

**Insurance Education**

[www.insurance-education.org](http://www.insurance-education.org)

# **Seminar lesson plan and class activities**



A project of **Consumer Action**

## ***Auto Insurance: The basics*** **Seminar lesson plan and class activities**

### **Lesson purpose:**

To prepare drivers to make wise choices regarding auto insurance.

### **Learning objectives:**

By the end of the lesson, participants will understand:

- Why you need auto insurance
- The types of coverage available
- How to determine your coverage needs
- Why good credit matters
- What reports insurers use to evaluate applicants
- How to shop for auto insurance
- What determines how much you pay
- How to purchase a policy
- What your options are if you can't get coverage
- How you can reduce your premiums
- How to file a claim
- How to resolve disputes with your insurer
- Where to learn more about auto insurance

### **Lesson duration:**

2½ hours

### **Materials:**

For instructor:

- *Auto Insurance: The basics* fact sheet (brochure)
- Auto insurance training manual (Q&A)
- Visual teaching aid (PowerPoint presentation with instructor's notes)
- Lesson plan, including activity and answer key (pages 3-26)
- Class evaluation form (page 27)

Instructor will also need:

- A computer and projector for the PowerPoint presentation (the PowerPoint slides also can be printed on transparency sheets for use with an overhead projector); and
- An easel and pad, or a whiteboard, and markers.

For participants:

- *Auto Insurance: The basics* fact sheet (brochure)
- Comparison shopping exercise (1 page)
- Declarations page exercise (2 pages)
- Class evaluation form (1 page)

Optional:

- Printout of the PowerPoint presentation
- Auto insurance basics training manual (Q&A)

**Lesson outline:**

- Welcome and training overview (5 minutes)
- Importance of auto insurance (5 min)
- Types of coverage (15 min)
- Determining your coverage needs (10 min)
- Exercise: Understanding your declarations page (15 min)
- Credit scores and insurance (10 min)
- Insurance loss history reports (5 min)
- Shopping for auto insurance (15 min)
- Overcoming barriers to obtaining coverage (10 min)
- Exercise: Comparison shopping exercise (15 min)
- Managing auto insurance costs (10 min)
- Filing an insurance claim (10 min)
- Resolving disputes (10 min)
- Insurance information resources (5 min)
- Questions and answers (5 min)
- Wrap-up and evaluation (5 min)

**Consumer Action developed this training as part of its Insurance Education Project.**

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## Instructor's notes:

This training module consists of a fact sheet/brochure (*Auto Insurance: The basics*); a training manual (backgrounder), written in question-and-answer format; a lesson plan with a class activity; and a PowerPoint presentation. It was created by the national non-profit organization Consumer Action as part of its Insurance Education Project to be used by non-profit organizations providing consumer education in their communities.

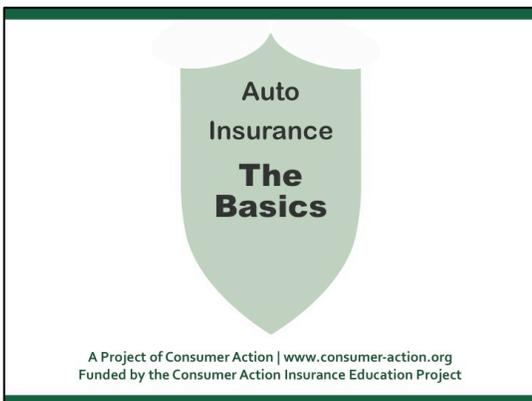
Before conducting the training, familiarize yourself with the fact sheet, the backgrounder, the lesson plan (including activity) and the PowerPoint visual teaching aid. **Also, find out from your state's department of insurance ([www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)): 1) what the minimum required liability insurance coverage is for your state; 2) if personal injury protection (PIP) coverage and/or any other type of coverage (in addition to liability) is required in your state; and 3) whether your state offers a low-cost auto insurance program.**

The PowerPoint presentation contains notes for each slide (appearing below the slide when in Normal view or Notes Page view). These notes are also included in this lesson plan along with a thumbnail of the slide. The objective(s), key points and some questions to generate discussion are provided for each section of the training. An arrow with the slide number indicates when you should move to the next PowerPoint slide.

*Why Adults Learn*, a PowerPoint training for educators, provides tips for teaching adults and diverse audiences—it will be helpful to you even if you have taught similar courses before. The slide deck is available at [http://www.consumer-action.org/outreach/articles/why\\_adults\\_learn/](http://www.consumer-action.org/outreach/articles/why_adults_learn/).

## WELCOME AND TRAINING OVERVIEW (5 minutes)

➔ **SLIDE #1** (Onscreen as participants arrive; direct participants who arrive early to begin reading the fact sheet.)



**Welcome** participants and introduce yourself.

If you have a small group, you can ask individuals to introduce themselves (or, if time permits, ask them to pair off with someone seated near them and then introduce each other to the group) and tell you what they hope to get out of the training. In a larger group, invite a few volunteers to share their expectations. On your whiteboard or easel pad, jot down some of the specific things participants mention. You can come back to this at the end of the class to make sure you've covered these points. (This activity is designed to serve as a brief icebreaker. It will also give you an idea what participants' expectations and needs are.)

**Review** the contents of participants' packets. Ask the class to take a look inside their packets and make sure they have all the materials needed.

➔ **SLIDE #2**

What you will learn
<ul style="list-style-type: none"><li>• Why you need auto insurance</li><li>• The types of coverage available</li><li>• How to determine your coverage needs</li><li>• Why good credit matters</li></ul>

**Present** the learning objectives of the training (also listed on the first page of this lesson plan).

## IMPORTANCE OF AUTO INSURANCE (5 minutes)

**Learning objective:** Understand why you need auto insurance

### Key points (slide 3):

- There are three main reasons why you need auto insurance: to provide financial protection for you and others, because your lender/lessor requires it and because it is required under state law.
- Liability insurance is the most important coverage to have, but most drivers purchase a combination of coverage types.
- Each state has its own rules about the minimum amount of liability insurance—and, in some cases, other types of auto insurance—drivers must carry.
- There can be serious consequences to not having auto insurance. One of them is potential financial ruin.

### Questions to generate discussion:

- What are some reasons why it's important to have auto insurance? Why do you think some people drive without insurance?
- Do you think states are justified in requiring drivers to have insurance? Why or why not?

*Note: When generating discussion, allow a moment or two for participants to respond. You can jot down responses on your easel pad or whiteboard.*

### ➔ SLIDE #3

**Introduction:** Insurance is a legal agreement between you and the insurance company under which it promises to pay for your covered losses (medical bills and car repairs, for example) in exchange for the premiums you pay. There are some good reasons why car owners are required to carry at least some insurance—and some serious consequences for those who don't.

Go over slide notes.



### Slide notes:

There are three main reasons why you need auto insurance:

- **Financial protection for you and others:** The costs of a single accident could bankrupt you if you had to try to pay them out of your own pocket. Even relatively minor losses could be financially damaging, and some losses could leave you without transportation if you could not afford to replace or repair your car. Having auto insurance helps you protect your assets and use your money to achieve other important financial goals.
- **Required by lender/lessor:** If you are making loan or lease payments on your vehicle, the lender/lessor will require you to carry insurance so that the collateral for the loan would not be degraded or lost if the car were to become damaged or stolen. Not maintaining coverage on a financed or leased vehicle could result in repossession.
- **Required under state law:** Not maintaining at least the minimum required insurance coverage is against the law and could result in various penalties, including (depending on your state) having your license suspended, having your vehicle registration suspended and being cited (receiving a ticket). (You might be able to have a

ticket dismissed if you can prove you really did have insurance at the time of the citation even though you didn't have your "proof of insurance" card with you then.)

## TYPES OF COVERAGE (15 minutes)

**Learning objective:** Know the different types of coverage available

**Key points (slide 4):**

- Liability insurance is crucial because the coverage helps protect your assets—without it you would have to pay for injuries and property damage you cause in an accident out of your own pocket.
- In addition to liability coverage, some states also require personal injury payments (PIP) and/or other types of coverage. If you live in one of these states, these coverages are not optional.
- Since collision and comprehensive coverage pays for damages to or theft of your own car, they are optional unless your lender or lessor requires them.
- Uninsured/underinsured motorist coverage is important because even though the law requires drivers to carry liability insurance, many don't. (In some states, as many as 25 percent of drivers are uninsured, according to the Insurance Research Council.)
- Using your car for business without the proper insurance can leave you without coverage when you need it. Tell you insurer how you plan to use your car (including who will be driving it) so that you can purchase the necessary coverage.

**Questions to generate discussion:**

- How much could you afford to pay for someone's medical bills and car repairs out of your own pocket if you didn't have insurance? How would this affect your life and your financial wellbeing?
- Do you know someone who drives without insurance? What would you say to encourage him or her to purchase insurance or stop driving without it?

➔ **SLIDE #4**

**Introduction:** There are various types of coverage that drivers can purchase to protect themselves and others. Which types you should purchase depends on many factors, including what you use your car for, your state's insurance laws, whether or not you're financing or leasing your vehicle and whether or not you have good health insurance. Before you can decide which types of coverage to buy, you need to understand how each one might protect you.

**Go over** slide notes.



**Slide notes:**

**Liability:** This coverage pays for injuries to others and damage to their property if you cause an accident. All states except New Hampshire require some liability coverage, though Florida only requires property damage liability, not bodily injury liability. (NH requires uninsured drivers to demonstrate the financial ability to cover losses they cause.) When buying liability insurance, coverage limits are indicated by three numbers—50/100/25, for example. The first number indicates the maximum amount, in thousands of dollars, that the insurance company will pay on a bodily injury liability claim for one person injured in an accident. The second number is the maximum the insurer will pay for all

injuries in an accident. And the third number is the maximum the company will pay for others' property damage claims in an accident.

- **Collision and comprehensive:** These coverages pay for your own property losses. **Collision** covers damage to your car resulting from an accident. **Comprehensive** reimburses you if your car is stolen or if it is damaged by something other than an accident—a flood or vandalism, for example. Both these coverage types are sold with a “deductible”—the amount you would have to pay 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 (the cost of the insurance).
- **PIP, or “no-fault”:** This coverage, formally known as personal injury protection (PIP), pays a per-person benefit for your and your passengers' medical bills resulting from an accident. In some cases, it may also pay for lost wages, funeral expenses and other losses. PIP is commonly referred to as “no-fault” insurance because it pays the insured's claims regardless of whose fault the accident was. This means that you would turn to your *own* insurance company for compensation even if someone else caused the accident. Your ability to sue the other driver for additional damages above and beyond your PIP claim varies from state to state. Personal injury protection typically doesn't apply to vehicle damage—that claim would be covered by the party that caused the accident or by your own collision coverage. There are a dozen or so no-fault states, in which PIP is required coverage. In the other states, PIP coverage, if available, is optional. The exact PIP benefits provided and limits required or allowed vary from state to state. Contact your state DMV or Department of Insurance to find out if PIP is required, what the coverage limits are, etc.
- **Other:**
  - **Medical payments:** Like PIP, this coverage pays your and your passengers' medical expenses, up to a predetermined limit, regardless of who was at fault in the accident. However, it does not cover other losses, such as lost wages or funeral expenses, the way PIP does.
  - **Uninsured and underinsured motorist:** This coverage kicks in if an uninsured, underinsured or hit-and-run driver hits you.
  - **Commercial (business) auto insurance:** Commercial auto policies cover losses incurred in the course of conducting your business. They often have higher liability limits and can include coverage for when your employees use their cars for company business. Not all small business owners need commercial auto insurance. Depending on the type of use (driving to appointments occasionally vs. daily pizza delivery), who uses the car (just you, or employees and/or contractors too) and other factors, you might only need a personal auto policy. But requirements and terms vary from insurer to insurer, between states and even among products within the same insurance company.

## DETERMINING YOUR COVERAGE NEEDS (10 minutes)

**Learning objective:** Understand how to determine your coverage needs

### Key points (slide 5):

- Legal and lender/lessor requirements should be the starting point for determining your coverage needs.
- Risk *exposure* is the likelihood you will have a loss (e.g., accident, theft, weather damage). Risk *tolerance* is your ability and willingness to pay for losses out of your own pocket. Consider both of these when choosing coverage limits and deductibles.
- Many, if not most, car owners should have more than the state-required minimum amount of liability insurance. Generally speaking, the greater your assets, the higher your liability coverage limits (including uninsured/underinsured motorist) should be.

### Questions to generate discussion:

- Do you know what the insurance requirements are for your state? (*Instructor's note: Before conducting the training, contact your state's insurance department to find out how much liability insurance your*

state requires, whether it requires PIP (i.e., is a no-fault state), and if it requires any other types of insurance (for example, uninsured motorist).)

- Can you think of another example, other than choosing insurance coverage, where consumers have to weigh their risk exposure against their risk tolerance in order to make a decision? (Answer: Investing)

## → SLIDE #5

**Introduction:** Car owners' insurance needs vary based on such things as the state they live in, whether or not their car is financed, how new their car is or how expensive it would be to repair or replace, how likely they are to have an accident or other loss, how much money they could comfortably pay out of pocket to repair or replace their vehicle and how great their assets are. While an insurance salesperson can make recommendations, it's up to you to make an informed decision about the protection you want and need.

Go over slide notes.

### Determining your needs

- Legal and lender requirements
- Likelihood of loss
- Your vehicle
- Assets



### Slide notes:

- **Legal and lender requirements:** Start with what is required by state law (liability, and in some cases PIP and/or other types of coverage, such as uninsured motorist) and by whoever is financing your purchase or lease and increase it from there based on your own needs.
- **Likelihood of loss (risk exposure):** The likelihood of your suffering a loss might influence how much insurance you feel you need. For example, if you drive treacherous roads home from your swing shift job, if you have a history of accidents or if you live someplace where auto theft or vandalism is prevalent, you might

want to purchase more types or higher limits of insurance.

- **Your vehicle:** While some drivers can forgo certain types of coverage—comprehensive and/or collision, for example—because their vehicle is very old and they would be unlikely to fix it, others should purchase these coverages to protect their investment. This is particularly true if you couldn't afford to cover a repair or replacement entirely out of pocket.
- **Assets:** Especially if you own significant assets, such as a home or savings and investments, you should consider buying more (sometimes significantly more) than the state-required minimum coverage. Otherwise, if you are sued and lose the case, you might be forced to use your assets to cover damages not paid by your policy. Discuss how much insurance to purchase with your agent.

## EXERCISE: UNDERSTANDING YOUR DECLARATIONS PAGE (15 minutes)

**Assign** learners to answer the questions (page 21) based on information in the fictional declarations page provided (page 22). (The declarations page is the page (or pages) at the beginning of an insurance policy that provides key information, such as the named insured(s), address, coverage term, coverage types and limits, and the premium.) After 5-10 minutes, ask for volunteers to share their answers. The answer key starts on page 23.

**Optional:** You can divide the class into small groups and have them work on the exercise together.

## CREDIT SCORES AND INSURANCE (10 minutes)

**Learning objective:** Understand how your credit affects your insurability and your rates

### Key points (slide 6):

- In almost all states, your credit rating (score) has an influence on the rates you will pay for auto insurance. The higher your score is, the lower your premiums will be.
- Like your credit score, your insurance score is based on information in your credit report(s).
- It is possible to improve your credit score—and therefore your insurance score—by paying bills on time, limiting your use of available credit and building a lengthy credit history.
- It is possible to improve your credit score by checking your credit reports and disputing any errors and outdated derogatory (negative) information.

### Questions to generate discussion:

- Do you think that credit history should be a factor in determining an applicant's insurance rates? Why or why not?
- Were you aware that you could request your credit reports for free every 12 months? Have you requested your credit report(s) in the past year? Why or why not? Will you do it now that you've taken this training?
- What other types of decisionmakers, in addition to insurers, consider an applicant's credit history?  
(Answer: All lenders and some employers and landlords.)

### →SLIDE #6

**Introduction:** Most auto insurance companies use credit data in their evaluation of insurance applicants because some studies have shown that consumers with good credit tend to file fewer or less expensive insurance claims. Because they are considered less “risky,” high-score consumers tend to be charged lower rates. Because credit rating can have a bearing on everything from loan approval to insurance premiums, it makes sense to know where your credit stands and how you could improve it.

Go over slide notes.



### Slide notes:

- **“Credit-based” insurance scores:** Many insurance companies use “credit-based insurance scores” to determine premiums (except in CA, HI and MA) because some studies have shown there is a correlation between credit score and the likelihood of filing a claim. Credit-based insurance scores are based on the information in your credit report.
  - **Higher score = lower premium:** Factors that would increase your insurance score include a long credit history and open accounts in good standing (no late or missed payments). Collection accounts, high debt, a short credit history and late payments all would lower your insurance score.
- **Check your credit report:** The Fair Credit Reporting Act (FCRA) gives you the right to obtain one credit report for free from each of the three major credit bureaus (Equifax, Experian and TransUnion) every 12 months, upon your request. Request your reports at [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com). Follow the instructions that come with the reports to correct any errors or request that outdated derogatory (negative) information be removed. This could increase your credit score and, therefore, your insurance score, and ultimately reduce your premiums.

## INSURANCE LOSS HISTORY REPORTS (5 minutes)

**Learning objective:** Know what reports insurers use to evaluate applicants

### Key points (slides 7):

- Insurers use “specialty consumer reports” to learn about applicants’ background (credit history, driving record, claims history, etc.) before deciding whether to insure them and how much to charge.
- There are three main reports that insurers use—C.L.U.E., A-PLUS and IIX—in addition to your credit reports/scores.
- Federal law gives you the right to obtain a copy of your reports once every 12 months, upon your request, at no charge.
- You have the right to dispute inaccurate or outdated information, which could improve your insurance rates.

### Questions to generate discussion:

- Before today, were you aware that reports are compiled on you that inform insurers about your driving record, claims history and other components of your background?
- When it comes to data collection and reporting, what are the potential advantages and disadvantages for consumers? *(Possible advantages: Potentially faster application approval because data is easily available to decision makers, and better rates for those who have a positive history. Potential disadvantages: Errors and outdated information can harm you (in the form of rejection or higher rates), and a data breach could place a great amount of your personal information at risk.)*

### → SLIDE #7

**Introduction:** You probably already know that your use of credit is tracked and compiled into credit reports for lenders and others to use when deciding whether or not to extend you credit, hire you, rent you a home and so on. But many consumers are unaware that insurance companies access other reports about them to find out things such as whether or not they have filed claims in the past and how much the company paid out on each one. This information helps insurers decide whether or not to sell you a policy and at what price. It’s important to be aware of these reports because they can help you understand why an insurer has made a particular decision, and you may be able to improve your record if there are errors or outdated information in it.

**Go over** slide notes.



### Slide notes:

- **Insurance reports:** One way insurers evaluate applicants is by looking at the data collected about them and compiled in “specialty consumer reports.” There are two main auto insurance claims history reports: the LexisNexis C.L.U.E. auto report and the A-PLUS report. A third report—Insurance Information Exchange—includes not only insurance claims activity, but motor vehicle records and things like criminal, employment and education history as well. These reports help insurers decide whether or not to issue coverage to you and, if so, at what rates.

•**Reported data:** Claims history reports generally contain:

- Claims information, including dates and types of losses and amounts paid by the insurance company during the past five years (A-PLUS) or seven years (C.L.U.E.)
- Claims that are filed but denied payment
- Vehicle information
- Inquiries (requests for your report by anyone other than you) during the last two years

•**Obtain your reports:** The FCRA gives you the right to obtain a free copy of your consumer reports once a year or whenever an “adverse action” has been taken against you. You might want to order your reports before you apply for insurance to be aware of what the insurance company will see and to make sure there are no mistakes. Errors could include someone else’s claims included on your report, either through error (due to a similar name, birth date or Social Security number) or identity theft; claims amounts that don’t match the actual payout or that were not paid; and very old claims (more than five or seven years, depending on report). Correcting errors in these reports could help you obtain insurance or pay a lower premium.

- To order your C.L.U.E. report, visit [https://personalreports.lexisnexis.com/fact\\_act\\_claims\\_bundle/landing.jsp](https://personalreports.lexisnexis.com/fact_act_claims_bundle/landing.jsp) or call 866-312-8076.
- To order your A-PLUS report, visit [www.verisk.com/underwriting/a-plus-underwriting-verisk-insurance-solutions.html](http://www.verisk.com/underwriting/a-plus-underwriting-verisk-insurance-solutions.html) or call 800-627-3487.
- To order your Insurance Information Exchange report, visit [www.iix.com/reports\\_consumers.htm](http://www.iix.com/reports_consumers.htm) or call 800-683-8553.

## SHOPPING FOR AUTO INSURANCE (15 minutes)

**Learning objective:** Know how to shop for auto insurance

**Key points (slides 8-10):**

- There are four main sources for insurance price quotes, each with its own pros and cons.
- It’s important to get at least three quotes on the same type of coverage (compare “apples to apples”) before making a decision.
- Choosing an auto insurance policy based on price alone is not wise.
- Knowing the factors that contribute to your insurance cost enables you to understand how making different choices could impact your rates.
- Omitting or misstating information when applying for insurance could result in your claim being denied or your policy being canceled.
- Reading and understanding your policy will help ensure that you have the coverage you need and want.
- The best way to avoid discriminatory insurance rates is to shop around. Anyone who suspects discrimination should report it.

**Questions to generate discussion:**

- Do you usually compare prices before you make a major purchase? Why or why not? What does it mean to compare “apples to apples”?
- What does the saying “You get what you pay for” mean? What do you think it might mean when talking about insurance?

- What are some types of misinformation that an applicant could give an insurer that could cause the insurer to deny a claim or cancel the policy if it learned the truth? (*Answer: Examples include: providing a family member's rural or suburban address when you actually live in the city, or failing to notify your insurer when you move to a place where your rates will likely be higher; understating the number of miles you drive per year; using your car for business purposes and not notifying the insurer; and not disclosing all the drivers in your household who may be driving your car.*)

→SLIDE #8

**Introduction:** Insurance is one of the largest budget items for most households. While shopping for auto insurance isn't as much fun as shopping for a car, the time you spend getting premium quotes and researching the insurer can have a major impact on your finances and your satisfaction with your coverage over the long term. Research from Nerdwallet ([www.nerdwallet.com/blog/insurance/2013/11/01/drivers-overpay-368-car-insurance-year/](http://www.nerdwallet.com/blog/insurance/2013/11/01/drivers-overpay-368-car-insurance-year/)), a consumer finance website, showed that comparison shopping for auto insurance could save drivers up to 32 percent per year, and that auto insurance rates vary, on average, 154 percent within a single ZIP code, so the pay-off for comparison shopping can be significant. In addition to cutting premium costs, comparison shopping can also help you avoid problems when it comes time to file a claim by weeding out insurers that are financially unstable or have a poor record of claims settlement.

Go over slide notes.



**Slide notes:**

- **“Get at least three quotes:** Get quotes from at least three different insurers because rates can vary widely—even for the same coverage on the same car and driver. Make sure to keep the coverage types, limits and deductibles the same in each quote request so that you can make an "apples-to-apples" comparison.
- **Sources for quotes:**
  - Agents employed by an insurance company to sell only that company's policies (State Farm, Allstate or many others)
  - Brokers, who sell policies for more than one insurance company
  - Insurance companies that sell directly to consumers (typically by phone or online—Geico and Progressive are two examples)
  - Websites that sell policies online for more than one insurer (online brokers) or that connect customers who request a quote online with participating insurance agents (lead generators) (Netquote.com, Insurance.com, AutoInsurance.com and InsWeb are examples, but you can enter “auto insurance quotes” into a search engine and you'll find many others. *Caution: Websites may not include all insurers in their comparisons.*)

• **Vetting insurers:** 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, including the satisfactory processing of claims. You can check the financial health of any insurance company you are considering with one of the independent rating agencies. A.M. Best ([www.ambest.com](http://www.ambest.com)) and Standard & Poor's ([www.standardandpoors.com](http://www.standardandpoors.com)) are two such agencies. Contact your state insurance department to check consumer complaint statistics. You can also check J.D. Power and Associates' ([www.jdpower.com](http://www.jdpower.com)) consumer satisfaction surveys. Note: Also vet your seller/agent if you are not purchasing directly from the insurer. There are many types of insurance fraud, some of which result in consumers paying for insurance only to find that the policy doesn't exist (the agent or broker keeps the premium payment that is supposed to be forwarded to the insurer). Start by making sure the seller is licensed with your state's department of insurance.

## → SLIDE #9

Go over slide notes.

### What drives your premium costs?

- Driving record
- Usage
- Coverage
- Deductibles
- Other

A small red toy car is placed on top of a silver calculator. The calculator has several buttons visible, including a green button on the right side. The car is positioned as if it's being calculated or weighed.

### Slide notes:

There are many factors that contribute to your insurance cost (premium). These are the main ones:

- **Driving record:** Your driving record has a major bearing on the rate you pay. Tickets, accidents and claims within recent years can all jack up your premium. These “red marks” will eventually disappear, but it could take years before you start seeing lower premiums.
  - **Usage:** The number of miles you drive per year is very important—the more you drive, the more you are exposed to the risk of an accident.

- **Coverage:** The more insurance you buy, the higher the premium. So, for example, purchasing collision and/or comprehensive coverage will cost you more than declining it. However, higher limits on your coverage types does not always raise the total premium as much as you might expect. In other words, there might be a relatively small additional premium to increase your liability coverage from, say, 25/50/10 to 50/100/25.
- **Deductibles:** The higher your deductible(s), the lower your premium. However, the cost savings may be small and not worth the additional risk. Ask the insurer how much you would save with different deductibles on each coverage type and then weigh the potential savings against the amount of time it would take you to accumulate the difference in deductible from those savings. You don't have to have the same deductible on both collision and comprehensive (or on PIP)—you can adjust each of them based on cost and risk. Be sure to sock away any premium savings until you have enough saved to cover the increased deductible or repair/replace the car out of pocket.
- **Other:** There are a number of other factors that are considered when determining your premium. Some of these are: Vehicle type (some cars are more expensive to repair or replace or are considered less safe than others); age and gender (drivers under 25 typically pay more, as do male drivers); where you live (urban drivers typically pay more); marital status (singles typically pay more); and credit score (consumers with lower scores tend to pay more). Redlining is the practice of determining insurability and rates based on factors that many contend are unrelated to the risk of insuring the applicant, such as ZIP code, education level and income. Redlining tends to disproportionately impact low-income consumers and people of color. (The term “redlining” comes from the red outline insurers used to draw on their maps to demarcate “risky” areas.) The best way to reduce the impact of redlining is to comparison shop for insurance. Contact your state's insurance department to find out if there are any affordable insurance programs. If you do suspect discrimination, file a complaint with your state insurance commissioner.

## → SLIDE #10

Go over slide notes.

### Purchasing a policy

A pair of brown-rimmed glasses and a blue pen are resting on a document. The document has the words "AUTO INSURANCE POLICY" printed on it in large, bold, black letters. The glasses are on the left, and the pen is on the right, pointing towards the text.

### Slide notes:

- **Provide personal information:** You typically will need to provide a copy of your driver's license and car registration, and all other information the insurer requires. This usually 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.

- **Be truthful:** Answer all questions honestly. Providing false information can be cause for an insurer to cancel your policy or deny your claim.
- **Pay premium:** Be prepared to make at least the minimum required payment to establish the policy. (Different insurers offer different billing options—for example, monthly, quarterly, semi-annually and annually.)
- **Understand coverage:** Read the policy to understand what “exclusions” there might be (losses you could not make a claim for).

## OVERCOMING BARRIERS TO OBTAINING COVERAGE (10 minutes)

**Learning objective:** Know your options if you are having trouble getting coverage

### Key points (slide 11):

- You should never drive without insurance—there are severe consequences if you get caught or cause an accident.
- Even if you have low income or are a “high-risk” driver, you still may be able to get insurance through special programs.
- Contact your state’s insurance department to find out about special insurance programs and/or to encourage establishment or expansion of programs that would meet your needs.

### Questions to generate discussion:

- What are some reasons a driver might be placed in the “high-risk” category? (*Reasons include, but are not limited to, a lapse in insurance while still driving, DUI/DWI, serious accident(s), serious infractions (such as reckless driving) and driving an “exotic” vehicle.*)
- Does your state have a low-cost auto insurance program? (*Instructor’s note: Before conducting the training, contact your state’s insurance department to determine whether or not it offers a low-cost insurance program.*)

### ➔ SLIDE #11

**Introduction:** Some drivers *want* to carry insurance but have trouble purchasing a policy. This can be because they are considered “risky” by insurers for one reason or another. Or it can be because they cannot afford the premiums. While these circumstances can make it harder to purchase a policy, many, if not most, drivers can eventually get coverage by shopping around and taking advantage of state insurance programs.

**Go over** slide notes.

If you can’t get coverage	<b>Slide notes:</b>
<ul style="list-style-type: none"> <li>• Low-cost insurance programs</li> <li>• High-risk insurers</li> <li>• Assigned-risk pools</li> <li>• Don’t drive without insurance!</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Low-cost insurance programs:</b> 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 (<a href="http://www.mylowcostauto.com">www.mylowcostauto.com</a>), that make coverage available at reduced rates for low-income residents. Find out from your state’s department of insurance if there is a low-cost auto insurance program.</li> <li>• <b>High-risk insurers:</b> There are insurance companies that specialize in high-risk drivers, mainstream insurance companies that offer policies for high-risk drivers, and others that won’t insure high-risk drivers at all. There’s no national or industry standard for what constitutes a “high-risk” driver, but</li> </ul>

drivers typically fall into that category if they have been convicted of driving under the influence, have multiple tickets for speeding and/or reckless driving or have had multiple accident claims. Limited driving experience and a poor credit history also can contribute to your risk level. Insurance will be more expensive for you, but you should still be able to get coverage. To find an insurance company that will cover you, do an online search for “high risk auto insurance” or use an insurance referral website.

- **Assigned-risk pools:** If you still can’t get a policy, you may be able to get insurance through a special state program under which insurers must provide coverage to those high-risk drivers assigned to them. Contact your state’s department of insurance ([www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)) or the DMV.
- **Don’t drive without insurance!:** Driving without insurance could lead to a variety of penalties, including having your license suspended and/or being fined. If you have financed or leased your car, your lender/lessor could repossess it if you are not adequately insured. If you cause an accident, you could be sued and be responsible for covering your own legal costs and paying the entire judgment (should you lose) out of your own pocket. If you’re having difficulty getting coverage for any reason, contact your state’s insurance department for guidance.

### **EXERCISE: COMPARISON SHOPPING (15 minutes)**

**Assign** learners to analyze the three auto insurance price quotes (page 25) and choose the best one for the Wang family. There is no one choice that is correct. The goal is to identify the pros and cons for each option and understand the trade-offs between price and coverage. After 5-10 minutes, ask for volunteers to share their choice and the reasons for it. The answer key is on page 26.

**Optional:** You can divide the class into small groups and have them work on the exercise together.

### **MANAGING AUTO INSURANCE COSTS (10 minutes)**

**Learning objective:** Understand how you can reduce your premiums

**Key points (slide 12):**

- There are many factors that contribute to your auto insurance cost. Some have more bearing on the rate you pay than others.
- Many of the personal choices you make influence how much you pay for auto insurance.
- Raising your deductible(s) or eliminating collision and/or comprehensive coverage will lower your premiums, but they’re only good options if you can afford to cover the added costs if you suffer a loss.

**Questions to generate discussion:**

- Can you think of some decisions you might make that would have a bearing on your insurance rates? *(Such decisions include, but are not limited to, the type of car you buy, where you live, how much you drive and how you manage your credit.)*
- What kinds of changes would you be willing to make to save money on car insurance? What changes would you *not* be willing to make to save money?
- Do you think that programs that track drivers in exchange for potentially lower premiums are a good thing? Would you be willing to be tracked in order to save money?

➔ **SLIDE #12**

**Introduction:** While the lowest premium is not the only reason to choose an insurer or a policy, paying less for equally good coverage is a worthwhile goal. And if your income has gone down or other expenses have gone up, cutting costs may be a necessity. Fortunately, there are many ways to reduce your premiums, though not all options will be available to every driver, and you might feel that some are not worth the savings.

Knowing how the decisions you make can affect your premiums will help you manage your insurance costs and decide where to make changes and where not to.

Go over slide notes.

### Managing auto insurance costs

- Shop around
- Increase your deductible
- Consider money-saving options



#### Slide notes:

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. Instead, try these strategies:

• **Shop around.** Studies have shown that long-time policyholders that have been insured by the same company for years can lower their premiums significantly by shopping around for a new insurer. After getting quotes, you can switch companies or tell your current company that you are considering taking your business elsewhere and see if they will match the lower quote(s). Find out if your state insurance department provides comparative pricing information.

• **Increase your deductible(s).** But first make sure the cost savings are worth the added risk. Be sure you have enough in savings to pay the deductible if you have a claim.

• **Consider money-saving options.** There are a handful of choices you can make that will affect how much you pay for insurance. These include the type of vehicle you drive (some cars are much more expensive to insure than others), whether or not to keep or cancel collision and/or comprehensive coverage, taking advantage of insurer discounts (for example, allowing your driving to be monitored, buying all your insurance through one company or purchasing/installing certain safety features—ask your insurer for ways to reduce your premium) and changing behavior/habits (improving your credit record or driving less).

**Note:** Many major insurance companies are now offering drivers the option of having their driving monitored in exchange for the possibility of lower premiums. Usage-based insurance programs—sometimes referred to as “pay as you drive” or “pay as you go”—require that you plug a “telematics” device into your vehicle’s computer so that it can gather data about such things as how often you brake hard, how fast you drive, how many miles you go and the times of day you travel (the very early morning hours are generally considered riskiest). Some of the devices (typically those that are also used as part of a roadside assistance program) use GPS, so they are monitoring *where* you drive as well. Depending on your driving habits, you might qualify for a reduced premium. Not every company offers usage-based insurance programs, and those that do offer them don’t necessarily do it in every state. Also, each insurer’s program differs, so ask the company for details—how long the device stays on the car, what is being tracked, whether your premium could go *up* rather than down, and if the company sells the data to anyone else. In California, you can opt to have your premium tied to the verified number of miles you drive each year. Self-reporting of mileage is permitted; California law prohibits insurers from requiring the use of a device that tracks drivers.

**Group exercise:** One way to lower premiums is to increase deductibles. But how do you decide whether the reduced cost is worth the increased risk? One way is to calculate how long you would have to go without a claim in order to be able to cover the increased deductible out of your premium savings.

**Scenario 1:** *Increasing your collision and comprehensive deductibles from \$100 to \$1,000 will reduce your annual premium by \$300. How long would you have to go without a claim in order to cover the increased \$900 risk (the difference between \$100 and \$1,000) with the \$300 annual savings?*

Answer: Three years (3 x \$300 = \$900).

Would this trade-off be worth it to you? If you are a good driver and are reasonably confident that you could go at least three years without a claim, then you might choose to increase your deductible. If you are risk-averse, you might decide not to.

**Scenario 2:** Increasing your comprehensive deductible from \$100 to \$500 will reduce your annual premium by \$40. (You make no changes to your collision deductible.) How long would you have to go without a claim in order to cover the increased \$400 risk (the difference between \$100 and \$500) with the \$40 annual savings?

Answer: 10 years ( $10 \times \$40 = \$400$ )

Would this trade-off be worth it to you? Going without a claim for 10 years is much more difficult than going just two or three years without one. You might decide the trade-off is not worth the meager savings.

## FILING AN INSURANCE CLAIM (10 minutes)

**Learning objective:** Understand the steps involved in filing a claim

### Key points (slide 13):

- Whether or not you file a claim depends on many factors, including the extent of the property damage, the amount of your deductible and whether or not there were injuries.
- Who you file the claim with (the *other* driver's insurer or your own) depends on, among other things, who is at fault, the insurance coverage in place and whether you live in a no-fault state.
- Your premiums typically will go up if you caused an accident and you or someone else files a claim with your insurer.
- Claims fraud—filing an inflated claim, filing a false claim, or making a claim for a loss that occurred before the coverage was in place—is a serious crime.
- Policyholders have options for disputing what they believe is an unfair settlement amount or an unjustified denial of a claim.

### Questions to generate discussion:

- Do you think insurance companies are justified in increasing your premiums after you file a claim for an accident that was your fault? Why or why not?
- What are some examples of “claims fraud”?
- Do you expect your insurer to look out for *your* best interests or its own? Why or why not?

**Introduction:** An insurance claim is your documented request for payment for a loss you believe is covered under your policy. Whether or not to file a claim is not always clearcut—there are many things to consider, including the amount of the damage vs. the amount of your deductible and how your premiums will be affected. Understanding how to weigh your options will help you make the best choice.

### →SLIDE #13

Go over slide notes.



### Slide notes:

An insurance claim is your documented request for payment for a loss you believe to be covered by your insurance policy.

- **Contact your insurer:** Notify your insurance company as soon as possible after an accident or other loss (personal or property), even if it wasn't your fault and you expect someone else's insurance to pay. Find your insurer's contact information on your “proof of insurance” card, in your policy documents or online. If the loss was someone else's fault and they do carry insurance,

file your claim with his/her insurance company. Your own insurance company might provide assistance if you don't get adequate resolution from the other party or it denies its policyholder's fault. In any other case, file the claim with your own insurer. (Anytime you file a claim on your own collision or comprehensive coverage, you have to pay any applicable deductible. However, if your insurer doesn't believe the accident was your fault, it could fight the other side and get that money back for you. This—the right for an insurer to pursue a third party that caused a loss to one of its policyholders—is called subrogation.)

- **Provide details/evidence:** Be prepared to provide information about the loss, including the contact information for anyone else involved. If an accident involved another car, get that driver's and/or vehicle owner's insurance information. It's important to try to remember as much as possible about the incident. If you have a camera with you, take photos if they will help your case.
- **Pay deductible:** Be prepared to pay the deductible, if required. (If the accident was someone else's fault, his/her insurance should pay your deductible. If the responsible party's insurer denies your claim, you may have to cover your deductible upfront, even if your insurance company attempts to recover it for you. If your insurer is successful, it would reimburse you.)
- **Appeal:** Even though you may feel as if your insurer is a trusted friend, it is a business like any other, which means that it will try to limit its costs whenever possible. Paying you the highest amount possible to settle your claim is not the insurance company's priority. If your insurer denies your claim or pays you an unsatisfactory amount to cover your damages and you do not agree with its decision, you can request a reconsideration of your claim (file an appeal). It is important to understand why your claim was denied so that you can formulate an effective case for why you think the decision was unjustified. If the insurance company still denies your claim or will not increase the settlement amount, you may want to hire an attorney who specializes in insurance claims and/or contact your state's department of insurance for assistance.
- **Note:** Some insurance companies require that any accident be reported, no matter how small. This could protect you if injuries or additional damages are discovered later. The fact is, some drivers choose not to report a very small incident if the damage or lost property is valued at less than their deductible or not much more. Learn about the pros and cons of reporting a minor accident in Nolo's article "Do I Need to Report a Minor Car Accident?" ([www.all-about-car-accidents.com/resources/auto-accident/car-accident-injuries/do-i-need-to-report-a-minor-car-accident](http://www.all-about-car-accidents.com/resources/auto-accident/car-accident-injuries/do-i-need-to-report-a-minor-car-accident)).

**Group exercise:** Whether or not to file a claim is not always a clearcut decision. How do you determine whether it's worth it to file a claim?

**Scenario 1:** *You dent your bumper while parking. The damage will cost \$600 to repair. Your deductible is \$750? Do you file a claim with your insurer?*

No. You would not receive any payment from the insurer since your loss is lower than your deductible, so there is no reason to file a claim unless there are injuries or damage to someone else's property.

**Scenario 2:** *You dent your bumper while parking. The damage will cost \$600 to repair. Your deductible is \$500? Do you file a claim with your insurer?*

You could, but you would only receive \$100 (the difference between the \$600 repair bill and your \$500 deductible). Insurance is meant to protect you from major losses, not every little ding or scratch. In this case, it is probably not worth having a claim on your record for just \$100. And since you are still able to drive the vehicle with a dented bumper, you can wait to have the car repaired until you have the money.

**Scenario 3:** *A branch falls on your car and puts a small dent and some scratches on the hood. The damage will cost \$1,000 to repair. Your deductible is \$500. This is your third claim in five years. Do you file a claim?*

You could, but since the damage is only cosmetic (a small dent and scratches), you might want to cover the costs yourself if and when you can afford it. A comprehensive claim, in and of itself, shouldn't cause your rates to go up. However, insurers may consider frequency of claims—even those that aren't your fault—and place you in a different rating tier if you have had multiple claims in recent years. This is why it is important to weigh each claim and determine whether it's worth having it on your record. In this case, while \$500 (the

difference between your deductible and the cost of the repair) may be significant, filing a third claim could result in a rate increase that quickly wipes out the \$500 insurance settlement.

**Scenario 4:** *Another driver hits you and drives off (witnesses corroborate your story). You hurt your wrist, which will require medical treatment, and your car needs \$2,500 in repairs. This is your second claim—you hit a deer two years ago causing significant damage to the front of your car. Do you file a claim?*

This accident could be very expensive between your medical bills and the damage to your car—exactly what insurance is designed for. Since the accident was caused by a hit-and-run driver, you will have to file a claim with your own insurance company even though it wasn't your fault. (You'll be happy, now, that you purchased uninsured motorist coverage!) Your insurance company can try to recover the money from the other driver or his/her insurance company if they can find the person through information provided by you and witnesses. This accident alone should not make your rates go up, though it's possible that it (along with past and future claims) could contribute to your being placed in a more expensive rating tier.

## RESOLVING DISPUTES (10 minutes)

**Learning objective:** Know your options for resolving disputes with your insurer

**Key points (slide 14):**

- Consumers should always assume that insurers are looking out for their company's own best interests and not the policyholder's.
- You have options for resolving a dispute—which one you choose (negotiation, legal action, complaint to regulator(s), etc.) depends on many factors, including the reason for the dispute, the amount of money involved and your ability or willingness to manage the resolution process yourself.

**Questions to generate discussion:**

- Do you trust your insurer to act in your best interests? Why or why not?
- Why do you think insurance companies use slogans that paint them as a loyal friend?
- What are the advantages and disadvantages of hiring an attorney to help you settle an insurance dispute? (*Possible advantages: Attorney's expertise and experience are likely to contribute to obtaining a greater settlement. Possible disadvantages: Cost.*)

→ SLIDE #14

**Introduction:** Despite slogans describing them as being "like a good neighbor" or assuring you that "you're in good hands," insurance companies are businesses like any other, and their bottom line is their top priority. As a result, disagreements sometimes arise between insurer and insured. When that happens, it's good to know how you can go about getting resolution.

Go over slide notes.



**Slide notes:**

- **Coverage and claims disputes:** It's not uncommon for policyholders to disagree with an insurer about the value of their losses, whether a claim should be covered or what constitutes a fair settlement amount. If your claim is denied and you believe it should be covered, or if you feel the payment you are offered is insufficient, it's up to you to fight for what you think is fair. You have some options:

- You can negotiate on your own behalf if you have the time to do the required research, stay on top of communications and file complaints with the appropriate entities.
- You can pursue arbitration, mediation or appraisal, all of which entail a neutral third party making a judgment about the facts of the dispute and/or the value of the loss.
- You can hire an attorney or a public claims adjuster, professionals who will interpret the “fine print” of your policy, defend your rights and fight to get you the highest settlement possible. Even if you don’t have the money to pay an attorney upfront, you can still hire one that agrees to a contingency fee arrangement—payment of a portion of the settlement (typically 33% to 40%) when the case is closed. Learn more about hiring a lawyer to help resolve your claim at the United Policyholders website (<http://uphelp.org/library/resource/hiring-attorney-insurance-claim>).
- You can contact your state’s department of insurance ([www.naic.org/state\\_web\\_map.htm](http://www.naic.org/state_web_map.htm)) to file a complaint and/or find out more about your options.

Learn more about resolving claims disputes on the United Policyholders website (<http://uphelp.org/resources/claim-help/disputes>).

- **“Bad faith”:** If you believe an insurance company has treated you unfairly (acted in “bad faith”), you can contact your state’s department of insurance to file a complaint and/or find out more about your options. You might also consider consulting an attorney specializing in insurance to find out if you have a case—many states have laws that require insurers to treat consumers fairly.
- **Rates and other complaints:** For issues regarding rates, customer service, “redlining” (discriminatory practices) and other issues, you can file a complaint with your state’s department of insurance. Or, you might have success resolving the issue yourself by communicating with the insurance company directly. Read United Policyholders’ “Speak UP: How to communicate with your insurance company” ([www.uphelp.org/library/resource/speak-how-communicate-your-insurance-company](http://www.uphelp.org/library/resource/speak-how-communicate-your-insurance-company)) and Consumer Action’s “How to Complain” ([www.consumer-action.org/english/articles/how\\_to\\_complain](http://www.consumer-action.org/english/articles/how_to_complain)) for guidance and tips to help you get results.

## INSURANCE INFORMATION AND RESOURCES (5 minutes)

**Learning objective:** Know where you can find insurance-related information and assistance

### ➔ SLIDE #15

**Introduction:** There are many resources available to help consumers learn more about auto insurance. Be sure you turn only to trusted sources, such as these established non-profits and government agencies.

**Go over** slide notes.

Resources
<ul style="list-style-type: none"> <li>• Insurance Institute for Highway Safety (IIHS)</li> <li>• Insurance Information Institute (III)</li> <li>• State insurance department</li> <li>• United Policyholders</li> <li>• Department of Motor Vehicles (DMV)</li> <li>• Consumer Action</li> </ul>

#### Slide notes:

- **Insurance Institute for Highway Safety (IIHS):** You can get information about the cost to insure specific vehicles from an insurer or from IIHS ([www.iihs.org](http://www.iihs.org)).
- **Insurance Information Institute (III):** The industry-supported III offers free information to improve the public’s understanding of insurance—including a large section on auto insurance ([www.iii.org/insurance-topics/auto-insurance](http://www.iii.org/insurance-topics/auto-insurance)).
- **State insurance department:** Your state’s insurance regulator often has helpful information in print and online. Visit the National Association of Insurance Commissioners (NAIC) website

([www.naic.org](http://www.naic.org)) to find your state’s regulator. You can also contact the insurance department to file a complaint against an insurer.

- **United Policyholders (UP):** UP ([www.uphelp.org](http://www.uphelp.org)) is a non-profit consumer insurance education and advocacy organization providing online tips and guidance for insurance customers.
- **Department of Motor Vehicles (DMV):** Visit your state’s DMV website for information specific to your state, such as the minimum liability insurance required, where to find safe driver courses and more. Do an online search for your state’s name plus “DMV.” You can also check the state government section of your telephone directory.
- **Consumer Action:** Educational materials are free to individuals and community educators ([www.consumer-action.org](http://www.consumer-action.org)). Learn more about auto and other types of insurance at Consumer Action’s online insurance education center ([www.insurance-education.org](http://www.insurance-education.org)).

### QUESTIONS AND ANSWERS (5 minutes)

**Preparation:** Review the *Auto Insurance: The basics* fact sheet and trainer’s manual. The manual is written in Q&A format to help you anticipate frequently asked questions.

**Open** the floor to questions.

### WRAP-UP AND EVALUATION (5 minutes)

➔ **SLIDE #16**

See page 27 of this lesson plan for the course evaluation form and instructions.



Thank participants for joining you today and ask them to fill out the evaluation form and leave it on a table or in a large envelope you provide. If you will be conducting other trainings at a specific future time, announce that now and encourage everyone to attend.

## Declarations Page Exercise

Answer the questions below using information in the fictional declarations page provided.

- 1) *Which car is being financed?*
- 2) *Which car is more expensive to insure? Why do you think that is?*
- 3) *Approximately how many miles per year does Joe drive his Escape? Does this qualify him for a reduced rate?*
- 4) *What is the liability coverage, stated as three numbers, on this policy? What does each number stand for?*
- 5) *Do Melinda and Joe live in a state that requires personal injury protection (PIP)?*
- 6) *Melinda and Joe's teenage son, Jacob, borrowed the Escape and hit a fire hydrant while he was sending a text message. The cost to repair the damage is \$2,800. How much will the insurance company pay on this claim?*
- 7) *A branch fell on the Escape during a storm and scratched the paint on the hood. It will cost \$475 to repaint. How much will the insurance company pay on this claim?*
- 8) *Melinda hit a wall in a parking garage and caused \$1,100 of damage to the Camry. Should she file a claim?*
- 9) *Which coverage will pay for Joe's medical and physical therapy bills for an injured shoulder related to a fender bender he caused? Will his lost wages from a week off work following the accident also be reimbursed?*
- 10) *Have Melinda and Joe had multiple tickets or accidents in recent years?*

## Auto Policy Declarations

**Named Insured(s)**

Melinda Flores  
 Joe Soto  
 333 Smiley Lane  
 Wake City, AZ 86725

**Agent**

Michael Frazier  
 (520) 123-4567

**Policy Number:** 9 12 345678 03/01

**Policy Period:** April 1, 2015 to March 31, 2016 12:01 a.m. Standard Time

**Drivers Excluded:** Jacob Soto

**Vehicles Covered**

2012 Toyota Camry  
 2010 Ford Escape

**Vehicle ID Number**

1FTCU88F34KD02005  
 RPFRE32875NG04560

**Lienholder**

Bonanza Credit Union  
 None

**Total Amount Due:** \$1,155.96

**Vehicle #1: 2012 Toyota Camry**

Coverage	Limits	Deductible	Premium
Liability: Bodily Injury Property Damage	\$250,000/person \$500,000/accident \$50,000/accident	Not applicable	\$347.15
Uninsured Motorist Bodily Injury	\$250,000/person \$500,000/accident	Not applicable	\$68.30
Medical Payments	\$5,000/person	Not applicable	\$28.50
Collision	Actual cash value	\$1000	\$149.40
Comprehensive	Actual cash value	\$100	\$52.10
<b>Total premium #1</b>			<b>\$645.45</b>

*Use:* This vehicle is driven 30-40 miles to work/school by married female licensed 24 years.

*Good driver discount:* 20%

**Vehicle #2: 2010 Ford Escape**

Coverage	Limits	Deductible	Premium
Liability: Bodily Injury Property Damage	\$250,000/person \$500,000/accident \$50,000/accident	Not applicable	\$292.04
Uninsured Motorist Bodily Injury	\$250,000/person \$500,000/accident	Not applicable	\$60.70
Medical Payments	\$5,000/person	Not applicable	\$26.00
Collision	Actual cash value	\$2,500	\$91.55
Comprehensive	Actual cash value	\$500	\$40.22
<b>Total premium #1</b>			<b>\$510.51</b>

*Use:* This vehicle is driven for pleasure <7,500 miles/year by married male licensed 22 years.

## Declarations Page Answer Key

1) *Which car is being financed?*

The Camry, through Bonanza Credit Union.

2) *Which car is more expensive to insure? Why do you think that is?*

The Toyota Camry costs \$645.45 per year to insure, while the Ford Escape costs only \$510.51 for the same period. Most likely, the premium is higher because the car is newer (more expensive to replace), the collision and comprehensive deductibles are lower and the car is driven more miles per year (used to commute 40 miles per day).

3) *Approximately how many miles per year does Joe drive his Escape? Does this qualify him for a reduced rate?*

Joe drives fewer than 7,500 miles per year, and those miles are for “pleasure” rather than commute, so he would qualify for a discount from most insurers.

4) *What is the liability coverage, stated as three numbers, on this policy? What does each number stand for?*

250/500/50--\$250,000 maximum payout for one injured person in an accident that an insured causes, \$500,000 maximum payout for all injured persons in an accident and \$50,000 for property damage.

5) *Do Melinda and Joe live in a state that requires personal injury protection (PIP)?*

No. If they did, they would be required to have the coverage, and it would appear on the declarations page.

6) *Melinda and Joe’s teenage son, Jacob, borrowed the Escape and hit a fire hydrant while he was sending a text message. The cost to repair the damage is \$2,800. How much will the insurance company pay on this claim?*

Nothing. Jacob is an excluded driver, which means that losses incurred while he is driving are not covered.

7) *A branch fell on the Escape during a storm and scratched the paint on the hood. It will cost \$475 to repaint. How much will the insurance company pay on this claim?*

Nothing. The deductible on the Escape’s comprehensive coverage is \$500, so it would only cover repair costs that exceed that amount.

8) *Melinda hit a wall in a parking garage and caused \$1,100 of damage to the Camry. Should she file a claim?*

Probably not. Her collision deductible is \$1,000, so she would only get \$100 from the insurance company. That is very little considering that a collision claim would likely cause her premiums to go up.

9) *Which coverage will pay for Joe's medical and physical therapy bills for an injured shoulder related to a fender bender he caused? Will his lost wages from a week off work following the accident also be reimbursed?*

Medical payments coverage would kick in here, up to a maximum of \$5,000. If Joe has health insurance that covers these injuries, then his medical payments coverage could help pay his health insurance deductibles. Unlike PIP (personal injury payments), this coverage typically does not reimburse for lost wages.

10) *Have Melinda and Joe had multiple tickets or accidents in recent years?*

We can assume Melinda has not because she is receiving a "good driver" discount. We know Joe has at least the fender bender mentioned above on his record, and this (and perhaps other infractions) is why he is not receiving a good driver discount.

## Comparison Shopping Exercise

The Wang family—Martin, Janice and their 16-year-old daughter, Kathy—is shopping around for auto insurance. Help them decide which policy to purchase by reviewing the three quotes and insurer information below. (All quotes are for the same vehicles and usage.)

Explain why the family might or might not choose each of the policies. What should they consider when choosing? What are the advantages and disadvantages of each option? There is no right or wrong answer.

### QUOTE 1:

- Liability: 500/500/100 **Annual premium: \$2,472.48**
- Medical Payments: \$5,000/person
- Uninsured/Underinsured Motorist: 500/500
- Collision: \$100 deductible
- Comprehensive: \$100 deductible

Excluded drivers: None

J.D. Power rating for claims satisfaction: “Among the best”\*

A.M. Best rating for financial strength: A (Excellent)\*\*

### QUOTE 2:

- Liability: 250/500/100 **Annual premium: \$1,814.00**
- Medical Payments: \$5,000/person
- Uninsured Motorist: 250/500
- Collision: \$1,000 deductible
- Comprehensive: \$1,000 deductible
- Rental Reimbursement: \$25 per day/\$750 maximum

Excluded drivers: None

J.D. Power rating for claims satisfaction: “Better than most”

A.M. Best rating for financial strength: B+ (Good)

### QUOTE 3:

- Liability: 100/250/50 **Annual premium: \$1,361.17**
- Uninsured/Underinsured Motorist: 250/250
- Collision: \$1,000 deductible
- Comprehensive: \$1,000 deductible

Excluded drivers: Kathy Wang

J.D. Power rating for claims satisfaction: “About average”

A.M. Best rating for financial strength: A++ (Excellent)

\*J.D. Power claims satisfaction ratings: “Among the best” (highest), “Better than most,” “About average” and “The rest” (lowest)

\*\*A.M. Best financial strength ratings range from A++ (Superior) down to D (Poor)

## Comparison Shopping Answer Key

*This “answer key” is designed to help instructors point out key differences among the three quotes and highlight the types of considerations shoppers must weigh when making a decision.*

**Quote 1:** This policy offers the highest liability coverage, which could be a priority if the Wangs have significant assets. It also includes *both* uninsured and underinsured motorist coverage, an extra measure of protection over Quote 2. Both deductibles are very low—only \$100—which is contributing, along with the high liability coverage, to this being the highest premium of the three options. If the Wangs choose this policy largely because they have significant assets and want the higher liability protection, then they are probably in a position to pay a higher deductible (which would result in a lower premium). There are no excluded drivers on this policy, which means the Wangs’ teenage daughter can drive their cars—another reason for the high premium. But if the Wangs don’t want or need their daughter to drive, then they would be paying for teen driver coverage for no reason. The claims satisfaction and financial strength ratings for this insurer are tops, which means that these are not reasons to rule out this option.

**Quote 2:** The liability coverage on this policy is still very high, though it is lower for “one person hurt in an accident” (250 vs 500) than Quote 1. The Wangs will have to decide if they feel that is still adequate based on their assets and risk tolerance. This policy also offers only uninsured motorist coverage, not underinsured. With so many drivers on the road carrying only the state’s minimum liability insurance, the Wangs have to consider whether they are comfortable with the odds that their medical or property damage bills might exceed the other driver’s liability coverage. The deductibles for this policy are much higher than those for Quote 1 (\$1,000 vs \$100). If they can afford that, it might be worth the \$658.58 annual premium savings. (It would take only about a year and a half to make up the additional \$900 deductible through premium savings.) Rental reimbursement coverage will pay for a rental car if one of the Wangs’ vehicles is temporarily unusable due to a covered loss. This is a nice feature, but might not be worth the money if they can get by borrowing or doing without the car for a while. Though not at the top of the scales, the ratings for this insurer are still very good.

**Quote 3:** This quote offers the lowest premium, by far—\$452.83 less than Quote 2 and \$1,111.31 less than Quote 1. There are a number of factors driving down the premium: First, the liability coverage is much lower than that provided under Quotes 1 and 2, though it is still well above the state’s minimum requirements. Whether or not this is enough depends on the Wangs’ assets and risk tolerance. Second, the deductibles are on the high side (same as Quote 2 and much higher than Quote 1)—they must decide if they are affordable given their assets and the significantly lower premium. Third, there is no Medical Payments coverage. If the Wangs have good health insurance, this may be a non-issue. If they don’t, they may regret not having the coverage. A major contributor to the lower premium is the exclusion of Kathy Wang as an insured driver. This could be a great way to save money, or it could be a deal breaker—it depends on whether or not the Wangs want or need Kathy to be able to drive. The quote does include both uninsured and underinsured motorist coverage, and this insurer is at the top of the scale for financial strength. However, it doesn’t get as high marks for claims satisfaction. The Wangs should do some more research (check insurance department complaints, the Better Business Bureau and other sources) to get details of the customer complaints.

**Training evaluation:  
Auto Insurance: The basics**

Please help us improve future presentations by giving us your opinion of today's class.

Circle the response that best reflects your feelings about each statement:

**1. I have a better understanding of the importance of auto insurance and how it protects me.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**2. I have a better understanding of how to shop for insurance and choose the right insurer and coverage for my needs.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**3. I feel better prepared to make wise auto insurance choices and manage my insurance costs.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**4. I am aware of the options that exist if I can't afford insurance or have trouble getting coverage.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**5. I know where to find auto insurance information and assistance if I want to learn more or have a complaint.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**6. The instructor was well informed.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**7. The materials I received are easy to read and understand.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

**8. I would like to attend another class like this.**

Strongly agree                  Agree                  Disagree                  Strongly disagree

On a scale of 1 to 10 (10 being the best), how would you rate the training? \_\_\_\_\_

Please let us know how we could improve future trainings (use back, if necessary):

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**Thank you for attending!**