to company. Use the cost comparison chart to help you shop.
- Purchase only the coverages you need. Older cars usually do not need collision and comprehensive coverage.
- Increase amount of deductibles to reduce premiums.
- Insure all family cars on the same policy for premium reduction.
- Ask about any discounts available and see if you qualify.
- Pay premiums annually.
- Notify your insurance agent when a move, birthday, etc., might change your driver classification.
- Remember that sports or "muscle" cars carry heavier premiums.
- Drive carefully.

If You Have an Accident

- Notify police immediately.
- Write down names, addresses, telephone numbers and license numbers of persons involved and of witnesses.
- Notify your insurance agent or the company agent nearest you.
- Discuss the accident only with the police and your agent.
- Do not admit liability.

AUTO INSURANCE COST COMPARISON CHART

Kind of Coverage	Amount of Limits	Rates		
		Company X	Company Y	Company Z
Liability (bodily injury and property damage)	____ / ____ / ____			
Personal Injury Protection	\$ ____ person			
Medical Payment Accidental death payments	\$ ____ person YES/NO			
Uninsured Motorist	\$ ____ /person			
Collision	\$ ____ deductible			
Comprehensive	\$ ____ deductible			
Others				
Annual Premium				
Semi-Annual Payments				

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