

# Auto Insurance 101

## The basics to buying auto insurance



Consumers 1-800-686-1526 • OSHIIP 1-800-686-1578 • Fraud & Enforcement 1-800-686-1527

### **What to know when buying auto insurance**

Auto insurance is one of the most frequently purchased types of personal insurance. In fact, Ohio requires that you comply with the state's Financial Responsibility (or FR) Law. The FR law requires each Ohio driver to demonstrate an ability to pay for injuries to other people or damages to other people's property if the driver causes an accident. Buying insurance is one way to show financial responsibility and the easiest way to comply with the FR law.

The two basic components to auto insurance coverage are liability and property damage coverage.

### **Liability coverage**

Most auto insurance policies cover your liability for bodily injury, and property damage. The policy may offer coverage for uninsured/under-insured motorists coverage.

Bodily injury liability insurance protects you against the claims of other people who are injured in an accident for which you were at fault. Their claims for bodily injury may include medical expenses, lost wages and pain and suffering. Your liability coverage would pay these costs and the cost of defending you against their claims.

Property damage liability insurance pays for any damage you cause to the property of others. This includes not only damages to other vehicles, but also other property, such as walls, fences and equipment.

Uninsured motorists coverage protects you, the policyholder, in the event that you are injured by a hit-and-run driver or a driver who does not have auto insurance.

### **Physical damage coverage**

Physical damage coverage may include both collision coverage and comprehensive coverage. Collision coverage pays for physical damage to your car as the result of your auto colliding with an object, such as a tree or another car.

This coverage is optional and not required by law. However, collision insurance may be required by your lending institution or lessor.

In the case of an accident involving an older car, the cost of repairing the car can quickly exceed the worth of the car. In this case, insurers will "total" the car and pay you what the car was worth based on its current actual cash value (ACV) rather than fix it.

Comprehensive coverage pays for damage to your auto from almost all other causes, including fire, severe weather, vandalism, floods, theft, and hitting an animal. You are not required by law to carry comprehensive physical damage coverage.

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## Other factors that impact your auto insurance premiums

- For starters, auto insurance premiums are linked to the type of vehicle driven. If you're buying or leasing a new car, check the insurance rates before you make your final choice. For example, SUVs, convertibles and performance vehicles typically cost more to insure than other cars.
- Safety devices on your car can help reduce your premiums. If you're buying or leasing a new car, consider getting one with anti-lock brakes, side air bags, automatic seat belts and daytime running lights.
- Anti-theft devices on your car, such as an alarm system and global positioning system (GPS) – so that your car can be located if stolen – can help reduce your premiums.
- Where you park your car can also impact premiums. If you have access to an indoor garage or locked parking lot – places that decrease the likelihood that your car will be stolen – you may qualify for lower premiums.
- The geographic region in which you live may impact your premiums. For example, areas prone to extreme weather – hail, wind storms, hurricanes, etc. – higher traffic patterns or higher risk of theft may have higher insurance rates. If you live in an area prone to extreme weather, check whether your policy includes comprehensive coverage on your car to cover potential damage from storms.
- Your driving record – tickets, accidents, DWIs/DUIs (driving while intoxicated/ driving under the influence citations) – directly affect your premiums.
- The number of claims you have previously filed impacts your insurance costs. Consider not filing claims for smaller events to avoid premium increases.
- Finally, the cost of your insurance is linked to your policy's deductible. The deductible is the amount of money that you agree to pay as part of a claim, before your insurer pays the remaining amount toward that claim. For example, if your vehicle incurred \$1,000 of damage in an accident and your deductible was \$250, you would pay the first \$250 and your insurer would pay the remaining \$750. The higher the deductible, the lower the premium.

## Questions or concerns?

The Ohio Department of Insurance regulates agents and companies that are licensed to sell insurance in our state. The Department's Consumer Services representatives can answer your insurance questions and investigate your complaints about an insurance company or agent. **Call 1-800-686-1526.**