



# UNDERSTANDING AUTOMOBILE INSURANCE



Ohio  
Insurance  
Institute

*Representing Ohio's property/casualty  
insurance industry*



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After taking classes, practicing driving with your instructor, and studying, finally getting your driver's license is an exciting experience. Congratulations, having your license means more independence. You may now be able to drive yourself to school, practice, work, and social activities.

After getting your license, there is another important item you should check off your list before you hit the road—and that's making sure you have auto insurance.

Being insured decreases your out-of-pocket expenses by helping pay for losses resulting from a crash. In the event of a crash, auto insurance helps cover costs such as damage to cars and other property, as well as injuries to you, your passengers, and others involved. This aid will guide you through common types of auto insurance coverages available. Understanding some key terms and types of coverages will help you select a policy that is right for you.

## WHAT IS FINANCIAL RESPONSIBILITY??

In Ohio, it is illegal to drive any motor vehicle without insurance or other proof of **financial responsibility (FR)**. It is also illegal for any motor vehicle owner to allow another person to drive the owner's vehicle without FR proof.

You can meet FR requirements by choosing one of the following options.

- Obtain auto insurance and the required auto liability policy which includes **bodily injury liability coverage** as well as **property damage liability coverage**. Most drivers choose this option.
- Obtain a certificate or file a bond with the Ohio Bureau of Motor Vehicles (BMV) indicating that money or government bonds in the amount of \$30,000 is on deposit with the Treasurer of the State.
- Obtain a certificate of self-insurance if you have more than 25 vehicles registered in your name.

### WHAT ARE EXAMPLES OF WHEN I WOULD NEED TO SHOW PROOF OF FINANCIAL RESPONSIBILITY?

- You are involved in a car crash
- You are charged with a serious traffic offense that requires a court appearance
- You are stopped for a traffic violation
- You are stopped for a vehicle safety check
- You receive a request through mail from the BMV's random verification program

## KEY TERMS



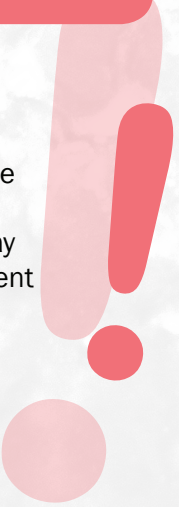
**Bodily Injury Liability Coverage:** If you're at fault for a crash that injures another person, bodily injury liability coverage helps pay for their medical expenses.

*Ohio's required minimum coverage is \$25,000 per person injured in any one incident, and \$50,000 for all persons injured in any one incident.*

**Property Damage Liability Coverage:** If you cause a crash that damages someone else's property (their car, for example), property damage liability coverage helps pay for repairs.

*Ohio's required minimum coverage is \$25,000 for injury to or destruction of property of others in any one incident.*

The penalties for FR law violation depend on the number of offenses you have within a five-year period. Violator penalties could include a 90-day to two-year license suspension and reinstatement fees ranging from \$125-\$550, in addition to paying for at-fault damages.





# ADDITIONAL COVERAGE OPTIONS

## COLLISION

Pays for damage to your car from a crash regardless of fault. It usually includes a deductible, which means you pay a predetermined amount for repairs to your car and the company pays the rest. Selecting a larger deductible likely lowers your collision premium.

## COMPREHENSIVE

Pays for damage to your car caused by almost anything other than a collision. Glass breakage, theft, fire, explosion, impact with an animal, vandalism, flood, and earthquake are some of these hazards. This coverage is also available with deductibles to lower your premium.

## MEDICAL PAYMENTS

Pays for medical, hospital, or funeral expenses for you and others injured or killed while riding in your car, regardless of fault. It also covers you and your family members if struck by a car as a pedestrian or if riding in another car.

## UNINSURED MOTORISTS (UM)

Unfortunately, not everyone purchases auto insurance. That's why it's important to consider uninsured motorists coverage. If you or your passengers are injured by someone who does not carry auto insurance, UM coverage will pay for injuries up to your policy limits. This includes medical expenses, loss of wages, and related expenses. UM coverage also applies if you are a victim of a hit-and-run driver.

When it comes to insurance, one size doesn't fit all. Though bodily injury & property damage liability coverage are a requirement with auto insurance in Ohio, it's a good idea to consider adding additional coverage options, such as the below.

## UNDERINSURED MOTORISTS (UIM)

Just as some drivers don't carry any auto liability insurance, others don't carry enough to pay for damages resulting from a crash. UIM coverage pays for injury expenses to you or occupants of your car when the other person's insurance is inadequate. This coverage fills the gap in protection between the at-fault driver's bodily injury liability coverage and your UIM coverage.

## UNINSURED MOTORISTS PROPERTY DAMAGE (UMPD)

This is an option to consider when you only purchase liability insurance coverage. It covers damage to your vehicle if involved in a crash with an at-fault uninsured motorist. When you purchase collision coverage, this coverage is not available or needed.

## TOWING & LABOR

This coverage pays up to a stated amount for towing your car and any labor required at the scene when your car becomes disabled.

**Other coverages may also be available from your insurance company. Always ask what coverages are available and then decide what is best for you.**



## SAFETY TIPS

- **Avoid distracted driving.** This includes talking or texting on your phone, eating and drinking, talking to people in your vehicle, fiddling with the stereo—anything that takes your attention away from the task of safe driving.

*In Ohio, it is a primary offense for drivers under 18 years old to use any wireless communication device while driving. Penalties can include license suspension and fines.*

- **Wear your seat belt.**
- **Obey the speed limit.**
- **Drive solo.** Studies conducted by the Insurance Institute for Highway Safety have shown that having passengers can increase the risk of crashes.

## Quick Definitions

**Policy** – A written contract for insurance between you and your company.

**Premium** – The amount you pay to your insurer regularly to keep a policy in force. You may be able to pay premiums monthly, quarterly, every six months, or annually, depending on your insurance company and your specific policy.

**Deductible** – The portion of a covered loss you pay before the insurance company becomes responsible for payment under the policy.





## COST SAVING TIPS

- **Keep your grades up! Many insurance companies give you a discount for maintaining an overall B or better average.**
- **Work with your parents to shop around for insurance quotes. Check your parents' carrier and others to compare costs.**

## ACTIVITY

Create a scenario—your dream car, where you'd live, if you're married or single, or your age. Choose coverage limits for your auto insurance. Then obtain several online insurance quotes, or check with a local insurance agent to determine the cost for insurance based on this scenario. Check costs for a different type of car and with/without a student discount.

- Survey local auto body shops for the cost to replace specific parts of your vehicle, or check a parts catalog to find the cost. For example, head lights, a fender, bumper, or windshield.
- Obtain a copy of an auto insurance policy from an insurance agent or your parents' policy. Divide into groups to locate the coverages discussed in this guide. Next, study the policy to learn about the exclusions and definitions. Discuss the similarities and differences between the policies.
- From the information you gathered, determine steps you could take to lower your insurance premium.

## QUIZ

Name the auto insurance coverage(s) that would protect you in each of the following examples:

1. You back into a moving van and crush a refrigerator, a box of pots and pans, and a wing back chair. One of the mover's hands is caught and a finger is broken. You are legally responsible for all damages.
2. On your way to the grocery store, your car is hit from behind by tourists. They have no liability coverage. There is no damage to your car, but you strain your neck.
3. While riding a bike in the park you are struck head-on by a speeder. Your face gets cut and requires plastic surgery. Your insurance pays for the plastic surgery. You discover that the same coverage would pay expenses—even burial—for you and your passenger if you had been in a crash in which you were at fault.
4. You park your car on a hill. While you're out of the car the brakes fail and the car crashes into a culvert. Your insurance pays for all but \$250 of damage to your car.
5. While driving to a concert in the country, your car breaks down. Your insurance covers the cost of moving the car to a service station.
6. Your neighbor accidentally knocks a pot of flowers off the balcony of her 12th floor condo. The pot puts a dent in the roof of your car parked on the street below. Your insurance not only pays all repairs, it also covers you for fire, theft, or vandalism. This insurance is even less expensive if you carry a deductible.

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Quiz Key: Name the automobile insurance coverage(s) that would protect you in each of the following examples: 1. Property Damage & Bodily Injury Liability 2. Uninsured Motorists or Medical Payments 3. Medical Payments 4. Collision 5. Towing and Labor 6. Comprehensive