Chapter 7 Automobile Coverages

Uninsured Motorist Coverage

Far more people than you believe are driving around with no auto insurance and are causing serious injuries and even death. Then there are those who cause an accident and run from the scene. These are a few reasons why uninsured motorist coverage on your automobile insurance policy is so important. This coverage not only insures you against the “Uninsured Motorist” but also protects you against the “Underinsured Motorist.”

It’s a Law

Not all states require Uninsured Motorist Coverage, or “UM coverage.” In those states that do, the state decides the terms of the coverage, but there are some minor variations from one insurer to another.

One of the things the state will determine about UM is the minimum limit required. Higher limits can be purchased, but that is up to the insured.

Damages in a UM claim are determined by either agreement between the insured and the UM insurer, arbitration between the insured and the insurer, or by lawsuit jointly between the insured against the UM insurer against the other party. As an adjuster, the best case scenario is to be able to settle the claim amicably.

Though it may be tedious having to almost “over-insure” one’s self to compensate for the insufficient or non-existent liability coverage of others, it’s probably better than having to pay for it completely out of pocket. Yes, one could file a civil suit to recover damages, but when you’re dealing with an uninsured individual who cannot afford to pay an insurance premium, the chances of actually receiving a payment through settlement or judgment are pretty slim.

How it Works

“Uninsured” is a simple blanket term for this coverage, but it also helps protect drivers against underinsured individuals. When a driver causes bodily injuries to another in an amount that exceeds the driver’s liability coverage, the injured driver’s UM will help make up the difference.

It is important to remember that uninsured motorist protection has absolutely nothing to do with property damage. It is for losses for bodily injury only. Here are some important points that you need to know about uninsured motorist:

It is based on fault. Therefore, if you cause the accident, and the other driver was not insured, there are no benefits. It pays you what you would have been entitled to had the other driver been properly insured. Therefore, the other driver, the uninsured driver, must have been liable in order for you to collect.

It pays for pain and suffering. When it comes to court measuring damages in legal proceedings, the measure is the same in uninsured motorist cases as it is under normal liability cases. Medical bills, lost wages, pain and suffering, and loss of consortium are all included in determining what you may receive.

There are three groups that can be covered under the uninsured motorist provision:

-The insured
-Members of his or her household
-Any other person entitled to recover damages

This coverage also applies to injuries sustained while you or an insured motorist injures members of your household as pedestrians.

Some companies can provide you with UNDERINSURED motorist coverage. This protection provides that if you are in an accident and the at fault person is underinsured to pay the total damages, and if you had purchased underinsured protection from your carrier that protection will pay the amount not covered by the other driver's insurance to the maximum of your policy.

Medical Payments Coverage

This coverage under the liability portion of your automobile insurance policy is designed to pay some of the medical consequences that may result from an accident. While the liability portion of the auto policy has fault attached to it, medical payments has no relationship to fault but, in fact, it will pay benefits to eligible beneficiaries for the cost of medical bills and/or funeral expenses to the policy limits.

There are two types of people who are entitled to receive benefits under the medical pay portion of the policy:

-The insured and his or her family members living in the same household
-Any passenger injured while riding in the covered vehicle

Most people do not select large amounts of medical payments since they are usually covered by health insurance either at work or through private purchase, and this could cause duplicate coverage.

It is important to note, however, that medical payments will provide coverage in one area that health insurance will not and that is funeral expense. Medical payment coverage is relatively inexpensive, and it is always a good idea to carry at least a few thousand dollars of coverage. Medical payments do have exclusions. There is no coverage for injuries:

-While in a motorized vehicle with less than four wheels
-While using your covered auto to carry persons or property for a fee
-If Workers' Compensation benefits are payable
-While occupying an auto other than your auto, which is owned by or furnished or available for the regular use of the named insured or a family member
-While occupying a vehicle without reasonable leave or permission
-While occupying an auto for business purposes, other than a private passenger auto, owned pick-up or van, or trailer used with one of these

Comprehensive and Collision Coverage

This part of an automobile insurance policy protects your vehicle. Comprehensive coverage provides for protection against the following:

-Fire
-Theft
-Malicious mischief
-Windstorm
-Flying objects
-Hail
-Hitting an animal
-Broken windows

If the damage is considered from a cause “Other than collision,” it is more than likely going to be covered under the comprehensive portion of your insurance policy. Comprehensive coverage is often sold with a deductible ranging from $50 to $30.

Comprehensive coverage can be issued alone without including collision coverage, but collision coverage will not be issued unless comprehensive coverage is included.

There are exclusions under comprehensive coverage and some of the more common ones are as follows:

-Electronic equipment not permanently installed. This may include but is not limited to radios, stereos, tape decks, and compact disc players.
-Other electronic equipment included but not limited to CB radios, telephones, two-way mobile radios, scanning monitor receivers, television monitor receivers, videocassette recorders, audiocassette recorders, and personal computers.
-Tapes, records, disk, or other medial used in conjunction with the equipment described in 1 and 2 above.
-If your covered auto or non-owned auto is destroyed or confiscated by governmental or civil authorities because you or a family member was engaged in illegal activities.
-A camper body or trailer that is not shown on the declaration page of your policy.
-Awnings, cabanas, or equipment designed to create additional living facilities.
-Radar detectors.
-Custom furnishings or equipment in a pickup or van such as special carpeting, furniture, bars, sleeping and cooking facilities, height extending roofs, custom murals, paintings, decals, or graphics.

Collision

The collision portion of your auto insurance policy constitutes about one third of its total cost. Collision is defined as "The upset of the auto covered or its impact with another vehicle or object." In other words, there has to be a physical contact between the covered auto and another car, truck, or object, which then causes physical damage to your auto.

The collision portion of your policy is subject to a deductible. The deductible is the amount you must pay before insurance benefits begin paying. Collision deductibles can range from 0 dollars to $1,000. Remember, the higher the deductible, the lower the collision premium.

Should your car be damaged or stolen, the company has the right to choose which of the two following ways it may pay you:

-They may give you an amount that is necessary to repair your automobile or replace the property that was lost.
-They may give you the actual cash value of the damaged property or stolen item. Sometimes people are upset with this method, because the company can deduct for depreciation and adjust for a deteriorated physical condition of your vehicle.

You have heard the term "totaling the vehicle." This occurs when the insurance company decides not to repair your vehicle but to pay you for its value instead. Unfortunately, when the company totals your car you usually receive what the vehicle is worth on the open market. Usually this amount is less than what it will cost to actually repair the car.

It should be noted that collision is not mandatory coverage. You do not have to buy this portion of the policy, and those with older vehicles usually do not. If it's simply not worth the money if the company is likely to total the vehicle rather than repair it, than purchasing collision is not practical.

Should you have your car financed, that institution will require that you carry comprehensive and collision coverage until the vehicle is paid for, and that institution will want to be listed as what is known as the "Loss payee." This means the institution is the first in line to be paid in the event of a loss.

Collision coverage is not dependent on fault. Regardless of who caused the accident, you are entitled to collision benefits. Collision benefits can be paid to vehicles you don't own. Should you be driving a car you do not own, and are involved in an accident, or the car is stolen while in your possession, benefits will be paid. If you are covered for auto theft, there may be a transportation benefit.

If your car is stolen, you can be entitled to reimbursement for some of the transportation costs that you incur. Benefits are usually $10.00 per day or so and there will be a maximum benefit.

Emergency Roadside Service

Emergency road service is often provided by independent contractors who are part of a membership group such as AAA Motor Club or other national organizations. Emergency towing is intended to remove a disabled vehicle to a place of safety or repair. It is not intended to provide towing to a dealer or auto salvage.

Service normally applies to all properly-licensed, four-wheeled vehicles of the passenger, pleasure, or recreational-type vans, campers and motor home.

Emergency road service can include on the road repair to a vehicle that won't start as a result of a deficient battery or simple mechanical adjustments if they can be made in a safe and effective manner where the breakdown occurs.

Roadside tire repair is also provided under this coverage. A flat tire will be changed if the insured has an inflated spare. If for some reason due to safety, or if for any reason the inflated spare is not usable or the lug nuts cannot be removed from the flat tire on the vehicle, or if the vehicle has two flat tires and one usable spare, towing is provided in accordance with towing provisions. Towing will also be provided in lieu of a tire change if the tire cannot be safely changed.

Towing

If a vehicle cannot be made to operate safely under its own power, towing from the point of disablement will be provided. Towing provisions usually provide towing for towing to a repair facility within a prescribed distance of the disablement. If the insured wishes to have the vehicle towed outside of the prescribed area, usually an additional mileage charge will apply.

If the insured wants the vehicle towed to a closed garage, the insured must sign a disclaimer of liability for the towing company. The disclaimer releases the towing company from responsibility for the vehicle when it has reached the "closed facility."

Local ordinances may prohibit the towing company from carrying more than one passenger to accompany the vehicle to its delivery location. Flatbed service is available to the insured and may require an additional charge.

Towing service is sometimes delayed as a result of weather conditions, call volume, or equipment availability. Vehicles involved in an accident will be towed provided a police release has been obtained.

Other Roadside Services

Emergency road service organizations, such as the AAA Motor club, also provide services beyond general towing of a disabled vehicle. Such services are outlined below.

Extricating or Winching Service - A service that is normally provided if the insured's vehicle is stuck in a ditch, mud, sand, or other similar situation. The vehicle must be accessible from a normally traveled roadway and require no more than one man, one truck at the scene. Any additional manpower and equipment is usually at the insured's expense.

Fuel Delivery - A limited supply of fuel can be delivered to the disabled vehicle to enable the driver to reach the nearest open service station. The insured must pay for the fuel at the current pump price and the service only applies when government regulations permit it and supplies are available

Lockout and Locksmith Service - This service is provided when a driver loses or locks the vehicle's keys in the car or trunk. In some instances a maximum fee is paid by the insurance company and the balance must be paid by the insured.

Excessive Use of Services - Most "Club" type organizations have a provision that kicks in for excessive use of service. This provision normally kicks in after five service calls within a 12-month period and subjects the insured to the possibility of cancellation of membership.

Reimbursement for Independent Services
When Club-type organizations are used, should a member call other than a prescribed contractor, reimbursement is limited to the amount the Club would have paid the nearest member contract station. When service is requested and is unavailable, reimbursement is based on the prevailing commercial rate for the region where the vehicle was disabled and is subject to the benefits of the membership.

Car Rental/Travel Expense
This provision of the auto policy entitles reimbursement for the expense of renting an automobile while the car is being repaired. It may have a daily expense maximum as well as a total per accident benefit. Some policies also pay benefits for travel expense following an accident that may include food and lodging, providing the insured is more than a certain number of miles from home when the accident occurs.

Automobile Insurance Policy Endorsements
You may purchase extra protection under your automobile insurance policy for an extra premium. These are called "Endorsements." The following represent a few that are available:

Towing and Labor Costs
This endorsement, which we discussed in detail in the previous section, is added to the physical damage coverage, provides reimbursement up to a specified limit to tow your vehicle or pay for on-site labor costs.

Auto Glass Insurance
This endorsement offers a lower deductible or no deductible for when repairing any broken window on your car is required.

Tapes Coverage
Should audio or disc tapes be lost or stolen, or should you have a valuable or extended collection of such items in your vehicle, you may obtain coverage for them via this endorsement.

Sound Components or Equipment
Coverage for your car phone and CB can be acquired under this endorsement.

Drive-Other-Car Endorsement
Optional coverage that broadens the definition of a covered auto to include non-owned vehicles the insured person operates.

Stated Amount
A stated amount endorsement allows the insured and the insurance company to come to agreement on an antique or otherwise unusual vehicle's value, which will be applied to the policy.

This is because an antique car is worth more than the cost to replace its engine, parts, etc.

Custom Equipment
Vans and pickup trucks which have been altered or customized to include refrigerators, special carpet, cooking or sleeping facilities can be protected by adding this endorsement.

Non-owner Coverage
Should you know in advance that someone who does not own your car or is not a covered family member is going to be driving your car, you can add this person's name as a covered driver through this endorsement.

Extended Liability
This insurance is used to cover automobiles that are not legally owned by the insured, such as an auto owned by the employer but furnished for the use of the insured, which would not generally be insured.

Miscellaneous Vehicle
This endorsement provides coverage for vehicles that are normally excluded, such as motor homes, recreational vehicles and motorcycles.

Exclusions

The insurance carrier will tell an insured exactly and specifically what will not be covered in its exclusions. Simply stated, if something is excluded, there is no protection afforded by the policy for that item or items. Often exclusions are considered unfavorable because people feel the insurance company gives protection with one hand and then takes it away with the other hand through exclusions.

In reality, exclusions were designed to prevent coverage that would be better sought in other types of insurance. Exclusions are also a method by which the insurance industry can eliminate exposures that could not be covered without charging an unbearable premium.

Exclusions are divided into these two parts:

-Persons not protected
-Vehicles to which coverage does not apply

Typically, liability coverage is not provided to any person

-Who intentionally causes injury or damage
-For damage to property owned or being transported by that person
-For damage to property rented to, used by or in care of that person
-For injury during the course of employment by an employee
-For liability arising from the use of the vehicle as a public or livery conveyance
-That is employed in a business of repairing, storing, parking or servicing vehicles
-That uses a vehicle without permission

Typically, liability coverage is not provided or afforded to the following types of vehicles:

-Motorized vehicles with less than four wheels
-A vehicle furnished, available for the regular use of the person insured other than the covered auto
-A vehicle furnished or available for the regular uses of a family member other than the covered auto

Auto Insurance Provider Rating

In the next section, we're going to get into the factors insurers use to rate auto insurance for the driver. But the insurers themselves are also rated in terms of their quality of customer service, claims experience, rates, etc. JD Power and Associates distributes a rating of auto insurers that measures the following factors.

Overall Experience
This score is based on how customers rate every aspect of their service experience with their current auto insurance provider. This is sort of like the insurer's overall "average."

Policy Offerings
This score is based on how customers rate the variety of coverage options offered by auto insurance providers and the extent to which they meet their needs.

Pricing
This score is based on how customers rate their current auto insurance provider on the price of the policy given the level of coverage.

Billing and Payment
This score is based on how customers rate the timeliness, clarity, and accuracy of their billing statements and the payment process of their current automotive insurance provider.

Contacting the Insurer
This score is based on how customers rate their experience interacting with their current auto insurance provider, whether through a local agent, a call-center representative, an automated phone system, or the company's Web site.

Consumers and insurance agents alike can gain valuable information about an insurer through ratings such as these. A.M. Best's ratings judge insurers as a whole, whereas specific rating systems focus on one line of coverage. This pointed attention to one line of coverage makes it easier for agents to recommend one insurer over another when a client is in need of that particular type of coverage unless, of course, the agent is a staff agent representing one insurer. But, even in that case, knowing where your insurer ranks on the rating system is important, as well.

Insurance Rating

Rating Auto Insurance Policies

Several factors are used in determining the cost of auto insurance. They are as follows:

Territorial Rating
The neighborhood where you reside is the largest factor in determining what your automobile insurance rate will be. This is called "territorial rating." Insurance companies take each state, and within that state they break down the various locations into what are known as "territories." They may do this in one of the following four methods:

-Zip code
-Neighborhood
-City
-County

Whatever method is used, companies will resort to their statistical gathering ability to determine what claims they can expect in any particular territory. Since most accidents occur within a few miles of where the vehicle is kept, the insurance industry uses this fact for their reasoning in the pricing mechanism.

Thus, the underwriter can then determine from these statistics the risk of loss for cars kept in each territory. Once this has been done, then a BASE RATE can be determined for each territory. This becomes the starting point upon which the premium is based.

Personal Statistics used in Rating

There three factors are taken into consideration. They are age, gender and marital status.

Age
Since it's known that younger drivers tend to be more accident prone, drivers under the age of 25 are going to pay more for their auto insurance than those ages 25 to 64. It is also known that drivers over the age of 65 have more accidents than younger drivers, and they usually have higher premiums established for them.

Gender
Past experience of claims and statistics prove there is a definite gender difference in the rate of automobile accidents. Statistically speaking young, unmarried males are the worst. Therefore, they will pay more in premiums than females in the same age group.

Marital Status
For the most part, a married driver will probably have fewer accidents than a single driver will. Add children to the married driver and it's found that the driver becomes more cautious and concerned and has even fewer accidents.

You and Your Automobile

What you do with your car when you use it is also an important factor in what it will cost to insure it. The following are commonly used:

-Pleasure only
-To and from work less than five miles one-way
-To and from work five to ten miles one-way
-To and from work more than ten miles one-way
-Business use
-Farm use

The most expensive of these is business use that typically carries a 50% higher premium over pleasure only.

Type of Car Driven
Basically, insurance companies rate the kind of car you drive using the following factors:

-Make
-Model
-Size of engine
-Hardtop or convertible
-Age
-Original cost
-Ease of repair
-Popularity for theft

Your Driving Record
From the time you received your driver’s license, your parents advised you on the importance of having a good driving record. Tickets cost money not only for the fine but in increased automobile insurance rates. The fact of the matter is if you have a bad driving record, your chances for an

accident are higher than for a person with a good driving record.

Convictions for moving violations and the type of violation are factors that generate higher insurance premiums. For example, speeding tickets will get an underwriter's attention quicker than an illegal left turn. Then of course, drunk driving and running red lights rank up there at the top also.

Purchasing Auto Insurance

As you can imagine, the higher the limits of liability, the higher the cost of an automobile insurance policy will be. A higher deductible on collision and other than collision will lower the cost of the policy. There are also discounts available, based on things such as the number of cars insured by the same insurer and safety features, such as anti-theft equipment and a promise to wear your seatbelt.

Discounts Available
Depending on the insurance company, there are many discounts available. A few are the following:

Multi-Car: Should you insure more than one car with the same company, you will probably receive a discount for doing so.

Multi-Policy: It's always a good idea to purchase as many of your insurance needs as possible from the same company so that you can enjoy this discount. For example, putting your homeowners and automobile policy with the same company affords a definite advantage.

Driver Education: Here discounts are given to drivers who have taken and successfully completed a driver's education course. These are typically offered at local high schools.

Anti-theft: If you spend the money to install an alarm, anti-theft device or a steering wheel locking mechanism, most companies will be willing to give you a discount on the comprehensive premium portion of your policy.

Passenger Restraints: More and more states have now passed laws requiring the use of seat belts. Whether or not the injured person was wearing a seat belt is always a very important consideration given in the processing of claims for injury.

Claims adjusters do not look favorably in the amount that they award to those who were not wearing a passenger restraint at the time of the accident. Statistics have proven it is more advantageous to wear a passenger restraint than not.

Good Driver: Many states now have a space on your driver's license to insert the words "Safe Driver" or "Good Driver". This designation is given to those who have not been convicted of a moving violation or have not been involved in an automobile accident during the last three to five years.

Good Student: Any student who maintains an average grade of B or above can receive a discount of up to 25% of their insurance premium.

Standard Risk: This discount is given to those that meet certain criteria to qualify for it. Factors that are considered in determining a standard risk discount are as follows:

-No tickets within a certain time period
-No accidents within a certain time period
-No drivers under the age of 25
-No drivers over the age of 65

-No high performance vehicles

Anti-Lock Brakes: The anti-lock brake is probably most responsible for reducing the numbers of serious accidents than any other factor other than seat belts and air bags. The anti-lock brake is a computer system that stops a vehicle more quickly and prevents the loss of control through skidding. This reduces accidents and produces discounts.

Air Bags: Before the turn of the century, all automobiles on the road will be required to have air bags for both driver and passengers alike. A great deterrent to serious injury to passengers, the air bag produces big discounts in your automobile insurance coverage.

Auto Insurance Claims

When you are involved in an accident, you are responsible to follow specific guidelines given by your carrier as to what to do and what not to do. Naturally, the assumption must be made that you are conscious and physically capable of doing these things. Included in these guidelines are some of the following:

Notification

A major misunderstanding regarding notification is that regardless of who you think may be at fault, you must notify your carrier promptly. The company needs to be given the opportunity to conduct an investigation if they so desire before too much time passes.

How the Accident Occurred

It is important for you to make notes of exactly how the accident occurred while it is still fresh in your mind. Some things you may wish to jot down that will be helpful for future reference may be the following:

-Time of day
-Weather conditions
-Location
-Road conditions such as construction barricades or heavy traffic
-Contributing factors such as curves, hills, railroad crossings, or traffic control devices

Who was Involved

It is important that you obtain the name, address, home and work phone numbers, name of the other driver's insurance company and the policy number as well as the make, model and license number of any other vehicles involved.

Also, know what injuries were sustained, who was injured, how they were injured, by whom they were transported for treatment and where. For the most part, the police officer will have this information contained in his or her accident report, a copy of which is usually available within a day or two of the accident.

Witnesses

You've heard the phrase there are three sides to every story? Well, witnesses are the ones who tell the third side and usually the correct one. It is very common for those involved in an auto accident to give different versions (often self-serving) on exactly what happened. Therefore, it is vital that you obtain the names and addresses of witnesses who can assist in determining what happened. Determining fault is a vital issue in exactly what the company may or may not pay in a lawsuit.

The Police

Each state has laws regarding when the police must be notified. Most base it on the amount of damage. However, the policy probably will require that you report the incident to the police no matter what the circumstances. Bottom line is that it is always best under all circumstances to have the police present to take a report.

Cooperating with the Investigation
You may be called upon to either meet with investigators from the company, lawyers of the company, or claims adjusters concerning the accident and other areas of concern. You will need to give them your full cooperation.

Submitting to Examinations
If you or others have been injured in an automobile accident, the insurance company may ask you to be examined at their expense by a physician that they choose. They also may wish to examine what happened in what is called a "deposition." Usually you will receive a subpoena to take a deposition under oath.

Access to Relevant Personal Records
Often, you may have to produce past medical records or information regarding previous accidents. The company may ask you to sign authorizations for release of this information. You must do this unless you feel that you have valid grounds for denying their request.

Policy Cancellation

Sometimes it seems that the first time you submit a claim the company either raises your rates or cancels your policy. How many of you have had the experience of having been with a company 10, 15, or 20 years without a claim, you've always paid your premium on time. All of a sudden, you have an accident, the claim is paid, and then they want to cancel you? How can they do this?

First, the language of the contract permits them to do it. And second, for the most part, the state insurance departments have inadequate enforcement to stop companies from engaging in this unfair practice.

Canceling an Existing Policy while in Effect
Cancellation can occur while the policy is in effect. Although rare, it can happen for the following reasons:

-If you fail to pay your premiums in a timely fashion, the company can cancel you on a 10 days or so written notice.

-A policy is subject to cancellation upon reasonable notice, often 10 days, for any reason during the first 60 days it is in effect. This type of cancellation usually occurs because the insured misrepresented facts or circumstances regarding the issuance of the policy.

-Should your driver's license be canceled or revoked, the company may follow suit by doing the same to your insurance coverage.

-Should you, or a member of the covered family, be convicted of a drunk driving charge, the insurance company will more than likely cancel your policy.

-If you submit a fraudulent claim or misrepresent information to the company in an attempt to obtain benefits to which you are not entitled, and get caught, you will probably be canceled.

Refusing to Renew a Policy at its Expiration
The real fear in the cancellation arena is the fear that the company will refuse to renew a policy at the end of the coverage period. Auto insurance companies do not issue policies that are guaranteed to be renewable. A company can refuse to renew your policy or raise your rates for the following terms and conditions:

-The company has told you at least 30 days prior to the end of the policy period that they will not renew your policy. This is done so that you are able to make other arrangements. However, you must realize that if you have been non-renewed by one company, other companies may not want to take you and this could force you into the Assigned Risk Pool.

-Any refusal to renew must be in writing.

-Although most states allow a company to refuse to renew you for just about any reason, some do not allow it if it is based on age, race, sex or occupation.

No-Fault

As we discussed earlier, there are about a dozen states that impose a "no-fault" law on drivers. The purpose of the no-fault law is to create a system of benefits payable by an insured's own insurer, rather than having to deal with numerous liability claims clogging up the courts. Another cause for this law's creation is the rising cost of Auto Liability coverage.

No-Fault coverage only applies to bodily injury claims, not property damage. The law covers all four-wheel vehicles designed for use on public roads and required by the state to be registered. Mobil home and "governmentally owned vehicles used in mass transit" (AKA city buses), are exempt. Taxis, limos and school buses, though technically meeting the above definition, are also exempt from having to carry No-Fault insurance.

Insureds who are subject to and comply with the No-Fault law are not subject to legal liability for causing bodily injuries to another person(s), regardless of who is at fault. Of course, there are some exceptions to this rule, which we'll go over later.

Since people who are in an accident with someone subject to and in compliance with the No-Fault law cannot seek legal liability damages for bodily injury, this law substitutes that coverage with Personal Injury Protection (PIP), which provides first-party benefits for economic loss, no matter who is at fault.

In some states, drivers must carry PIP insurance by law. There are penalties for failing to do so, including suspension or loss of license and registration. If an owner does not meet the state's compulsory insurance requirements, he or she will be denied the immunities from legal liabilities that the No-Fault law provides. An owner who does not meet the requirements is also responsible for paying the PIP benefits for those entitled to them.

It seems confusing, but that's how what happens when one reads the law. In layman's terms, the No-Fault Law requires drivers to carry PIP so that their own bodily injuries will be covered under their own insurance policies. Why? Because No-Fault means no liability, and no liability means the other driver's insurance won't be dropping a dime to cover the first driver's injuries (and vice versa). If someone foolishly chooses not to carry No-Fault insurance, not only will he or she be liable for the bodily injuries of the other driver, but they'll be paying for their own, too (unless their Medical Payments coverage can do it).

Does No-Fault really mean no one is at fault? Of course not. It means that it doesn't matter who is at fault.

Non-Standard Market

When a risk is particularly hard to place, non-standard and insurance needs cannot be satisfied through the standard market, and when people have bad accident or driving records or have high-powered or sports cars, they may be forced to be placed with an assigned risk facility.

Non-standard companies offer a market usually at a higher than normal price for such persons, as well as for others who are acceptable to the assigned risk plans but who want more than the limited amount of coverage some of those plans offer.

Each auto insurance company doing business in a state must write insurance for those who cannot obtain it in a standard market. The insurance company must write the same percentage equal to its percentage share of that state's auto insurance market. Therefore, if an automobile insurance company issues 20% of the auto insurance in a particular state, then it will have to provide insurance for 20% of those in the non-standard market.

There is an association known as the "JUA" or the Joint Underwriter's Association. This is a form of pooling association that sells insurance to the otherwise uninsurable. All companies writing insurance in a particular state share in the profit and loss of the insurance business written by the JUA.

Usually, a re-insurance facility, which is an organization, that issues insurance-to-insurance companies, will allow companies to transfer percentage of their policies to the re-insurance facilities so that no one can be refused a policy.

Teenage Drivers

While any individual may be distracted while driving resulting in an accident, teenage drivers seem to be especially vulnerable. Teen drivers are more at risk and this is reflected in state laws that restrict their driving privileges and in the higher rates paid for insurance. As we know, premium rates are based on statistical information. Every parent should, therefore, realize that the higher rates they pay for their teenage daughter or son directly reflects the rate of claims for this age group.

A study zeroed in on the moments directly before teen drivers were involved in an accident to determine what decisions and mistakes were involved. This study published in the journal of Accident Analysis and Prevention in 2011 was performed by Children's Hospital of Philadelphia and State Farm insurance company. Researchers took a look at 800 automobile crashes involving teenage drivers to see what common facts emerged. Their findings indicate that the majority of accidents were not caused by aggressive driving or thrill-seeking, as many people might have expected. Instead accidents were caused by:

Failure to scan, which was the reason for 21% of teen-caused accidents. What do we mean by "failing to scan?" Scanning the road visually for potential hazards is routinely done by experienced drivers even though they may not be aware they are doing so. Scanning might be considered a "high level" skill that becomes a habit only after months of experience on the road. Older drivers, with experience, develop the habit of looking to each side and far ahead whereas teen drivers appear to focus only directly in front of their vehicle. This limits their ability to respond to such things as fast approaching cars coming from behind.

Driving too fast. Excessive speed was cited as the reason for 21% of teen crashes. This includes speeding around corners and subsequently losing control of their vehicle. It also includes failing to take into account unsafe conditions, such as icy roads or other weather conditions calling for reduced speeds.

Distractions, such as texting and phone use, caused 20% of teenage driver wrecks. This cause was not a surprise. One distraction that is often unrecognized is having other teenagers in the car with the driver. Even distractions outside of the car were sometimes the reason for the accident. For example, in one case the teenage driver was distracted when she saw friends standing in front of a mall store, causing her to rear-end the driver in front of her.

Researchers concluded that most teen crashes are not related to emotional aggression or deliberately taking risks but instead were caused by lack of experience. Some researchers feel the solution calls for graduated driver licensing (GDL) laws, which are already on the books in many states. For example, before earning full driving privileges many states require teens to go through a stage that limits the number of passengers allowed in their vehicle with them and bans all cell phone use.

We have known for years that automobile insurance rates have reflected the higher risk teenage drivers pose. We have known for years that inexperienced drivers have more accidents than experienced drivers. This study merely exposed the causes of those accidents, eliminating some of the industry's misconceptions. With additional facts come additional solutions. Hopefully knowing what allows accidents to happen will bring about new solutions to prevent them. As the rate of accidents decline, as we hope they will, automobile premiums will decline accordingly (at least that is the theory).

A recent poll from Nationwide Insurance found that parents are struggling to afford gas and increased automobile insurance premiums for their teenagers. The result seems to be a delay in teens getting their driver licenses. The Texas study surveyed 326 parents of children between the ages of 15 to 19 years old.

Due to higher claims, automobile insurance for teen drivers has been higher than that for more experienced drivers. Adding a teenager to an auto policy in Texas, according to the Nationwide Insurance study, increased the parent's policy cost by an average of $1,100 per year. That does not include the increased cost of gas used or the wear and tear on the vehicle. When gas and other factors are added in, the increase over the year amounts to approximately $4,000. In these tough economic times many families find that unaffordable.

The high cost of teenage driving has resulted in fewer policies being issued that include new drivers. These policies previously made up 5.8% of Nationwide policies in 2008; this dropped to 5.4% in 2011. About 60 percent of surveyed parents said they had to make these cutbacks because they could not afford the additional costs of allowing their teenager to drive.

As we have discussed, higher rates for teenagers are the result of the risk new drivers represent. Young drivers are involved in more accidents and receive more moving violations than older experienced drivers. According to the Insurance Institute for Highway Safety, the crash rate for drivers between the ages of 16 and 19 are five times higher than for drivers older than 20. Death rates for teenage drivers are also higher. IIHS reports that 35% of all deaths among 16 to 19 year olds were the result of automobile accidents.

While death rates are the most alarming statistic, property damage is significantly higher among teenage drivers too. A study conducted in 2000 by IIHS' Highway Loss Data Institute found that collision losses for cars driven by teenagers were more than twice those of vehicles driven by adults. In other words, when accidents occur, vehicle damage was more severe when the driver was a teenager. While there may be no hard facts on this as to cause, most feel it has to do with speed at the time of the accident or inexperience relating to road conditions.

As every agent knows, teenage risk is not the same for every individual. Those with the highest grades in school seemed to have the fewest claims. Therefore many companies offer a good-student-discount for those with a B average or higher. The rate of discount will vary but any discount can be an advantage in today's financial climate. Insurers feel students with better grades tend to be more responsible in all areas of life, including how they drive.

Those who take specific driver education may also have fewer accidents. An approved driver education course demonstrates that the teen is likely to be responsible on the road. Therefore a discount on premium cost may be available.

Automobile crashes are the leading cause of teen deaths in the United States according to the federal Centers for Disease Control and Prevention. More than 80% of teen drivers surveyed by the Allstate Foundation and the National Organizations for Safety have talked on their cell phone or texted while driving. Around 73 percent of teens surveyed in Southern California said they had been exposed to reckless driving (either as a driver or passenger), speeding, and intoxicated driving according to the National Highway Traffic Safety Administration. More than half of teenagers involved in fatal crashes were not wearing their seat-belts.

In some states driving privileges for teenagers are becoming restricted. Driving privileges could become more restricted as states impose additional rules in an attempt to reduce teenage fatalities. Federal legislation that was introduced in March 2011 by United States Senator Kirsten Gillibrand (D-NY) and U.S. Representative Tim Bishop, also of New York, mandate national graduated driver licensing requirements. This includes a three-stage licensing system, a learner's permit at age 16 rather than 15, restricted nighttime driving unless supervised by an adult, passenger restrictions of one non-family person until age 18 and fully licensed, and a ban on cell phone use, both texting and telephone usage, until age 18. Under this proposal states have three years to carry out the standards or face penalties that would cost them 3% of the federal highway money in the first fiscal year, 5% in the second year, and 10% in the third year.

Affordable Coverage

There are many reasons why auto insurance premiums rise. Today's new cars are increasingly more complex and, therefore, more expensive to repair. Another factor is the steadily increasing number of vehicles on the roads. As roads become more congested, more accidents are bound to happen. In rush hour traffic one accident often involves more than two cars as chain reactions occur.

Theft is one reason automobile insurance costs are rising. While some cities have more problems with this than others all are affected to some degree. Insurers are concerned with anything that increases the risk of claims and the likelihood of auto theft certainly does so.

Covered under the comprehensive portion of an auto policy, theft coverage pays to repair or replace stolen automobiles and the expensive parts they contain. Some vehicles are stolen merely to harvest specific parts from them. These parts are easily sold on the black market, resulting in claims and higher premiums.

An automobile is stolen in the United States about every 29 seconds. Although this statistic represents a downward trend over the past few years, the dollar amount per claim is increasing because parts are increasingly more expensive. In other words, fewer cars are being stolen but the cost of the claim to replace or repair the vehicle is rising.

Luxury cars with all the latest technology are especially expensive to repair or replace. Bodywork is much more expensive today than it was a few years ago. Insurers pass along the increased risk and higher claim costs to their policyholders. The good news is that automobile manufacturers are getting increasingly good at including technology that reduces theft. However this has resulted in higher theft rates of older cars that do not contain anti-theft technology.

To determine the cost of auto insurance and target possible rate quotes, most insurers consider the following factors:

-**Car price and value**: the cheaper the insured automobile, the lower the auto insurance.
-**Car model and type**: sedans cost less to insure than sports cars; basic models cost less than the luxury models. It is just common sense: the more expensive the vehicle, the higher the insurance will be.
-**Geographic location**: areas with lower crime rates mean lower automobile insurance premiums.
-**Safety measures taken**: such things as locking doors, removing valuables when parking, using well lit areas and other safety measures means lower claims and saving

premium.
-**Safety components installed**: items such as airbags, traction control systems, and antilock brakes make safer automobiles. Safer automobiles generally mean lower insurance rates.
-**Tracking systems**: global positioning systems (GPS) like On-Star and LoJack use a hidden transmitter allowing police to track stolen vehicles. This increases the likelihood of recovery which allows lower premiums. Additionally professional thieves often bypass vehicles they know have GPS systems in favor of those that do not have them.

Many cars have interchangeable parts, which is more attractive to thieves. With a few simple changes criminals can find and swap parts from one model to another. This drives up insurance rates in the process. Because the parts or vehicles are easily sold there are some models of vehicles that are most often stolen. Those who drive these particular models should expect more expensive insurance policies due to the increased risk of theft.

According to the National Insurance Crime Bureau popular models include:

Rank by Year, Make, and Model:

1995 Honda Civic

1991 Honda Accord

1989 Toyota Camry

1997 Ford F-150 series pickup

1994 Chevrolet C-K 1500 pickup

1994 Acura Integra

2004 Dodge Ram pickup

1994 Nissan Sentra

1988 Toyota pickup

2007 Toyota Corolla

Trucks are stolen much more often than cars; in fact the ratio is at least three trucks to every one car stolen. Truck drivers are also much more likely to be seriously injured or killed in accidents when compared to cars due to reduced occupant protection.

While theft certainly plays a role in premium costs other factors also affect rates. Medical costs play a major role in the soaring costs of auto insurance since medical care can be extremely high.

Typically rates are set according to three basic desired goals:

-To make enough money to cover all their policyholder’s claims and pay the company's overhead expenses.

-To charge higher rates for drivers who file more costly claims and lower rates for drivers whose claims occur less often or are smaller.

-To stay competitive with other insurance companies in the same markets that they hope will be most profitable.

Another factor in rates will be based to some degree on the state in which the driver lives and drives. The insurer must follow state regulations of course. As a result, rates for particular cars and drivers may differ from state to state.

When determining a driver's premium rate one of the first things considered is the amount of risk that particular person represents. We have discussed some of the elements that determine premium rates including age of the driver, the type of car driven, the number of miles driven, and any other factors the insurer considers relevant. Underwriters determine the rate and they may have developed personal prejudices based on past experience. Therefore statistics play a major role in determining rates and preventing underwriter prejudices. Many years of record-keeping supports statistical judgments. A 21-year-old with a sports car will pay higher rates than would a 50-year-old person driving an economy car. The underwriter understands the risk imposed by the 21-year-old driver because he or she has multiple statistics to back up higher premium costs.

Risks are stated in one of three ways:

Preferred, which is low risk;

Standard, which is average risk; and

Nonstandard, which is high risk.

No study on risk analysis would be complete without an adequate definition of insurance. The often-used definition (the transfer of risk) is not totally accurate. A more fully expanded definition of insurance would be either the accumulation of a fund or a transfer of risk, though not necessarily both. In addition it must include a combination of a large number of separate, independent exposure units to make somewhat predictable the possible individual losses. The predictable loss is then shared proportionately by all units involved. This definition of insurance makes the point that both uncertainties are reduced and losses shared. Both are important aspects of insurance.

Insurance policies allow an individual or business to substitute a relatively small defined premium cost for a possibly large, although uncertain, loss. The fortunate many that do not experience a loss will compensate the unlucky few who do.

It is the "cookie jar" classic: many people put cookies into the jar but only a few will remove cookies. A policyholder puts one cookie in but may find him or herself needing to withdraw a dozen. The same application applies to insurance: we each pay a premium on a regular basis and if a loss occurs we withdraw an amount determined to be fair compensation, which is likely more than the premium we paid in.

When a new policy of any type is received both the agent and buyer are wise to check for errors. Upon policy delivery, the agent should advise the policyholder to check his or her policy for errors, including the copy of the application that will be included with the contract. If the issued policy is first sent to the agent he or she should check for errors prior to delivery. Delivering a policy containing errors makes both the agent and the insurer look incompetent.

Insurance products of all kinds have developed a reputation (not always deserved) of being easily misunderstood. There are several reasons for this consumer misconception. Certainly it is a field with a variety of products, each having their own criteria, policy layout, and legal terms. Some insurance fields, such as Medicare supplements, have attempted to standardize products in an effort to make them consumer friendly. Other types, out of necessity, allow great variations. Confusion often arises from a lack of understanding or knowledge of insurance terms. However, many analysts feel a major problem is simply the preconceived idea held by consumers that all policies are unreadable. Because they believe this, many consumers never attempt to read their policies nor try to understand them.

The insurance producer is in an ideal position to help their clients learn how to read and understand the policies they buy. Of course, in order to fulfill this role the agents must understand the policies they sell and be able to communicate this understanding to the buyers.

An insurance policy is the document containing the contract between the issuing insurance company and buyer. The length and complexity of the policy will vary with the type of contract and the depth of coverage. Regardless of the length or complexity of the document, however, the policy will define the rights and duties of the contracting parties.

Insurance policies follow the same basic format, including:

-Declarations

-Insuring Agreements

-Exclusions

-Conditions and Miscellaneous Provisions

-Definitions

Some types of policies will follow this format precisely while others may consist of multiple parts, which must be combined to make a complete contract.

An automobile policy tends to follow this format with easily recognizable parts. Homeowner policies, on the other hand, consist of two parts which must be combined to make the complete contract.

Since endorsements and riders are important to the contract, agents and consumers alike are wise to read them. Endorsements and riders are often used when the standard or preprinted policies do not meet a specific situation. Modification of the standard or mass-printed policy is possible by adding special provisions to the basic contract. The term "endorsement" is used in property and liability insurance; the term "rider” is used in life insurance contracts.

Endorsements and riders are used to complete a contract, alter coverage, or change a policy currently in effect. For example, a standard fire policy is not considered complete until the endorsement is added, describing the property to be covered. Without this endorsement the contract could not state exactly what is insured.

A peril is defined as the cause of a potential loss. The loss may be due to multiple causes, such as accident, fire, explosion, flood, negligence, or theft.

A peril is different than a hazard. A hazard is anything that increases the seriousness of a loss or increases the chances that a loss may occur. There are four types of recognized hazards:

Physical Hazards, which come from material, structural, or operational features. A physical hazard is, as the name implies, something that exists physically.

Moral Hazards involve people and their actions. Arson is a moral hazard because it involves the actions of people.

Morale Hazards are different than moral hazards, as noted by the difference in spelling. Morale (with an 'e' on the end) involves human carelessness or irresponsibility rather than an intentional act.

Legal Hazards come as a result of court actions increasing the likelihood of a loss or increase the size of the loss itself. Due to the lawsuit prone society we live in legal hazards are becoming increasingly common.

We recognize that authorities do not always use the same definitions for the same terms. The terms perils and hazards, for example, are often interchanged from one policy to another and from one text to another. Even with these variations, most authorities consider:

-Perils to be the things that caused the loss and
-Hazards to be the catalysts that bring about or increase perils.

Consumers are increasingly aware that comparing prices may save them money. Every state requires drivers to carry vehicle insurance. Not doing so could result in license suspension or license revocation, fines, higher insurance rates, or even confiscation of personal assets if an at-fault auto accident occurs and someone gets hurt.

Most vehicle insurance is placed on the automobile rather than the driver. However, there is coverage that insures the driver instead of the vehicle. Insurance that is placed on the vehicle (not the driver) will cover an accident or loss even if a non-owner was driving in most cases. Higher insurance rates may result.

Items left in a vehicle are often not covered under a traditional car insurance policy. Such items might be compensated for under a renter's or homeowner's policy however.

Some insurance companies writing auto coverage offer what is called "accident forgiveness" that might keep auto premiums from going up following an accident. Consumers are wise to ask about this although agents are likely to disclose this option if offered by their company.

High-mileage driving raises vehicle insurance rates. It makes sense to charge higher rates to those who are on the roads more often. Insurers base auto premiums partially on the miles driven annually since risk is higher when more miles are driven.

Some people feel it is not wise to make numerous small auto claims since doing so may cause higher premium rates. For those who feel this way it is wise to set up a savings account used for minor damages to vehicles or injuries to others.

It is cheaper to insure multiple vehicles under the same policy versus using separate insurance plans. Bundling cars together earns the insured a discount. Additional discounts may be gained by bundling multiple types of insurance, such as homeowner's coverage, life insurance, or other types issued by the insurer.

Several companies offer discounts to military personnel and their families. To achieve maximum benefits consumers should let the insurer know before being deployed overseas including an anticipated return date.

Both bodily injury and property damage liability plans will pay for legal defense if claims or lawsuits are brought against the policyholder. This is important since legal defenses can be extremely expensive. Generally there will be policy limits however, meaning the insurer will not pay more than a specified amount.

Personal injury protection (PIP) is a broader form of medical payments and it may vary from state to state. PIP covers such things as lost wages and the cost of replacing personal services, such as cooking, in addition to medical payments. Personal injury protection is sometimes called no-fault coverage because it is required in some states having no-fault laws. Even in “fault” states, however, PIP is typically available.

Uninsured motorist coverage pays for injuries caused by a driver without insurance. In many states this type of coverage is mandatory.

Each of the six automobile coverages has its own separate premium. The total cost of the policy is the sum of all its components. It could be said that buying auto insurance is like going to a restaurant and ordering a gourmet hamburger. The bun and meat patty is just the basic meal; everything else, such as lettuce or tomato, is additional. Most people buy at least the minimum insurance protection; if they don't add the extras they may find themselves paying out-of-pocket for other costs.

Legal contracts can be intimidating. Breaking down an automobile policy into its separate parts is often the first step to understanding how it works. By looking at each of the six available components the consumer is able to understand and purchase the parts they wish to have. Some parts are mandated by state law but all parts play a role in complete coverage.

Classic Cars
Generally any insurance company will insure a classic vehicle, but the rates from a standard car insurer may be higher than that charged by specialty insurers, so it may be best to look around for insurance companies specializing in this type of coverage.

Since classic cars may have special value, an appraisal from an appraiser specializing in cars may be sensible prior to seeking coverage. Like artwork or coin collections, cars can have values beyond their repair costs.

Most insurance companies require vehicles to meet specific criteria before the vehicle can be considered collectible or classic. While the requirements may vary from insurer to insurer, usually the following is required:

-The vehicle must be at least a certain age.

-The car must be stored in a locked, enclosed structure such as a garage or storage unit when not in use.

-Often the car must be in excellent condition (restored in other words). Some insurers may deny coverage when the vehicles have too many miles, damage, or extensive wear.

-The car must not be used on a regular basis as a family car would be. It must be drive only for special occasions, car club events, or for limited periods of pleasure driving. Often they may not be drive more than 5,000 miles per year.

Even when the vehicle is a classic car, the owner’s driving record is still important. Since collectible cars are often more expensive to repair or replace, there must usually be no major violations. Minor traffic violations, such as parking tickets, are not likely to have an adverse effect, but any serious infractions, such as speeding or reckless driving, will result in a denial of coverage.

When seeking coverage from a specialty insurer for collectible or classic vehicles, it is likely that the owner will buy what is called "agreed value coverage." This type of contract provides full coverage at a specified collector value that is listed in the policy. This type of coverage is not just for cars; it can apply to collectible dolls, toys, china, or any type of collectible item.

Unlike regular cars that depreciate in value, collector cars may actually increase in value over time. Inflation guard protection is offered by companies that specialize in collectibles. An inflation guard protection is designed to automatically increase the coverage amount placed on collectible cars of up to 8% annually.

Of course, it is also important to carry collision coverage and comprehensive coverage in order to protect the classic car against non-collision-related incidents, such as vandalism.

Delivery Drivers

Delivery drivers have unique automobile insurance needs. A job requiring an individual to make deliveries or perform other errands without a company-provided car must be aware of insurance coverage. The personal auto insurance policy probably will not cover on-the-job accidents including injuries to clients or coworkers riding in the vehicle and damages to goods, property, or other damaged vehicles. Personal auto insurance policies do not cover individuals on-the-job because delivery drivers are considered especially high risk according to the food industry website FoodServiceWarehouse.com. The risk is partially due to the amount of miles driven in a delivery capacity; the more miles driven the higher one's risk of an accident.

It is possible to purchase insurance providing on-the-job auto coverage. The employer might provide what is called non-owned vehicle liability insurance for its employees. Non-owned vehicle liability insurance is a special type of insurance available to businesses that rely on their employees using personal cars.

For those who are independently employed, commercial automobile insurance might be the option chosen. This type of insurance is most commonly used for fleets and large scale transportation businesses. It is also available to individuals such as pizza delivery drivers, providing profession-related liability coverage.

Small independent pizza parlors may not have sufficient coverage, leaving their employees under-insured. Pizza delivery has become such a commercially significant job market that some specialty insurers actually offer coverage specifically for pizza delivery.

RV Insurance

RV insurance was created as special coverage for owners of motorhomes, travel trailers, truck campers, and fifth wheels. There may be financial assistance in these policies for unexpected events that interrupt a road trip.

While standard car insurance protects only drivers and their vehicles, recreational vehicle insurance is more comprehensive; in a way they are a cross between auto and homeowner's coverage. Since RVs are often lived in for extended periods of time, they are considered "home" by insurers. As a result, they are vulnerable to theft, damage, and the risk of personal injury just as traditional homes are. Without RV-specific coverage, bills due to accident or injury could result in financial problems.

Depending on the insurance carrier, RV owners have numerous options when insuring their RVs:

-Collision, covering damage to the RV and all its components resulting from collision with another object (not necessarily a motor vehicle).

-Theft/Vandalism, which reimburses the owner for stolen items from the RV or damage during a break-in.

-Property Damage, which pays to repair the damages an RV driver causes someone else.

-Uninsured or Underinsured motorist, which works just like it does with a car. It covers repairs when the at-fault driver is underinsured or not insured at all.

-Vacation liability, which pays for bodily injury and property damage occurring at a vacation site.

-Towing and labor, which pay when the rig breaks down. This covers the cost of transportation and mechanic time.

-Total loss, which provides a replacement vehicle when the RV is completely destroyed.

Roadside Assistance, which covers charges when the RV owner breaks down and needs help. Even running out of gas is covered.

Most professionals recommend drivers purchase total replacement coverage. Doing so helps guarantee payment in full when the vehicle is irreparable, rather than reimbursement that is based on current market values.

Motorcycle Insurance
As gas prices went up, drivers began looking for cost effective ways to go from point A to point B. Many of these drivers looked at motorcycles as a means of saving fuel costs.

State laws vary, but most require a minimum amount of liability coverage. Some insurance companies have policies specifically designed for motorcycles while others offer coverage as part of an endorsement on an existing auto policy. There may be discounts for bundling policies.

Many states have helmet laws. According the U.S. Department of Transportation, 63 percent of motorcyclists wore helmets in 2008, which was an increase over the previous year (we were unable to find more current figures). Whether or not the driver's state has mandatory helmet laws, most professionals highly recommend using them.

There are factors that determine premium rates for motorcycles, such as the type of bike and its intended use. A high-performance sport bike may cost more to insure than a touring cruiser since sport bikes (like sport cars) tend to be used by those favoring more dangerous habits. Many companies simply look at the size of the engine to determine premium rates.

Some insurers have lower rates when the motorcycle is only used for part of the year, typically during the summer. Since risk is higher in the winter, those who ride yearlong are likely to pay higher premiums since they are riding during bad weather conditions.

Storage is also an insurance issue since motorcycles are easy to steal if left outside in a driveway versus being stored in a secure garage.

As with all vehicles, the driving record of the motorcycle's owner will impact the premium rate charged by the insurer. As always, a clean driving record equates into lower premiums. Even though most people recognize this connection by now, it still needs to be said that safe drivers pay less for insurance than unsafe drivers do.

Mechanical Breakdown Insurance (MBI)
When an individual buys a new car (or even a used car in some cases) the dealership may offer, at the time of purchase, the option to buy extended coverage through a separate insurance policy. Extended warranty coverage is a limited arrangement (typically more limited than the new car warranty) sold by dealers that covers specific components such as the transmission or engine up to certain dates or mileage. A new car at a dealership typically has a factory warranty that provides bumper-to-bumper coverage for a specified period of time or through a specified mileage limit. This factory warranty is primarily meant to cover defects in material and workmanship.

For those who wish more coverage than that offered by the manufacturer mechanical breakdown insurance, called MBI, is an option. MBI is not the same as extended warranty coverage; in fact it is not a warranty at all. Rather it is an auto insurance product sold by insurance companies regulated by the issuing state and guaranteed by state insurance funds. Generally MBI is broader coverage than that offered through extended warranties so many feel it is a better choice. Since mechanical breakdown insurance is paid through premiums, rather than in a lump sum as extended warranties are, the purchaser may drop it at any time by simply discontinuing premium payment. Some MBI policies are transferrable to other vehicles or even to other drivers, but this should not be assumed. Extended warranties may require owners to go to certain repair shops, but MBI allows vehicle owners to go to any repair shop they wish.

Mechanical breakdown insurance may vary from company to company and there are generally restrictions in the policy (as there is in any type of policy). Some companies will only issue MBI policies on vehicles with low mileage at the time of policy issue, but once purchased the coverage continues as the miles pile up. Usually the policies can be renewed up to 100,000 miles or seven years of vehicle ownership. There are deductibles, but the policies cover virtually all parts. Regular maintenance is not typically covered since maintenance is simply part of car ownership.

Like all insurance, MBI must be purchased when the vehicle is new or nearly new in most cases; it is not possible to buy it after an incident occurs in an attempt to get that situation covered. Like all policies, there are exclusions. However, when compared to extended warranties, MBI is often a better choice.

Foreign Travel

As more Americans travel abroad, renting cars while they travel, insurance is an important element of vacation planning. Not all auto policies provide coverage on foreign soil. It is always important to check and agents may want to specifically cover this point when they place a policy.

In general U.S. auto insurance will not cover an individual while traveling abroad, but it may cover if the foreign country borders U.S. soil, such as Canada. Even if there is coverage, drivers must be aware that many countries have minimum requirements that exceed those of the United States. For example, Mexico requires drivers to carry civil liability insurance covering them if they cause injury or damage to others. U.S. liability insurance is not valid in Mexico for bodily injury although some U.S. insurance policies will cover insured drivers for physical damages, according to the Insurance information Institute.

Those paying for their rental cars through Visa may have coverage, but this should never be assumed since some countries are specifically excluded, such as Israel, Jamaica, and Ireland. When coverage is extended through Visa, all car rental transactions must be charged to the Visa card for coverage to remain intact; the auto rental company’s collision coverage would then be declined.

Those driving in Europe should check the country’s auto insurance requirements since it may require drivers to buy specific coverage. For example, in Italy, visitors are required to purchase a collision damage waiver and theft protection, according to Auto Europe, and provider of car rental services in 130 countries.

Driving after drinking in Europe and some other countries can be especially stupid since they often have much tougher drinking-while-driving laws. For example, in Iceland, drivers can be charged with driving under the influence with a blood alcohol level as low as 0.05 percent.

Drivers should not assume anything while traveling in other countries. Whether coverage is obtained through a U.S. policy, a Visa card, or through a travel agency, proof of coverage should be kept with the driver and the vehicle.

Senior Drivers and Safety

While it's true that people of 55 years of age or more are less likely to drive fast or aggressively, they are prone to hearing impairments, slower reflexes and using prescription drugs. Not to mention generally having poorer eyesight.

Then there is the problem of the senior driver who hasn't owned a car for some time. Perhaps he lived in a big city and used cabs or public transportation to avoid the hassles of parking his car. Upon retirement, he moves to Florida and decides he wants to now get a car. The carrier finds that it has been 20 years since the senior had bought auto insurance. The senior now finds that the insurance company is reluctant to accept him because they consider him to be an inexperienced driver.

Transportation Alternatives

Taking the license to drive from an elderly person can rob the driver of independence, but it also may save the person's live and the lives of others, statistics show.

The 86-year-old man who drove his car through a crowded farmers' market in California, killing 10 people and injuring scores of others, is part of a broad age group that generally is considered safe behind the wheel, experts said.

While older drivers do have higher-than-average rates of accidents when measured by collisions that cause injury or deaths per million miles driven, that is mitigated by the fact that they drive far fewer miles than most people.

Drivers age 70 and older also tend to regulate their own driving by restricting when and where they drive.

According to Dan Foley, an epidemiologist with the National Institute on Aging, "Older drivers are a fairly safe group."

For drivers up to age 69, fatal accident rates are far lower on average than for people in their 20s, according to federal highway statistics. After age 70, the rates gradually increase, and drivers 85 and older are involved in fatal crashes at a time comparable only to 16-years-olds, the next-highest category.

Although many people think older drivers should undergo vision testing when their licenses are renewed, experts say vision is not the main problem that older drivers face. It's their basic ability to drive safely.

"When you put your foot on the gas instead of the brake, that is not vision, it's cognition," Foley said.

The regulation of older drivers differs from state to state. In Illinois and New Hampshire, for example, rules are strict: Drivers 75 and older have to take a road test when renewing their licenses. In Nevada, drivers age 70 and older must submit a medical report when renewing their licenses by mail. Missouri allows people to file confidential reports that an older driver is no longer safe on the road. The state then can require the targeted person to pass a driving skills test or physical examination.

No state formally tests for cognitive impairment among drivers of any age.

"The problem is that not everybody ages at the same rate," said Gerald McGwin, an associate professor of ophthalmology at the University of Alabama Birmingham.

The American Association of Motor Vehicles Administrators, a non-profit group that coordinates policies among the nation's departments of motor vehicles, opposes testing on the basis of age.

"We don't believe that there should be age-based testing," said Jason King, a spokesman for the association. "That's because it does not work."

Experts on aging agreed. AARP, the advocacy group for people 50 and older, and the auto club AAA both argue that people should be allowed to drive as long as they can do it safely and effectively. But how to determine that is a problem.

"When do we start testing?" asked Joe Coughlin, the director of the Age Lab at the Massachusetts Institute of Technology. "Who should we test? And we don't have an adequate test to start with."

Diminished Capacities at Issue

The problems facing older drivers are diverse, according to Martin Gorbien, director of geriatric medicine at Chicago's Rush-Presbyterian-St. Luke's Medical Center.

He said diseases such as arthritis, diabetes, Parkinson's, eye and ear ailments, and various forms of dementia such as Alzheimer's disease can combine to greatly diminish the capacity of older drivers. Gorbien said that even if each problem is not severe, the cumulative effect of several ailments could be serious.

"I've just described five million people," he said of people with such combined ailments. "Instead of focusing on age and disease states, we need to focus on function."

And as Baby Boomers grow older, the problem will increase, King said. There were 19.1 million licensed U.S. drivers age 70 and older in 2001. King also said that by 2020 that number will increase to 30.7 million.

He said people need to start thinking about how they will get around once they are no longer able to drive.

"We want people to think about their driving future the same way they plan for retirement with 401K and regular visits to the doctor," King said.

Indeed the loss of mobility that comes with losing access to driving an automobile means profound life changes and severely limits freedom.

"Driving is like electricity," said Coughlin of MIT. "When you pull the plug, everything goes out."

He and others said local, state and federal leaders need to address ways of dealing with the problem, particularly as the nation's population ages.

"The real policy debate is not the testing or the aging," Coughlin said. "The real issue is that the nation has failed to provide a lifetime mobility plan."

The motor vehicle administrators' group and AARP and other groups offer classes for aging drivers to help them identify problems that occur as people grow older and guidelines for doctors and family members on how to counsel elderly people on the judicious use of their cars.

"We want to keep people in their cars as long as it is safe, because there are so few alternatives," said King of the administrators' group.

Gorbien said doctors have not been trained in how to determine whether a patient age 70 or older should stop driving.

“We need more means of evaluating older drivers,” he said, adding that when he met with multiple generations of the same family and discussed whether to stop the eldest member from driving, he used a simple question to focus the middle generation’s thoughts.

“I asked if they would let their 3-year-old ride with Grandpa,” Gorbien said. “I see a lot of people shaking their heads.”

Statistics from the Insurance Institute for Highway Safety indicate older drivers generally are as safe as other age groups until they reach 75, after which they tend to have more accidents.

Drivers 85 and older are about as likely to be involved in a fatal crash as those ages 16 to 19, but they’re more likely to die than others in car accidents because their bodies are frailer.

Recently, the University of Connecticut’s Center on Aging studied the signs that older drivers were losing their capacity to operate a vehicle safely.

Among these signs were inability to locate familiar places, failing to observe traffic signals making slow or poor decisions, driving at inappropriate speeds, and becoming angry or confused while driving.