



## Auto Insurance Introduction

Auto insurance is one of the most frequently used types of personal insurance. In fact, states require that you purchase some kind of insurance coverage in order to drive legally.

There are two basic components to auto insurance coverage: liability and property damage. Let's start with liability.

Oregon's mandatory insurance law requires that drivers have at least these coverages:

**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.

**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 you are injured by a hit-and-run driver or a driver who does not have auto insurance.

**Personal injury protection** pays for medical expenses, wage loss, funeral expenses, and in some cases, essential services and child care, if you or your passengers are injured in an auto accident, regardless of who caused the accident.

Moving on to property damage coverage ... it 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 book value rather than fixing it.

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

Your auto insurance premiums are affected by a number of factors:

- For starters, they're 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 some 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 – so that your car can be located if stolen – can help reduce your premiums.
- Where you park your car can also impact insurance costs. 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 – Driving While Intoxicated citations – directly affect your premiums.
- The number of claims you have previously filed impacts your insurance costs. You may want to consider not filing claims for smaller events to avoid premium increases.
- Finally, the cost of your insurance is directly linked to your policy's deductible amount. The deductible is the amount of money that you agree to pay as part of a claim, before your insurer pays the remaining amount towards 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.

[More information about auto insurance](#)