

# Don't RISK IT

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## Step 3: Cover your car



### Get Car Insurance - It's the Law

Before you get out of high school, you'll probably be behind the wheel of a car. At some point you'll ask, "Why do I need Car Insurance?" The easiest answer is that it's the **LAW!**

#### If you're headed out on your own...

Get off mom and dad's policy and get your own policy. Fraud is committed when someone lies to the insurance company about who owns the car, who's driving the car, and/or where it's kept. If you're looking to move out, update your auto policy.

#### If you're headed to the military...

Some companies offer great discounts to military personnel. There are some companies that cater to the military. Shop around for the best deal. Remember, the company needs to know where you park the car. If you're shipping out, tell the insurance company where you will store your car or motorcycle.

#### If you're headed to college...

You can probably stay on your parent's policy, but your insurance company needs to know that your car is not at home. If you get above average grades, see if your insurance company offers a "good student" discount. You may qualify!



### What your policy covers

These are generalized statements. You will need to **read your policy** for specific items and events covered.

- Auto liability insurance pays for someone else's property or injuries if you are liable, or at fault, in an accident. The policy will list this as bodily injury and property damage.
- Your insurance pays if the other person does not have any insurance. Your policy is required to have uninsured motorist coverage for your injuries. UM does not pay for your car.

- Comprehensive pays you if your car is stolen or damaged by basic acts of nature.
- If you're at fault, or the other guy doesn't have insurance; Collision pays to fix your car.



### What you should know

Every driver in Missouri is required to be "financially responsible". Being financially responsible means that you can pay for the damage for which you are legally liable.

The minimum liability amounts in an auto insurance policy are \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$10,000 for property damage. This is typically referred to as 25/50/10. Before you get into an accident, you may wish to consider more than the required state minimum. Ask yourself this: "How many cars on the road today cost more than \$10,000?"

#### Giving others your keys

Did you know that if your friend wrecks your car, the accident is on you? You are responsible for who drives your car. So, even if you ask your friend if they have insurance before they drive, it may not matter. As far as your insurance company is concerned, the accident will go on your insurance record and you will pay the surcharge. Be careful about who you give the keys to.

#### Grace Period

If you do not pay your premium before the due date, you have no insurance.

#### High-Risk Policies

Current Missouri law does not prevent an insurer from putting you into a high-risk policy if you have not been insured in the last 30 days. Paying your premiums on time and not letting your policy lapse can avoid this situation.

## Insurable Interest

A big part of how a company sets the price of your insurance is generally based on where the car is located, who drives it, and how it's driven. The titled owner of a vehicle is the only person who can take out insurance on a vehicle. This is called "insurable interest". For example: If your Uncle Bob loans you his pickup truck, you will want to make sure you're covered. But, since your name is not on the title, you cannot get insurance in your name. Uncle Bob will have to do that.

## Deductible

A deductible is a clause in your insurance policy that states you will pay a specific amount of a claim before the company pays. *The higher your deductible, the lower your premium.*

## Finance Companies

If under the terms of your auto loan, you agree to provide comprehensive and collision insurance and you fail to do so, the bank may take out a policy to protect its interest in your car. These policies typically **do not** offer liability insurance coverage to meet the state's mandatory liability laws and typically only cover the amount of the loan, not what the car is worth.

## Claims

If you're in an accident and your car is "totaled" most insurance companies pay the Actual Cash Value (ACV) of your vehicle. A company will search several different ways to find the "actual cash value" of your vehicle. Some of these ways may include: NADA, Kelly Blue Book, CCC etc. Companies are not required by state law to use a specific source to establish the ACV.

## Comparative Fault

Missouri uses the rules of pure comparative fault. Pure comparative fault allows your damages to be reduced by the percentage you are at fault in a loss. Insurers are allowed to investigate an accident and make a decision as to the percentage of fault of all parties involved. They will make voluntary offers based on this opinion. If you disagree with their evaluation, you can consult an attorney or turn over the matter to your own insurance company to handle under your collision coverage.

## 50/50 Comparative Fault

Many parking lot accidents end up being half your fault and half the other person's fault. Parking lots are considered private property where the property owner, not the state, places the lines and road signs. Some of your general road laws do

not apply, but common sense does. If you're in a parking lot accident, get the names of witnesses, take photos, and check with the business to see if they have a parking lot security tape.

## What do I do if I get into an accident?

- Make sure everyone in your car is OK
- Check the other car to see if they are OK
- Call the police
- Get the following information from the other driver: *name, address, telephone number, license plate number, drivers license number, insurance information*
- Give the same information to the other driver
- Get the name and phone number of any witnesses
- Keep a disposable camera in your car and take accident pictures
- Call your insurance agent as soon as possible



## Simple Lesson

1. Let's say you carry the state minimum liability insurance on your car. That's listed on an auto policy as \_\_\_\_ / \_\_\_\_ / \_\_\_\_
2. Now, let's say that you have the state minimum liability amount and your at fault. Your insurance company is legally liable to pay up to \$\_\_\_\_\_ for the other person's car?
3. What if the other guy is driving a new Corvette worth \$50,000 and you totaled it?
4. Now let's say that you've only been **thinking** about getting insurance on your car, but didn't actually get the insurance. Now how much are you in for?

Answer:  
1. 25/50/10 2. \$10,000 3. You could get sued above the amount you carry. 4. You now owe for the other person's car, the other person's injuries, and you may owe the bank. Plus, now you need new wheels to get around.

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