

Chapter 11: Protecting automobiles and drivers: A complete guide to auto insurance coverage options

11.1. Introduction

Few people really give much thought to their automobile insurance. You pay your premiums every month without fail, and when you have an accident or a problem with your car, you flip through the pages of your insurance policy and call the number. You hope for the best, but often the process isn't as simple as you would like it to be. After all, how many people read all the details of their insurance policy? But that's also part of the problem; the details.

Insurance companies are big businesses that are out to make as much profit as they can. Most assume that their clients do not have a thorough understanding of the many aspects of their policies. You may be surprised by what is and isn't covered when you need to file a claim. For example, most people believe they are covered if a deer runs into the side of their car, but in many insurance policies, this is not the case. Car insurance policies contain pages and pages of fine print that most people would not understand even if they did read it. It's difficult to expect someone to have a thorough understanding of all that fine print, particularly when they are bombarded with so much information in their daily lives (Arora & Bhardwaj, 2021; Giannaros et al., 2023; Atakishiyev et al., 2024).

It's important to know the facts about auto insurance – how it works and what options you have. This knowledge ensures that you can tailor your auto insurance coverage to fit your needs, and it also protects you by making sure that you are not overpaying for your coverage. It's impossible to predict the future. An accident can happen at any time and usually when you least expect it, and you could find yourself involved in a lawsuit costing you thousands of dollars. By understanding your auto insurance options, you and your auto can be fully protected. This text takes the guesswork out of auto insurance by explaining your options in simple, easy-to-understand terms. It will help you decide how much coverage you need and why you need it.

Comprehensive coverage pays, minus deductibles, for some other types of damage to your car, usually including damage from flood, hail, ice, theft, vandalism, and animal collisions, but not damage from a wreck. The protection of these coverages is optional—but you want the coverages if it would be financially onerous to repair or replace your vehicle. The other main auto coverages, although required in some states, are not required throughout the United States (Strandberg et al., 2022; Rahman & Thill, 2023; Sadaf et al., 2023).



Fig 11.1: Protecting Automobiles and Drivers Insurance Coverage

11.2. Types of Auto Insurance Coverage

Most people first purchase auto insurance to comply with their state’s mandatory liability coverage, but the market for other voluntary coverages is vast and addresses virtually every automobile insurance need. Liability coverage protects other people from injuries and damage your driving might cause. The two main coverages pay parties who are injured or have their property damaged by wrecks you cause while driving: bodily injury liability coverage, which covers injuries to others, and property damage liability coverage, which covers damage to another person’s property. Other liability coverages

are also available to protect you from costs if someone else is injured or has property damage while you're driving or using a car you do not own, even if you are not driving at the time.

Collision and comprehensive coverages protect your own vehicles—coverage you want if your car is relatively new and costly to repair or replace. Collision coverage pays for damage to your own car in a wreck regardless of who is at fault.

11.2.1. Liability Coverage

Liability coverage is one of the most important types of auto insurance, and is usually required by law. If you are found liable for an auto accident that results in injury or damage, this part of your policy protects you and the other party. Liability coverage has two components: bodily injury liability coverage and property damage liability coverage. Bodily injury liability coverage applies to the injuries or death of other people and the lost wages, medical bills, and other costs associated with the injuries or death. Property damage liability coverage applies to the other party's vehicle or other property, such as a fence, another structure, or a person's belongings that are damaged in the accident.

Just as there are limits on most insurance coverages, liability coverage has limits as well. The limitation is the maximum amount your insurer will pay per person, per accident, or for damage to the other person's property. If your costs exceed the coverage limits of your policy, you are personally responsible for paying the excess amount. This is especially important due to the increases in medical expenses that have occurred in recent years. Hence, it is vital for you to have sufficient liability coverage to secure yourself against personal exposure in the event you injure someone or cause damage to someone else's property or vehicle.

11.2.2. Collision Coverage

Collision coverage is insurance that covers damage to your car caused by a collision with another vehicle or object. It pays for the cost of repairing or replacing your car after a covered accident. Policy limits range from the actual cash value of the vehicle up to the replacement cost of the vehicle. If you cause a collision, collision coverage pays for damage to the cars of the other people involved. It also covers costs incurred if a deer or other animal were to collide with your vehicle. There is no deductible for these types of accidents, but other accidents do have deductibles.

Many auto insurance policies only offer collision coverage at a cash value basis. This means that if you get in an accident and your car gets totaled, you will only get paid what your car was worth, not what it cost you to buy. Therefore, if you do not have a newer car that is worth a lot of money or plans to take your car to the dealership to sell, collision insurance at a cash value basis is probably best. This type of policy would benefit someone who does not care about losing their car and wouldn't mind receiving a small check if anything were to happen. The odds are basically in your favor with this type of policy.

11.2.3. Comprehensive Coverage

While collision coverage is there to help out when your vehicle is damaged as a result of collision with another vehicle or object, comprehensively takes care of everything else that can cause damage to it. It is commonly also referred to as "all perils" or "comprehensive physical damage" coverage. Comprehensive coverage protects you from a host of things, including damage caused by falling objects, fire, vandalism, theft, animal collisions, and damage caused by civil disturbances. It is also necessary for the repair of any damage to your car caused by vehicle glass breakage or chipping.

Comprehensive coverage is almost never available for purchase on its own. It can, however, be purchased only in conjunction with collision coverage. All financed vehicles must have both collision and comprehensive coverage; new car dealers will not finance the car without proving that it has been purchased. Most car leasing companies will also require you to have both. Collision and comprehensive coverage also tend to be sold as a package which has a lower price than the sum of their individual premiums. The amount of the deductible that you choose for your collision and comprehensive coverage will influence the size of your premium.

11.2.4. Personal Injury Protection

In some states, auto accident injuries are primarily the financial responsibility of insurers, not injured drivers. If you're injured in an accident in one of those no-fault states, you first go to your own auto insurance company for medical expenses or lost wages, rather than making a claim against the negligent driver. Personal injury protection (PIP) is a type of coverage that pays for certain costs associated with an accident, regardless of who caused it. In most states, PIP is available as part of a no-fault insurance plan. It's called no-fault insurance because in almost all accidents, whether someone is breaking the rules of the road or not, each driver submits an injury claim to their own insurance company.

Most states that allow personal injury protection as part of a no-fault insurance policy require drivers to carry it. In addition to the required minimum level of personal injury protection insurance, drivers can usually buy higher limits. As part of their insurance policies, other states permit PIP as an option, not a requirement, however, victims who are involved in collisions with uninsured or underinsured motorists would not be able to use their PIP insurance if they did not purchase this optional coverage.

11.3. Factors Affecting Auto Insurance Premiums

Driving history is perhaps the most significant risk factor for auto insurance companies; data show that those who cause accidents have the highest rates of accidents. Insurers calculate what is called "loss experience for a group." Since they have access to enormous amounts of accident and liability data, they know how likely it is that someone will have an accident based on statistics related to their driving record. This calculating process is called "underwriting," and, like all businesses, the insurers are attempting to minimize their financial risk. To do this, they charge higher premiums for higher-risk individuals or groups in order to cover the costs from accidents.

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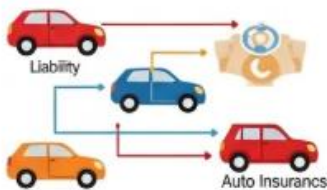
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Fig 11.2: Factors Affecting Auto Insurance Premiums

There are two types of accidents commonly recognized by insurers: moving violations and at-fault accidents. Moving violations are defined as any violation of a traffic law committed as part of the operation of a motor vehicle, except for violations that are non-

moving violations. Each operator of a motor vehicle is automatically considered to be at fault, both legally and financially, for any crash resulting from a violation by that operator of this chapter or any other chapter governing rules of the road. They include violations such as driving with an expired license, ignoring a traffic light, driving an uninsured vehicle, and violating the laws against driving under the influence or in an unsafe condition. Other moving violations include speeding, improper lane changes, driving without a seat belt, and failure to yield for pedestrians and bicycles.

Some insurers use an annual accident threshold to flag your history for special underwriting. When the number exceeds this threshold, the company will take action.

11.3.1. Driving History

When looking for your first auto insurance policy, rates can vary widely between insurance companies; because of this, it is important to shop around before making a commitment. An important factor that the insurance company will base rates on is driving history. Because young drivers do not have an extensive driving history to go off of, insurance companies typically use parent's driving records as a guideline for setting rates for young adults. Claims history and violations in your parent's records can have a major impact on your initial quote. Young drivers are in the highest risk category for insurance and small violations made prior to receiving a license can remain on a driving record for several years. Be aware that each time you receive another violation, regardless of severity, it can add years to the length that the violation will remain on your record.

Your driving history consists of violations as well as coverage and claims history. This history affects individuals entering the auto insurance market at different stages of life. Drivers who have been behind the wheel for many years may also be looking for new options. If this is the case, it is important to know how to keep premiums low and not have coverage accidentally dropped, or, if so, the period of time that a cause of a high rate would take to clear from your record. Companies also review your prior insurance and claims history. The insurance company uses this history to determine the amount of risk you pose – how much you are likely to make a claim for in the future. If you have a high risk with no record of having had a policy in the past, the company may not want to insure you. Even with a reasonable risk, the company may charge more in premium due to your history.

11.3.2. Vehicle Type

Car insurance premiums are directly related to the amount of risk carried by the insurance company. Because of this, certain vehicles are notoriously expensive to insure, while others are practically risk-free. Generally speaking, the more valuable and powerful a car is, the higher the risk in insuring it. But many other factors go into determining whether a car is risky or safe for an insurance company to insure.

Make, Model, and Year

The make, model, and year of a car are the primary things to consider when looking into the cost of insuring it. It is no surprise that luxury vehicles, which are expensive to manufacture and repair and often attract criminal activity, are the most expensive to insure. New cars are usually more expensive than old cars, but as they age, they tend to lose their significant value, causing a decrease in insurance premiums. Exotic forms of transportation such as sports cars, motorcycles, and RVs are usually much more expensive to insure than traditional passenger vehicles. Pickup trucks are sometimes cheaper to insure than cars, and all-terrain vehicles such as SUVs tend to be slightly more expensive than cars.

Safety Features

In addition to standard airbags and seatbelts, many new cars come loaded with extra safety features. Rear-view cameras, collision sensors, and anti-lock brakes are examples of popular safety features. Vehicles that are equipped with these safety additions often qualify for discounts on car insurance, as the presence of these features greatly decreases the risk insurance companies assume when issuing policies. On the flip side, cars that lack basic safety features or have faulty parts may face higher premiums.

11.3.3. Credit Score

Insurance companies employ actuarial models to devise a system for projecting the likelihood of a policyholder submitting a claim. When these systematic procedures function most effectively, the premium collected from a policyholder almost directly correlates to the expected claim expenditure for that policy. Assuredly, if a company neglected to consider factors correlated with insurance claims, it would soon lose money and go bankrupt. However, whether some of the factors used are morally acceptable is debatable. One of the most obvious examples in this context is the use of credit scores. Actuaries have found correlations between credit score and insurance claims, so companies all over the country have jumped at the chance to reduce premiums for responsible customers. If a parking ticket or speeding camera generates a tiny violation, it does not go on the driver's record, making it a poor reflection of their driving ability.

Still, an insurance company's underwriting algorithm may omit tickets when calculating your driving history, but there is a good reason to assume it uses some equation that correlates violations with risk. Experience shows that additional violations trigger larger surcharges.

Most people have heard of increased auto insurance quotes due to higher credit risk, so the average driver is well aware that credit assessments play a major role in establishing auto insurance rates. There is also generally no debate about whether credit history should impact auto insurance premiums. How can an archaic offense, like someone declaring bankruptcy, still have such a dramatic, long-lived effect on someone's ability to purchase car insurance?

11.4. Understanding Policy Terms and Conditions

Because of the nature of insurance, policyholders need to be familiar with terms and conditions written into auto insurance contracts before they have a claim. Although policies may vary from company to company, there are some commonalities in how car insurance policies are written. Commonly, consumers will become acquainted with three important concepts that may change from company to company: deductibles, coverage limits, and exclusions.

Deductibles A deductible is an amount specified in the policy that the named insured must pay out of pocket before the company pays the remaining covered loss. The amount of a deductible may vary from one coverage to another. If a policy has a separate deductible for collision and/or comprehensive coverages, the company will typically pay for a covered loss minus the deductible amount. Keep in mind that a higher deductible has the potential to lower the cost of premium, but that will likely increase the cost of a covered loss to the named insured. If a person is financially able to assume a larger portion of a loss with a larger deductible, it may reduce the cost of the premium. Or if the policyholder wants to save a little more money, they may be interested in selecting a higher deductible for coverages that apply to only larger losses, like collision and comprehensive coverages.

Coverage Limits Commercial auto insurance policies like personal ones have limit restrictions for the insured's protection given by the coverage item and the various loss nature as mentioned. Coverage limits are vital as they will affect the extent to which your insurer pay out in the event that an accident does occur. Your insurance agent will help determine the coverage limits that are right for you based on how you drive, your car make and model, the number of miles you drive, and other factors.

Although all companies do not use exactly the same terms, most have exclusions for certain types of vehicles and/or uses of the vehicles. For example, there will probably be

an exclusion for damage occurring while the automobile is being driven for taxi purposes; or while a covered auto is being operated by a person wage-earning or employed in the use of such covered auto.

11.4.1. Deductibles

Most people are familiar with the term "deductible," which refers to the amount you must pay before your insurance company pays for your loss. With respect to auto insurance, this applies mainly to physical damage coverages, such as collision and comprehensive. Simply put, a deductible is the amount you are willing to accept in loss before your insurance takes over the loss. Generally, the higher the deductible you are willing to accept, the lower your premium will be.

Deductibles apply mainly to accident and theft claims, as most of the time insurance companies will not fix small problems such as a small dent, scratch, or windshield repair, unless it is above the deductible amount. At one time, most deductibles were considered flat deductibles, which meant that it would be the same amount regardless of the severity of the claim. Deductibles have increased from \$100, \$250, and \$500 deductibles to today's average of \$1,000 and some policies carrying \$5,000 deductibles on first-party coverages. Flat deductibles are still used by some high volume insurers on low-level collision coverages, where a vehicle is identified as being at-risk. For example, Don tried to save money on his premium by carrying a flat deductible on his vehicle. However, one day, Don drove an old clunker model to an auto parts store to buy some oil and change his dirty oil. Someone stole the clunker while he was in the store and left him \$1,000 poor because that was his deductible amount.

11.4.2. Coverage Limits

An auto policy is only as good as the coverage it provides. In general, coverage is designed to pay for both obvious expenses, such as repairs to your car and medical bills after an accident, and less obvious, but equally expected expenses related to the accident, such as lost wages, pain and suffering, rental car expenses and even funeral expenses, if applicable. Coverage limits are a somewhat arbitrary number that indicates the upper limit of what the insurer is willing to pay in a given accident. Choosing a limit too low can affect your financial well-being, especially considering how high expenses have gone even in relatively minor accidents in recent years. Not only can the actual cash value of your car be thousands, or even tens of thousands of dollars, but medical costs from broken bones, surgeries, and physical therapy from soft-tissue injuries can add up to hundreds of thousands of dollars and more.

Coverage limits vary, but insurers almost always offer the least expensive limits first and then allow you to buy higher limits for an additional premium. Because it is difficult to know how much coverage you might need for something that may or may not happen any time soon, many agents and insurance companies suggest that young people, whose health is still better than average, and those with fewer assets or who are living paycheck to paycheck can consider taking the minimum coverage allowable by law. In most states, that means liability limits of per person for bodily injury and for total bodily injury are the lowest limits available. But if either of those people's injuries exceed those limits, they can seek damages from the insured party who caused the accident. And in most cases, the insured is liable for any damage that goes beyond the coverage limit on any auto policy.

11.4.3. Exclusions

Your policy will have a list of exclusions. These are things or circumstances that are specifically not covered by your policy. Ask your agent about any exclusions you don't understand. Make sure you get clear explanations of things that aren't covered so that you do not find out the hard way after a loss occurs. Here are some common exclusions.

If You Don't Own the Car If someone else owns the car, you are generally not covered for accidents involving it. A car loan or lease should protect the insurance company's interests. In most circumstances, you're protected for accidents involving cars borrowed from relatives living in your household. The association might extend to all vehicles owned by the relative. If you are living in another person's home, you'll probably need to add them to your policy to extend your coverage to cars you drive. People who live together but who aren't married, or who are just cohabiting or temporarily living together, are not usually covered for borrowing each other's cars.

Intentional Acts No insurance will cover losses that are intentional. For automobile insurance, this extends to deliberately running over another person or staging a car accident for the purpose of collecting insurance money.

Public or Livery Use If you are using your car for taxi service, you won't be covered unless your policy provides specific endorsement authorizing that use. Insurance companies will not write policies for cars doing public or livery work, such as taxi services or airport shuttle services. But people have been arrested after doing livery work and having passengers in their cars. Contact your insurance agent to find out your options for obtaining a policy if you want to drive part-time for a ridesharing company.

11.5. Comparing Auto Insurance Providers

With all of the companies and different coverages to choose from in the auto insurance market, how can you know which company is best for you? When we began looking for car insurance, we compared five different companies. Fortunately, those companies made it easy. They did most of the analysis and breakdown of deals on the insurance comparison quote websites, but it still didn't help in picking a final company. They all had a variety of pros and cons. After narrowing it down to 2 or 3 companies offering similar quotes, we researched customer service and reviews, and we factored in how each company handled claims. Remember that you are paying for this insurance. You should be the one to decide what's most important for you and your greater level of comfort.

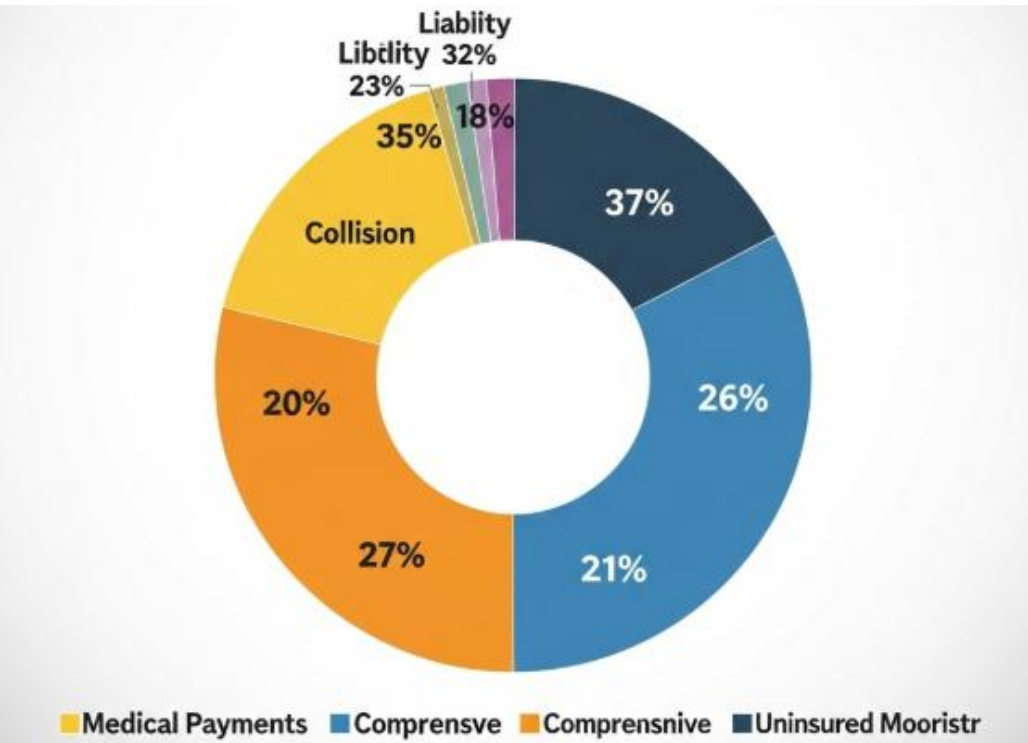


Fig : Automobiles and Drivers: A Complete Guide to Auto Insurance Coverage Options

Reputation and Reviews

Because you're paying to have your automobile and liability covered by someone else, even just for the chance of a future payout, make sure you are covered by a reputable company. Doing a little homework can save you a lot of headaches in the future. Check consumer reports and magazine ratings. Look to see how a company rates on claim

handling—this will give you an idea of how they will pay out if you're ever in an accident. Review unbiased sites for truthful comments and feedback, or talk to neighbors or friends who have had experience with the company when filing a claim. Be wary of comments on the company's own website, as they might be overly biased.

Customer Service

This is an important point to consider. Will you be able to talk to a real person on the phone when you have a question, or do you have to deal with pushing buttons and answering questions on a computer prompt first? Is there 24-hour customer service available? If you want to do everything online, is this possible? Would you prefer to deal with an agent in person or on the phone? Consider these questions when reading reviews for roadside assistance services as well. This is another service that you may need to access at some point in the coverage life cycle.

11.5.1. Reputation and Reviews

Much of what you know about insurance and the industry comes from your reading, conversations, and experiences. Concerns about people who were uninsured, underinsured, and overcharged started a movement in 1900 that resulted in the establishment of the insurance industry and today's insurance companies. Those companies have thrived because collective states, many as early as the 1800s, provided consumers with easier access to insurance and easing their concerns about fraud. A company's reputation matters. It tells consumers if they can feel secure enough to deal with the company and depend on it to deliver monetary solutions when needed.

Your feelings about the stability, reliability, and security of an insurance company is more than just an investment. Your premium may be hundreds, thousands or tens of thousands of dollars over the life of the policy. The dollar amount doesn't matter if you face a major loss from auto accidents, lawsuits, or fraud. Consumers expect insurance companies to provide help in the time of crisis and most do. They keep their ethics and commitments to the business. They protect policyholders with proper coverage and pay out claims as outlined by the policy. Evaluating the reputation of an insurance company helps you find one that's right for you. Look at sources you trust for original feedback from people like yourself to learn more about the company.

11.5.2. Customer Service

Purchasing automobile insurance is unique in that you do not plan to make such a purchase on a regular basis. However, after buying the policy, you enter an ongoing

relationship with the provider, with the plans for how that relationship works generally included in the policy and state insurance regulations. The customer service department handles your questions or problems concerning claims, billing, changes in the insured's risk, and other administrative details, and communicates with other departments to ensure your needs are met satisfactorily and quickly. Unfortunately, one of the biggest complaints customers have about their providers is poor customer service. If you expect to make a claim during the validity of the policy, any frustrations you experience when trying to get into contact with representatives not only alerts you to possible problems with your policy but can turn an event that is already stressful into an experience that is even more so.

Because auto insurance is generally purchased through a broker, it is easy to overlook customer service. However, an adequate amount of research and due diligence is warranted, especially if you plan to live in a different state in the future. You want a provider that will provide you with powers of communication that are both efficient and consistent. Murphy's law applies here: anything that is supposed to go smoothly will not. Your experience should be as trouble-free as possible when you have an urgent need; you do not want an unresponsive provider that has little or no after-hours service. Picking an auto insurance provider with friendly and communicative agents, a simple claims process that is quick to respond, and local offices can ease this process. Investigate whether your chosen auto insurance provider offers a claims hotline, an online claims service, and updated information available 24-hour.

11.5.3. Claims Process

Substantial research marks the difference between selecting the right auto insurance policy and provider and being grossly underinsured, having gaps in your coverage, or overpaying for unnecessary policy features. You will want to carefully compare companies and learn of their policies, procedures, and processes concerning policy activations, billing, renewals, terminations, and claims processing. Choosing the right auto insurer prior to a collision will simplify claims processing and provide peace of mind, resulting in your having one less thing to worry about after a car accident. Knowing that you are working with a responsive, engaged insurance agent who answers your calls and processes your claim quickly will be a relieving experience during what may be one of the most stressful parts of your life.

While it's not something you consider very often, accidents happen, and when they do, you need a fast and hassle-free way to file an auto insurance claim. Although most of us would assume that filing a claim is as simple as making a phone call, the claims process can quickly turn labor-intensive and worrisome if not properly managed. This is especially true when the accident involves damage to property, injuries, medical bills,

and insurance adjusters from each driver's auto insurance company wanting to investigate and ask questions about the incident. The last thing you want to worry about during an already-stressful period in your life is whether you're going to receive the financial assistance you need to repair your car, pay your medical bills, or cover lost wages.

The last thing you want is a claims process that adds stress to the situation, but unfortunately, that's not always the case. Different insurance companies have varying rules and procedures regarding how to file a claim, what to do at the site of an accident, documentation requirements, payment timelines, and the parameters surrounding reimbursement payments. Some insurance providers make this process more complicated, convoluted, and lengthy than others. Additionally, companies have different standards when it comes to the claims-handling process. Some are focused on generating the highest profit margins possible, while others make customer service the foremost concern, recognizing that their success depends on happy and loyal customers. The latter group may rank higher in your opinion, especially when an accident occurs.

11.6. Shopping for Auto Insurance

There are two ways to get quotes on an auto insurance policy: call around to various companies or use a comparison site. If you want to be sure every important factor is considered, sometimes it is better to call around to a few companies and get their best offers. Usually, even a small difference in price can make a significant difference over a year.

Many companies offer discounts for all sorts of things: being a good student, being a senior citizen, even being in the military or a veteran. Just about all companies will give a discount for keeping your vehicle within their service area and also doing your home and auto insurance business with the same company. Some companies allow you to put GPS devices in or on your vehicle that track your driving habits such as speeding and the number of times you slam on your brakes suddenly. The more careful your driving habits appear on record, the more you can save.

Most of the big insurance companies offer many types of insurance so that you can do all your insurance business with one company. This helps in case you need a specific type of insurance unique to those using a vehicle or doing business involving a vehicle. Sometimes, however, it is advantageous to keep certain types of insurance separate. For example, if you have a vintage car and get the classic car insurance from a specialty company, you might not want to bundle that with your auto insurance. The same goes for other specific types of insurance such as animal mortality, transportation, or even crop insurance.

11.6.1. Gathering Quotes

As you start your search for an appropriate and adequate auto insurance policy, you will begin by gathering quotes – a phased process where you ask various insurance companies for a quote to see how much they would charge you for a specific amount of coverage. Quotes generally detail out the cost of the liability insurance portion, as well as the collision and comprehensive portions, plus the underinsured and uninsured motorist portions if you decide to include those in your final policy. January is generally the time that most people get into serious discussions with their insurers about how much money and/or what type of coverage they would need. That means that getting quotes started in early December would be a great idea. The cost incurred from early January to when the quotes are finalized at the end of January is pretty much the cost incurred for the quote.

When getting these quotes, it is generally a good practice to either give a call to each of the respective insurance companies and talk to them over the phone or visit their site and get a quote all with the same amount of coverage. With all of these quotes having come from the same source, it is fairly easy to see what the price differences for getting the same amount/type of coverage are. If you do visit the companies' sites for a quote, the options that those particular companies give may be different from what you receive while talking to one of their representatives over the phone. Thus, it would be a good idea to talk to those representatives after getting the online quote. The types of coverage available would be protecting automobiles and drivers.

11.6.2. Discounts and Savings

Most candidates need to answer whether they will commit to this insurance or have sufficient coverage before showing up for the big game. However, if an auto insurer wants your business, it may provide some form of discount on your premium. Probationary discounts last a short time and apply to first-time customers who meet certain criteria, usually involving good driving records. Multi-car discounts apply when an individual or family insures more than one vehicle, including motorcycles and RVs, with the same insurance company. A low-mileage discount may be given to owners whose vehicles are driven far less than the average miles or so each year. Good student discounts reward young drivers who demonstrate academic achievement or good attendance. Some companies may also consider your completion of a state-approved driver education program. And a multiple policy discount is available if you have homeowners, renters, or bottle insurance bundled with your automobile coverage at the same insurance provider. Of course, bundle it with your vacation coverage if you have plans.

All of the above discounts probably account only for a small percentage of the available savings. The big ones—by far—are those available from the state or federal government. Don't try to figure too many on your own—get the help of your agent or company advisor. Native-born Americans are eligible for discounts on their autos if they are active members of the armed services, working full-time on active duty as a reservist, or working towards, or have already earned, retirement pay. But please be aware—if your military assignments require you to travel or live outside the country, and you benefit from a partial exemption from tax, there's a good chance your status won't qualify you for a discount.

11.7. Conclusion

At some point, all good things come to an end. So too does this complete guide. We have traveled together through the twists and turns of auto insurance. We have seen the hows and whys of coverage options along with some current considerations on the cost of coverage. Perhaps you have new answers to your basic coverage questions. Perhaps you are further confused. Regardless of which is the case, it is important to note that this guide has not been all-inclusive. It has merely been a broad-based coverage resource. Nothing can advise you better than your own insurance agent. You and your automobile(s) probably merit considerable thought and care when it comes to decision time.

Just as all of this auto insurance coverage stuff can give you a headache, the ideal coverage decision is not simple. It is not hyperbole to say that the financial consequences for the wrong choice can be devastating. You may pay little in premiums, but your potential financial losses could be immense. On the other hand, you could pay a great deal in premiums, only to have your insurance company deny your claim. The decision may very well rest on the coverage areas and the coverage levels you choose. This all leads up to one word – balance. The bottom line is that auto insurance choice may involve a bit of give and take from all sides. Take enough time and care to find that balance point. And remember your agent is worth their weight in gold.

As we look beyond current conditions, many forces are likely to impact auto insurance practices in the not-so-distant future. Perhaps the most immediate factor is the projected use of automobile black boxes. These devices can track a driver's speed and movements, even record the events leading to an accident. In a way, it sounds like increased monitoring of something most people feel is very personal and private. Currently, only a few automobile manufacturers install these devices as standard equipment. However, greater emphasis is on coming up with better safety features to help the automobile driver.

11.7.1. Future Trends

For those who do not so much care for long-term prognostication and are simply seeking some idea of what is likely to happen in the next two or three years concerning auto insurance rates and coverages, the answer most commonly given by experienced industry observers is, Not much. Meaning, no major changes in insurance practice or auto insurance products are likely to make bundles of money for industry insiders, or offer bonanzas to investors who have inside connections to the private sector. It should be pointed out, however, that a downturn in the economy, of the type many are forecasting for the next few years, is likely to have a downside effect on insurance profitability at a time when the industry is seemingly on an upswing. The following specific factors may each bring at least a temporary impact upon the multiple benefits or liabilities and other characteristics of the commercial auto insurance market: Accident prevention and cost containment efforts: The automotive insurance industry has been benefiting dramatically from developments in the safety aspects of cars and trucks. Anti Lock brakes, collision avoidance systems, lane centering systems, and other new safety features are not only making vehicles safer but making insurance more profitable. Accidents and their related costs, which have been the primary focus over the last 50 or 60 years for the insurance industry because of their impact upon insurance and reinsurance costs and premiums, are beginning to be controlled by technology. Much work still needs to be done, and the insurance industry and the car and truck manufacturing industries will be working hand in hand to make vehicular accidents virtually a thing of the past. Until that happens, however, any slowdown in the safety improvements could easily translate into a decrease in the profitability of the automobile insurance segment. A slowdown in the development of potential accident avoidance systems and other safety-related enhancements could, of course, also lead to a potential increase in the liability side of the equation.

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