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BUSINESS, FINANCIAL & INSURANCE SOLUTIONS

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AUTO INSURANCE

In each edition of the Alpergram, we endeavor to bring you useful information regarding the world of insurance – commercial, employment, employee benefits, etc. For this issue, we will focus on one area of insurance common to virtually everyone – Personal Auto Insurance. Please review this closely for your own needs, and feel free to copy and share this information with others in your company and your circle of friends.



What Does My Policy Usually Cover?

Typically, auto policies cover the following six items, which are usually priced separately:

Bodily Injury- Injuries caused by you to another person. This is the primary reason to purchase auto insurance. Alper recommends limits of at least \$100,000 per person and \$300,000 per accident. If your net worth is greater than \$300,000, Alper recommends the purchase of an umbrella policy, typically costs between \$200-\$300 per year for each million dollars in coverage.


Property Damage- Damage you (or someone driving the car with your permission) may cause to someone else's car, building, telephone pole, etc.

Medical Payments- Also known as Personal Injury Protection (PIP) in some states, this coverage pays for the treatment of injuries to the driver and passengers of the policyholder's car.

Collision- Damage you cause to your car after impact with another car, building, etc. – even potholes. The price of this coverage is contingent on the deductible amount you have chosen – usually between \$250-\$1000. This coverage applies regardless of (*over*)


What If I Lease or Finance My Car?

The auto dealer or financing bank will require the purchase of collision and comprehensive coverage, in addition to the other coverage mandated by the state (typically bodily injury coverage). What most financiers do not recognize is that the leasing company may also require "gap" insurance, which basically is the depreciation in the car's value once it has been driven. This is typically rolled into the lease payments as a "gap waiver."

If you own your car, but are still paying an auto loan, you may want to buy gap insurance to protect against the car being totaled while you're still making payments. 

Will My Rates Go Up If I Have a Claim?

Generally speaking, an insurance company will increase your premium rate by a percentage defined by the company each time you have a claim. However, in order for there to be an increase, the claim must be deemed as primarily your fault. The rate increase usually lasts for 3 years.

However, while it may be tempting to not report a claim, should the other driver report the claim to your company for reimbursement weeks or months later, the claim may be denied for lack of notice, leaving the driver without any insurance protection. 

How Are My Premiums Calculated?

Insurance companies take a wide range of factors into consideration when determining how much you will have to pay in premiums.

Driving Record – the fewer accidents and serious traffic violations (including speeding), the lower your rate.


Type of Miles Driven Per Year – While fewer miles are preferred, the type of mileage (pleasure, business, commuting) is the determining factor on insurance rates.

Your Residential Area – Zip codes play a large role in determining premium, as insurance companies evaluate the number of accidents, lawsuits and car thefts along with car repair and medical costs.

Your Age – Younger drivers typically have more accidents, so their premiums are higher.

The Car You Drive – This is often based on the cost of repair and the likelihood of theft. The vehicle value and the engine performance are also factors.

The Amount of Coverage – As with most everything, the more coverage you purchase, the higher your premiums.

Your Credit Rating – This is becoming a more prevalent factor in recent years. 

Do I Need to Purchase Car Rental Insurance?


We wish we could give you a definite answer. Unfortunately, policies differ. The answer depends upon the coverage you have on your personal auto policy. In most cases, if used for pleasure and not business, your auto policy will apply. But, if you don't have comprehensive or collision on your own policy, you will not be covered if the rental car is stolen or damaged.

We're often asked about credit card coverage. We are not aware of any credit card which pays for any damage other than to the rental car. So, if someone is injured, the credit card will not respond. In addition, some credit cards exclude business use. Also, in order for the credit card coverage to apply, the car rental CDW (Collision Damage Waiver) or LDW (Loss Damage Waiver) must be declined. We recommend that you review your



credit card agreement or contact your credit card company directly prior to renting.

Coverages available at rental agencies include the CDW & LDW mentioned above (you may not need to purchase this if you have comprehensive and collision coverage on your own auto policy, or if your credit card covers this), Liability (covers injury to others), Personal Accident Insurance (coverage to you and your passengers, may be covered by your health insurance or your auto policy) and Personal Effects Coverage (covers your personal items in the car).

For those who rent frequently or do not own a car, we recommend non-owned auto insurance. For about \$300 per year, this covers you for all auto insurance except collision (which is often covered by your credit card if you decline the CDW waiver). 

What Does My Policy Cover? Continued from previous


fault, although if you are not at fault, the insurance company can attempt to recover the amount paid to them from the responsible party - including the reimbursement of your deductible.

Comprehensive- This covers damage to the car from non-collision causes, such as theft, falling objects, flood, vandalism, or contact with animals. A deductible applies to comprehensive coverage as well. This coverage also includes windshield damage (some policies have this covered under the deductible, others do not).

Uninsured or Underinsured Coverage- covers you, a family member, or designated driver if involved in an accident with an uninsured, hit-and-run or insuffi-

ciently insured driver. Interestingly, this also provides coverage if you are hit while you are a pedestrian.

Two other available coverages include Towing (the cost to tow a vehicle after damage) and Rental Reimbursement (covers rental car costs in the event the covered auto is not usable).

Towing coverage does NOT provide for someone to tow your car in the event a tow is needed. All this does is reimburse the cost of the towing. If you need someone to come out while you are stranded on the roadside, you should look to membership in a motor club. Membership in a motor club will provide much broader services at the time of an accident than towing on your personal automobile insurance policy. 

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