

- **Increase your deductible.** But be sure you have enough in savings to pay the deductible if you have a claim.
- **Cancel your collision** and comprehensive coverage. If you drive a car that is old or in bad shape, consider dropping coverage that repairs or replaces it. Be aware that this means you would have to repair or replace your car out of your own pocket.
- **Use one company.** Many insurers give a multi-policy discount to customers who insure more than one car with them, or who also insure their home.
- **Improve your credit record.** Correct any errors that are damaging your credit score. Pay your bills on time and keep your debt relatively low.
- **Drive less.** Driving fewer miles each year could reduce your premium. You'll save money on gas and maintenance, too.

Ask your insurer for other ways to reduce your premium.

### Choosing an insurer

Don't choose an auto insurance policy based on price alone. It's just as important that the insurer you choose is financially stable and has an excellent record of customer service.

You can check the financial health of any insurance company you are considering by referring to one of the independent rating agencies. A.M. Best ([www.ambest.com](http://www.ambest.com)) and Standard and Poor's ([www.standardandpoors.com](http://www.standardandpoors.com)) are two such agencies.

Contact your state insurance department to check consumer complaint statistics. Check J.D. Power and Associates consumer satisfaction surveys ([www.jdpower.com](http://www.jdpower.com)).

### Buying a policy

Be prepared to provide a copy of your driver's license and car registration, and all other information the insurer requires. This typically includes car make and model, year, vehicle identification number (VIN), odometer reading (miles), home address, the individuals who will be driving the vehicle, and how many miles you drive each year. Answer all questions truthfully. Providing false information can be cause for an insurer to refuse to pay your claim.

Be prepared to make at least the minimum required payment to establish the policy. Before paying for the policy, read it. Understand what is covered and what is excluded.

### What if I can't get coverage?

If you do not have a good driving record, you could have difficulty finding a company that will insure you. If this is the case, you may be able to get insurance through a special state program under which insurers must provide coverage to high-risk drivers assigned to them. You also may be able to get insurance through an insurance company that specializes in selling non-standard policies.

If you are a good driver but can't afford standard auto insurance premiums, you may qualify for a special program offered by some states, such as California, that makes coverage available at reduced rates.

Driving without insurance could lead to a variety of penalties, including having your license suspended or your car impounded. If you have financed your car, your lender could repossess it (take it back) if you are not adequately insured. So, if you're having difficulty getting coverage for any reason, contact your state's insurance department for guidance.

### Assistance and information

Visit the U.S. Consumer Action Guide ([www.consumeraction.gov/insurance.shtml](http://www.consumeraction.gov/insurance.shtml)) to find contact information for your state's insurance department, or check the state section of your telephone directory.

Your state's motor vehicle department may also be able to provide you with the information you need. Find contact information online by searching for your state's name plus "department of motor vehicles." Or check the state section of your telephone directory.

Learn more about auto insurance at Consumer Action's online insurance education center: [www.insurance-education.org](http://www.insurance-education.org).

### Contact Consumer Action

**Consumer Action website.** [www.consumer-action.org](http://www.consumer-action.org)

**Telephone hotline.** 415-777-9635 (English, Spanish and Chinese spoken)

**Email.** Consumer hotline: [hotline@consumer-action.org](mailto:hotline@consumer-action.org);  
General inquiries: [info@consumer-action.org](mailto:info@consumer-action.org)

## If you own and drive a car, it is important that you have the best auto insurance protection to protect your health and your car and to defend yourself from lawsuits and other legal actions.

It's every driver's responsibility to have adequate auto insurance. This guide will help you determine how much—and what kinds of—coverage you need, and how to get protection at the best price.

Automobile insurance protects you and others from losses involving your car: It would pay medical bills if you injured yourself or someone else in an accident. It might also repair your car if it were damaged, or replace it if it were stolen. And it could provide other types of protection, as well.

## What coverage do I need?

Most states require drivers to have at least a minimum amount of auto insurance. When deciding what to buy, start by finding out what your state's requirements are. You can get this information from your state's insurance department, or from an insurance company doing business in your state.

Drivers who purchase only the minimum required coverage might not have adequate protection. You can add coverage based on your assets and how much risk you are willing to take.

If you're financing your car (taking out a car loan or lease), your lender may have additional insurance requirements.

## Liability

This coverage pays for injury and damages to other parties when you cause an accident. Almost all states require some liability coverage.

When buying liability insurance, coverage limits are indicated by three numbers—50/100/25, for example. The first number indicates the maximum bodily injury liability, in thousands of dollars, for one person injured in an accident. The second number is the maximum bodily injury liability for all injuries in an accident. And the third number is the maximum property damage liability in an accident.

If you own significant assets, such as a home or a savings account, you should consider buying more than the state-required minimum coverage and making sure that your coverage is enough to protect your assets. If you are sued

and lose the case, you might be forced to use your assets to cover damages that are not paid by your policy.

**Personal Injury Protection (PIP).** Also known as Medical Payments, this coverage pays for your and your passengers' medical bills. In some cases, it may also pay for lost wages, funeral expenses and other losses.

**Property Damage Liability.** This coverage pays for damage you cause to someone else's property with your car. That could mean damage you cause to someone's car in an accident. Or it could mean, for example, damage you cause to your neighbor's fence with your car.

**Collision.** This coverage pays for damage to your car resulting from an accident. When you purchase collision coverage, you will be asked to choose the amount of your deductible—the amount you will have to pay to repair any damage before the insurance kicks in. Standard deductible amounts are \$250, \$500 and \$1,000, though the deductible you choose could be higher or lower. The higher your deductible, the lower your premium.

**Comprehensive.** This coverage reimburses you for theft, or damage to your car caused by something other than an accident—flood or vandalism, for example. Like collision coverage, comprehensive coverage is sold with a deductible.

**Uninsured and Underinsured Motorist.** This coverage kicks in if your car is hit by an uninsured, underinsured or hit-and-run driver.

## Where can I buy auto insurance?

You can purchase auto insurance from any of these sources:

- **Independent brokers**, who sell policies for more than one insurance company.
- **Insurance company agents**, who sell policies only for the company that employs them.
- **Insurance companies** that sell directly to consumers by phone or via the Internet.
- **Websites** that provide quotes from a number of insurers. (Do an online search "auto insurance quotes.")

Auto insurance premiums can vary significantly from one source to another, so it pays to shop around.

## What determines how much I'll pay for auto insurance?

When you purchase insurance, you pay a "premium"—this is the price of the policy. The price may be quoted as an annual premium, a semi-annual premium, or a monthly premium. When comparing policies, be sure you are comparing premiums for the same period.

Auto insurance companies consider many factors when calculating your premium. These include:

- **Coverage.** Buying more types of coverage or higher amounts of coverage will increase your premium.
- **Deductible.** The higher your deductible, the lower your premium.
- **Driving record.** Someone with a good driving record will pay a lower premium for the same coverage than someone with a history of accidents or tickets.
- **Car type.** You will pay a higher premium if your car is a type that is statistically more likely to be stolen, vandalized or involved in an accident, or if it is more expensive to repair.
- **Age and gender.** Drivers younger than 25 are statistically more likely to get into an accident, so they pay higher premiums than older drivers for the same coverage. Men typically pay higher rates than women.
- **Address.** A city-dweller typically may pay a higher premium than someone who lives in the suburbs or a rural area.
- **Credit score.** In many states, drivers with higher credit scores will pay lower premiums.

## How can I reduce my premiums?

The goal when shopping for auto insurance is to buy adequate coverage without overspending. When trying to save money, don't cut coverage you need.

- **Shop around.** Get at least three price quotes. Find out if your state insurance department provides comparative pricing information.
- **Choose your vehicle carefully.** Some cars are much less expensive to insure than others. You can get information about the cost to insure specific vehicles from an insurer or from the Insurance Institute for Highway Safety ([www.iihs.org](http://www.iihs.org)).