

Automobile Insurance ¹

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An automobile is often the most expensive property that people own, next to a home. As a result, protection against loss of an automobile from fire, theft, or collision is important. But protection against accidents for which you are liable is much more important because the total financial assets of most people are insufficient to meet the potential damages awarded in liability suits arising from automobile use or ownership. It is for this reason that many states, including Florida, require you to be covered by Personal Injury Protection (PIP) and Property Damage Liability (PDL).

Basic Coverage

When you own a motor vehicle with four or more wheels that is registered and licensed in Florida, the law says you must carry a minimum of \$10,000 of personal injury protection (PIP) and \$10,000 of property damage liability (PDL).

Personal Injury Protection (PIP) -- Also called No-Fault Insurance

If you have an accident, PIP will cover you whether or not you are at fault up to the limits of your policy.

PIP protects you if you are in your own or someone else's vehicle. It also covers pedestrians or bicyclists if they are injured in an accident involving a motor vehicle.

PIP pays 80 percent of reasonable medical expenses; 60 percent of lost wages and all reasonable expenses for replacement services such as child care or housekeeping; and \$5,000 death benefits. For a higher premium, a person may be able to increase coverage to 100 percent of medical expenses and 80 percent for lost wages; or increase the minimum limits from \$10,000 to \$20,000 or more.

Property Damage Liability

This coverage pays for damage which you or members of your family cause to other people's property with an automobile, even if you are driving someone else's automobile, however, it does not cover damage to your car. The term property may include a fence, telephone pole, another vehicle, etc.

Other Insurance

Unless you are financing your auto or must meet financial responsibility requirements, Florida law

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does not require you to buy any insurance but PIP and property damage. Many drivers buy additional coverage such as: bodily injury liability, collision, comprehensive, uninsured motorist, medical payments and others.

Bodily Injury Liability

Florida law requires persons who have been convicted of certain traffic violations or who have had accidents but could not pay for damages, to carry property damage and bodily injury liability insurance of at least \$10,000 per person and \$20,000 per occurrence. Bodily injury liability coverage pays for serious and permanent injury or death to others if you have an accident with your automobile where you are at fault. This coverage will pay for injuries up to the limits of your policy and provide legal services if you are sued.

Some policies have a split-liability limit which means if your policy specifies a 10/20/10 limit, the company will pay up to \$10,000 for injuries to one person and a maximum of \$20,000 if more than one person is injured; and up to \$10,000 for property damages. Other policies have a single-liability limit. The maximum the company will pay for both injuries and property damages combined is listed as a single amount.

Insurance companies offer liability ranging from 10/20/10 to 500/500/100 or higher. Individuals should meet the minimum requirements set by the state law for financial responsibility but it might be to your financial advantage to buy a higher coverage.

If you lease a vehicle for more than one year, Florida law requires you to carry either bodily injury liability of at least \$100,000 per person and \$300,000 per occurrence and \$50,000 property damage liability; or combined bodily injury and property damage liability of at least \$500,000.

Collision

This coverage pays to repair or replace your vehicle if you collide with another auto, flip over or crash into an object, regardless of who causes the accident. Collision coverage is limited in two ways.

First, the most the company will have to pay is the replacement cost of your car. If the vehicle is a total loss, you will receive an amount equal to the "retail value" immediately before the accident, as shown in standard price estimates such as the *N.A.D.A. Official Used Car Guide*. Second, if you chose a deductible provision when you purchased the coverage, you must pay that amount before the company pays the remainder. If you have a \$500 deductible and the damage is \$900, you pay \$500 and the company pays \$400. As a general rule, the higher the deductible provision in the policy, the lower the premium.

Comprehensive

This coverage pays for a loss not caused by a collision, such as losses from fire, theft, windstorm, vandalism, falling objects or hitting an animal. Your insurer may charge a deductible for comprehensive claims other than windshield replacement. Florida law provides the windshield waiver to encourage immediate replacement of windshields without cost to the insured.

Uninsured/Under Insured Motorist (UM)

UM pays only if the person who hits you does not have insurance or does not carry high enough limits to pay your loss. UM pays medical expenses and for lost wages beyond your PIP coverage.

Medical Payments

This coverage pays for medical expenses from accidental injury up to the limits of your policy regardless of who was at fault. It covers medical expenses for you and your family or passengers and applies if you travel in your car or someone else's car or if you were walking or riding a bicycle. Since basic PIP covers only 80 percent of medical expenses, this coverage could take care of the remaining 20 percent but will not cover a deductible.

If your medical expenses are in excess of your policy limits, it is your responsibility to deal with the other driver or other drivers' insurance company for damages.

Insurance for Financed Vehicles

If you finance your vehicle, the loan agreement from the lending institution may require you to carry both collision and comprehensive coverage to protect the vehicle.

Optional Coverages

Another coverage available for a small fee includes towing and rental reimbursement. You may add towing and road service to your insurance policy, but be warned that too many towing charges may result in cancellation of your insurance policy. Rental reimbursement pays up to a specified amount for auto rental while your car is being repaired after an accident.

Types of Policies

The standard insurance policy is called the Personal Automobile Policy. It provides liability coverage and a full range of optional coverages. Many companies also offer the Special Package Automobile Policy. This package is usually a combination of liability, medical-payments and uninsured motorist coverage and has several options available. The Special Policy is a little cheaper than the Personal Policy because it is issued primarily to low-risk drivers and the medical expense coverage is restricted. Under the Personal Policy, duplicate medical payments are allowed. In other words, you can collect from your auto insurance company and if you happen to be covered by a separate medical insurance policy, you can collect from it, too. The Special Policy pays only those medical expenses not covered by other policies.

Rental Agreements

Rental companies often sell collision damage waivers, but if your auto policy includes collision coverage or property damage liability, it may cover damages to a rental vehicle driven by you, depending upon its terms and conditions. Insurance companies must let you know if your policy covers collision damage to a rental vehicle — it should be listed on your insurance identification card or outline of coverage.

Assigned Risk

All states have an assigned risk insurance plan to provide automobile liability insurance for motorists, who for various reasons, are unable to purchase such protection through normal channels. All companies writing automobile liability insurance in the state subscribe to the plan. Each accepts assigned risk in proportion to the volume of business it writes in the state.

Under an assigned risk plan, an insurer must provide liability coverage only up to the limits specified in a state's financial responsibility law. But in most cases, the insured must pay more than the normal rate.

Tort Liability

The doctrine of tort liability is based on the idea that the person who causes the accident should be held financially accountable for the costs. Therefore, fault must be established to determine who should pay the damages. This takes place during negotiation between attorneys for the respective insurance companies either out of court or in a courtroom. Insurance companies generally settle claims out of court when the damages are relatively small and/or blame is solidly fixed. Larger claims usually end up in court.

Factors That Affect Premiums

Automobile insurance rates are based primarily on the dollar amount paid out by the companies. The more dollars paid in claims, the higher the cost of your insurance. Although each company has its own way of constructing rates, they are sure to reflect the following factors to some degree:

- **Type of Car.** More expensive, high performance and sports cars cost more to repair or replace and may be targeted for theft or vandalism more often so insurers will usually charge a higher premium for coverage.
- **Where You Drive.** If you drive in a densely populated area where accidents are frequent and where repairs, medical costs and hospital costs are high, premiums will be high.

- **Use of Car.** Driving more miles and using your car for business will increase the premiums.
- **Age.** Drivers younger than age 25 or older than 65 make up a disproportionate share of motorists involved in accidents according to their percentage of the driving population, so companies use these statistics when computing rates to justify higher rates for persons in these age groups.
- **Gender.** According to the National Safety Council, male drivers are much more likely to have accidents than females. This does not mean female drivers are necessarily more skillful drivers. Statistics suggest that males drive more miles per year, and that they are more likely to drive in dangerous areas and in bad weather or at other times when accidents are more likely to occur. Still, insurance companies generally charge higher premiums for males, especially young males, than females.
- **Marital Status.** Statistics show that married drivers, at least in the under 30 age group – have fewer accidents than those who are unmarried. Marital status may decrease some premiums.
- **Driving History.** Drivers who have caused an accident or have been charged with serious traffic violations may prove more likely than others to have additional accidents so they may be charged higher premiums than those without accidents or violations.
- **Non-Smoking and Non-Drinking.** Some companies offer discounts for people who do not drink or smoke.
- **Deductibles.** You can choose a deductible or increase your deductible on PIP, comprehensive and collision coverage. However, you must pay the deductible each time you file a claim so you have to decide how much you can afford to pay for each claim and compare that to the premium amount saved with the increased deductible.
- **Vehicle.** When you shop for a vehicle, remember insurance rates are usually higher for cars that are newer, cost more to repair, offer less passenger protection in accidents, and are often targets for thieves or vandals.
- **Good Driver.** Many companies offer discounts to policy holders with driving records free of accidents and violations for an extended period of time.
- **Vehicle Age.** Older cars usually decrease in value until their value is close to the deductible. When this happens some policy holders may choose to drop collision and/or comprehensive coverage to reduce premium cost.
- **Equipment.** Some companies offer discounts for equipment such as anti-lock brakes, air bags, anti-theft devices or vehicle recovery systems.
- **Younger Driver.** If a young driver completes a driver education course successfully and achieves a stated grade point average in school, he or she may qualify for a premium discount.

Select The Right Coverage for You

For most car owners, the best strategy is to use automobile insurance as a device for avoiding financial disaster. This means buying plenty of liability coverage, and if you have to, skimp on other types of coverage, set priorities:

- **Mature Driver.** A driver age 55 or older may qualify for a discount after successfully completing an accident prevention course approved by the Department of Highway Safety and Motor Vehicles.
- **Driver-Improvement Courses.** A policy-holder who successfully completes a driver improvement course approved by the Department of Highway Safety and Motor Vehicles may qualify for a discount.
- **Liability.** If a jury finds you have negligently caused an injury, or if the matter is settled out of court, you will have to pay the injured person (or person's family in the case of death) for losses connected with the injury. These losses may include out-of-pocket medical expenses, "pain and suffering" associated with the injury, and past and future income the injured person (or the family) would have received. If the injury is very serious, the total amount may be hundreds

of thousands of dollars. If you do not have enough liability coverage, you may be forced to sell your property – stocks, bonds, and anything else of substantial value to pay the debt. Then too, a court might order deductions from your wages; even bankruptcy is a possibility.

Insurance experts seem to agree that your minimum coverage in a Personal Policy should be 100/300/50. If your property is unusually valuable or if you have a high income, you may need your liability limits of 300/500/100 or more. If you have a Special Policy, the comparable limits are \$300,000 as a minimum and \$500,000 to one million or more for families in the upper income brackets. Depending on your situation, additional liability protection may be needed. An umbrella policy can provide this coverage and is relatively inexpensive.

- **Medical Payments.** If you have a separate insurance policy to cover medical and hospital bills, there is no point in duplicating this coverage with a medical expense provision in your auto policy. With a Personal Policy, take out enough medical-payments coverage to have a total of about \$5,000 per person per accident, including any coverage you may have under a separate health insurance policy. With a Special Policy, your options are fairly narrow because the medical-payments limit is tied to the liability limit. Once you have decided on the coverage you want, the next step is to call 1-800-342-2762 with the names of two or three companies to make sure they are licensed to do business in Florida. After you are sure they are licensed, call each to inquire about prices because premiums can vary among companies. Other factors to consider when making your decision are the dependability and service of the company in addition to the cost of the policy.

A Message to Policy Holders from the Department of Highway Safety

Once you are insured, make sure the state knows. Compare your car's Registration Certificate with your Insurer's Card. Be sure the 17 digit codes on each form are identical. If they are, then the state and insurance company both know you are insured. If

they are not the same, contact your insurer immediately to let them know the codes do not match. They will take care of the problem with the state officials.

Reference

2005 Automobile Insurance a Guide for Consumers, The Florida Department of Insurance.

For more information, call 1-800-342-2762 or visit <http://www.fldfs.com/>