

# HOW TO BUY CAR INSURANCE – A CONSUMER GUIDE

Finding the right insurance company for you involves finding one who will offer you a good price as well as treat you fairly when you need to file a claim. It is usually easier to find information about price comparisons than to find out how the company will treat you when you need them most - after an accident. Fortunately, the internet is a wonderful source of information for both purposes. If you do not have access to the internet, the information below should give you a good start.

## 8 Steps To Buying A Car Insurance Policy

1. Determine how much and what coverage you really need B liability, med pay, uninsured motorist, collision, towing, car rental.
2. Review your driving record B you can get a copy by writing to the Department of Motor Vehicles.
3. Determine what you currently pay and your coverages are.
4. Solicit comparative bids through the internet ([www.greatcoloradorates.com](http://www.greatcoloradorates.com)) or by phone B keep track of the information you obtain.
5. Ask for any discounts you may qualify for B good driver, safety equipment, multi-policy, limited mileage, good student or away-at-college discounts, etc.
6. Choose the right insurance company. There are several internet sources to compare companies B [www.jdpower.com](http://www.jdpower.com) or the State Division of Insurance <http://www.dora.state.co.us/insurance/> . You should keep in mind that the least expensive company may not provide the best service when you file a claim. The two highest rated companies according to J.D. Power & Associates are Amica and USAA.
7. Review the policy before you sign. Check the coverages. Does it allow you to arbitrate claims or insist on using aftermarket car parts?
8. Cancel your old policy.

## HOW MUCH INSURANCE DO YOU REALLY NEED?

To find the right auto insurance, start by figuring out the amount of coverage you need. This varies from state to state. In Colorado, the minimum liability insurance sold is \$25,000 per person; \$50,000 per accident. Based upon your own situation, that may not be nearly enough to protect your assets in the event you are involved in an accident that is your fault.

Some people are quite cautious and therefore may feel more comfortable with more insurance. Others are more willing to take the risk that they will not be in an accident which is their fault, or they are not worried about losing some of their financial assets. So how much insurance should you buy beyond your state's minimum? Experts recommend that if you have a lot of assets you should get enough liability coverage to protect them. For instance, if you purchase \$50,000 of bodily injury liability coverage but have \$100,000 in assets, attorneys could go after your assets in the event of an accident in

which you're at fault and the other party's medical bills and/or their personal injury claim exceed \$50,000. You really do need to consider your own financial situation in determining how much liability insurance to buy. If you have little or no assets, you probably do not need any coverage beyond the minimum.

You will also need to consider how much medical payment coverage you need. Med pay coverage will pay for any medical treatment you or your passengers need after an accident. Most insurance companies sell med pay coverage in increments of \$5,000, up to as much as \$100,000. The cost of this coverage will vary depending on the insurance company; however, most companies offer this coverage at a very reasonable rate. For most people, having some amount of med pay coverage would be highly recommended, even if you have health insurance. Unfortunately, most health insurance policies have both a deductible and a co-pay. Med pay coverage has neither. For most situations, \$10,000-\$25,000 should be sufficient coverage.

Another issue to consider is the limits you should have of any uninsured and/or underinsured motorist coverage. These limits cannot exceed the limits of your liability coverage; however, you should make sure that you carry at least the same amount of uninsured motorist coverage as you do in liability coverage. This coverage is very important and will protect you if you are injured by an uninsured or underinsured driver. It will cover you for all of the injuries, damages and losses that would normally be paid by the other driver if they had insurance. In general, that includes medical bills, impairment or disability, lost wages, pain and suffering, loss of enjoyment of life and emotional distress.

Your driving habits may also be a consideration. If your past is filled with crumpled fenders, if you have a lead foot or a long commute on a treacherous winding road, then you should get more comprehensive coverage, which will pay for damage to your car for anything other than a wreck – flood, vandalism, theft, hitting a deer etc. Keep in mind that you don't have to buy collision and comprehensive coverage. If your vehicle is older, if you have a good driving record, and if there is a low likelihood that it would be totaled in an accident but a high likelihood of it being stolen, you could buy comprehensive but not collision.

## **CHECK YOUR CURRENT POLICY AND YOUR DRIVING RECORD**

Before you begin shopping for insurance you should check the status of your driving record, your current coverages, and the premiums you are paying.

You should know how many tickets you have had recently. If you can't remember how long that speeding ticket has been on your record, check with your state's DMV. If your record will soon improve, and the points you've been assessed in the past are due to finally disappear, wait until that happens before you get quotes. Nothing drives up the price of insurance like a bad driving record.

You should also find out the amount of coverage you currently have and what you are

paying for it. Take note of the yearly and monthly cost of your insurance, since many of your quotes will be given both ways. Once you have that information, you will have a figure to try to beat.

## **GET COMPARATIVE BIDS FROM SEVERAL SOURCES**

Now that you have made several practical and philosophical decisions, it's time to start shopping. Begin by setting aside an hour or more for this task. Have your current policy handy as well as your driver's license number and your vehicle registration.

Begin with the online services. If you go to [InsWeb.com](http://InsWeb.com), [YouDecide.com](http://YouDecide.com), [InsureOne.com](http://InsureOne.com) or other online insurance quote sites, you can type in your information and get a list of comparative quotes. When you use quote sites, you may not get instant quotes. Some companies may contact you later by e-mail, and some that are not "direct providers" may put you in touch with a local agent, who will then calculate a quote for you. A "direct provider," like GEICO, sells an insurance policy to you directly; other companies, like State Farm, sell insurance through local agents. You can also try getting quotes from some of the insurance companies listed on the Edmunds.com web site — [Esurance](#), [Geico](#), [GMAC Insurance](#) or [Progressive](#).

## **LOOK FOR DISCOUNTS**

While talking to the insurance companies' telephone salespeople, make sure you explore all possible discounts. Some common discounts include: air bags and automatic seat belts, anti-theft /alarm, anti-lock brakes, driving school, safe driver, multi-car or home & car, safe vehicle, daytime running lights. There may be others, so be sure to ask.

## **CHOOSE AN INSURANCE COMPANY THAT WILL TREAT YOU FAIRLY**

Too often, an accident victim finds out too late that the "good neighbor" insurance company who told you that you are in "good hands" turns out to be your worst nightmare. The time to check out how a prospective insurance company will tend to treat you after you have a claim is before you buy the insurance policy. Fortunately, there are some good sources of information that may help you figure out which companies are rated better than others or which have fewer consumer complaints.

This table was prepared by the J.D. Power Consumer Center and offers a comparison of some of the major Colorado insurance companies. Their web site contains a more complete list of companies to consider. [www.jdpower.com](http://www.jdpower.com)

Insurance Provider	<u>Overall Experience</u>	<u>Policy Offerings</u>	<u>Pricing</u>	<u>Contacting the Insurer</u>	<u>Claims Handling</u>
Amica Mutual <b>AWARD</b>	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●
Allstate	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
American Family	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
Farmers	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
GEICO	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
GMAC	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
Liberty Mutual	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
Progressive	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
Safeco	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
St. Paul Travelers	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
State Farm	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
The Hartford	●●●●○	●●●●○	●●●●○	●●●●○	●●●●○
USAA*	●●●●●	●●●●●	●●●●●	●●●●●	●●●●●

**the scoring**

●●●●● Among the best.      ●●●●○ About average.  
 ●●●●○ Better than most.      ●●●○● The rest.

Please note that J.D. Power Consumer Center ratings may not include all information used to determine J.D. Power and Associates awards.

The Colorado State Division of Insurance web site: <http://www.dora.state.co.us/insurance> provides the following information concerning consumer complaints against some auto insurance carriers. Many other states offer similar information.

<b>Private Passenger Auto Insurance Complaints</b>				
2004 Complaint Ratio	Total Complaints 1/1/04 - 12/31/04	Premium (\$ Million)		2004 Marketshare
Allstate Insurance Co.	0.97	109	112.32	3.99%
American Family Mutual Insurance Co.	1.54	338	220.18	7.82%
American Standard Insurance Co. of WI	1.11	81	73.22	2.60%
Amica Mutual Insurance Co.	0.76	12	15.74	0.56%
Colorado Casualty Insurance Co.	3.27	26	7.95	0.28%
Colorado Farm Bureau Mutual Insurance Co	1.41	43	30.48	1.08%
Farmers Insurance Exchange	0.97	279	286.26	10.17%
GEICO General Insurance Co.	1.28	55	42.99	1.53%
Government Employees Insurance Co.	1.43	41	28.71	1.02%

Hartford Underwriters Insurance Co.	2.71	101	37.33	1.33%
Liberty Mutual Fire Insurance Co.	1.53	61	39.81	1.41%
Mid-Century Insurance Co.	1.36	149	109.89	3.90%
Progressive Casualty Insurance Co.	0.64	46	72.15	2.56%
Safeco Insurance Co. of America	1.39	78	55.94	1.99%
State Farm Fire and Casualty Co.	1.45	62	42.75	1.52%
USAA	1.33	128	96.17	3.42%
USAA Casualty Insurance Co.	0.92	72	78.51	2.79%

## REVIEW YOUR POLICY BEFORE YOU BUY IT

So, you've done your research, and you've decided on a company. Before you sign for the policy, though, read it or ask your agent to go over the highlights and coverages. In addition to verifying that it contains the coverages you want, there are two clauses that you should look for in the contract:

1. Does your policy require you to file a lawsuit against the insurance company in the event you do not agree with their decisions not to pay your benefits, or can you bring your claim through an arbitration proceeding? Generally, an arbitration proceeding may be easier and quicker to use in order to resolve your claim.
2. Avoid aftermarket parts requirements. If an insurance company has written in the policy that "like kind and quality" or "aftermarket parts" may be used for body shop repairs, you should consider going to another company. If you own a relatively new car that you plan to keep for a while, you will probably be much happier if you spend a little more time researching companies on the front end rather than trying to fight the company to pay for new parts when you have a claim.

You should not be afraid to ask questions of either the agent or telephone salesperson before you buy the policy. If you are not satisfied with the answers or service you get before you buy the policy, it is likely that you will not be satisfied with the claims process after you have an accident. Keep shopping.

Don't forget to cancel your old policy.

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