

# Car Insurance Requirements and Options

## What you need and what to watch for

BY KIMBERLY YAVORSKI

**T**he world of insurance is confusing, and auto insurance can be the most complex of all. There are countless decisions to be made. What do you want covered? How much coverage do you want? How much coverage do you need? Do you want limited or full tort? How about stacking benefits? What does this all mean?

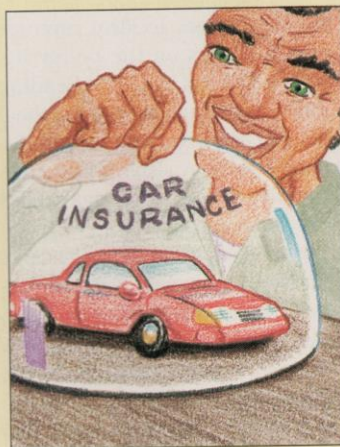
Like most states, Pennsylvania requires insurance to operate an automobile. Even before a license plate is issued, the owner must provide proof of insurance. The minimum coverage required in this state is:

- ① \$5,000 for medical benefits. This pays for injuries to yourself or others in an auto accident regardless of who is at fault.
- ② Coverage for bodily injury in the amount of \$15,000 per person and \$30,000 per accident. This pays for injuries to others when your mistake caused the accident.
- ③ \$5,000 for property damage. This would pay for damage to any physical property (for example, car, fence, even a guard rail) when you are at fault.

These are the minimum liability coverages required by law. Many people carry higher limits of one or more, according to their needs. If you have considerable assets, for example, you may want higher limits. There are also many optional benefits from which to choose. These include collision and comprehensive (damage to car from

causes other than collision), additional medical benefits, income loss, accidental death, funeral, and uninsured/underinsured motorist insurance. The last protects you in the event you are involved in an accident with someone who is not insured or does not have adequate insurance to cover your loss.

The law says you must have insurance. If you do not meet a company's underwriting requirements, you



will be insured through the Assigned Risk Plan, which has higher premiums. If an agent tells you that you can only obtain insurance through Assigned Risk, he or she must give you a "refusal to write" form stating the reasons. You may request that the State Insurance Department review these reasons. Within the Assigned Risk program is the "clean risk program," which offers rates substantially less than the regular plan. This program is for

drivers with good records. To qualify, you must, within the preceding 36 months, have had no accidents for which your insurance company paid more than \$650 for any claims by you or on your behalf, have no more than three traffic violation points, have had no suspensions or revocations of an operator's license, and have been a licensed operator for three years.

Rates vary widely by geographic area. In general, more populated areas have higher premiums. Other determining factors include the annual mileage driven as well as the ages and individual driving records of household members. State law allows insurers to rate the most inexperienced driver in the household on the most expensive car, even if the driver has his or her own policy. In fact, all licensed household residents are included on each other's policies. This means that having a new or otherwise high-risk driver in your house will up your premium, sometimes considerably.

### Ways to lower your premiums

Although there is not much you can do about your household members and where you live and work, there are ways to lower your premiums. You can increase your deductibles, drop collision and/or comprehensive coverage on an older car, stack benefits, or (depending on your concern for your right to sue) choose the limited tort option. Review your optional coverage to be



## your rights

sure it is working for you. Join a car-pool to decrease commuting mileage. Those over age 55 can take a driving class to lower premiums (see box titled "Safe Driving Courses"). Also be sure to ask your agent about special discounts offered by your company.

"It is important to understand the difference between full tort and limited tort," stresses Ty Smith, Deputy Press Secretary at the Pennsylvania Insurance Department in Harrisburg. With full tort, you reserve the right to sue, he explains. It is an unrestricted right. Limited tort restricts—but does not eliminate—your right to sue. With the limited tort option, you can only sue for unpaid medical expenses, lost wages, and out-of-pocket expenses. "You can't sue for more than your expenses," explains Mr. Smith. There are exceptions, however. These would be if you are seriously injured or are hit by a convicted drunk driver, an uninsured motorist, or an out-of-state driver. Serious injury is defined as "a personal injury resulting in death, serious impairment of bodily function, or a serious permanent disfigurement."

"Not everything is for everybody," says Jack Collins, a Prudential Representative in Flourtown. People with more assets need to cover higher liability limits. "Generally, people who own homes carry higher limits," he adds.

### Stacking benefits

According to Mr. Collins, those with college-age students tend to lower limits to save bucks. This can be done by keeping the higher liability limits and stacking coverage for uninsured and underinsured motorists. Stacking benefits means adding the individual limits of each car. For example, \$15,000 per per-

### MORE INFORMATION

For insurance questions or complaints, contact your agent or Pennsylvania Insurance Department Bureau of Consumer Services.

#### REGIONAL OFFICES:

##### Philadelphia

Room 1701, State Office Building  
1400 Spring Garden St.  
Phila., PA 19130  
215-560-2630

##### Pittsburgh

Room 304, State Office Building  
300 Liberty Ave.  
Pittsburgh, PA 15222  
412-565-5020

##### Erie

(mailing) P.O. Box 6142  
Room 513, Baldwin Bldg.  
Erie, PA 16512  
814-871-4466

##### Harrisburg

1321 Strawberry Sq.  
Harrisburg, PA 17102  
717-787-2317

To obtain brochures on auto insurance, contact the PA Insurance Department Press Office at 717-787-3289.

son/\$30,000 per accident coverage with two cars on the policy becomes \$30,000/\$60,000. Sending your college student away to school also can help your premiums. A discount may be available if your child goes to a school 100 or more miles away from home.

Most companies offer discounts for safety equipment, such as anti-lock brakes, automatic seat belts, and airbags, as well as for low mileage. In some cases, documentation of mileage (for instance, service repair order from inspection from one year to the next) can help reduce premiums. Prudential offers a discount for driving under 7,500 miles per year. Some companies offer other incentive-based discounts. The AARP Auto & Homeowners Insurance Program provided by ITT Hartford Group offers a limited driver discount, whereby a percentage off is given to drivers over 75 who drive only during daylight hours (except for emergencies). For those with school age children, ITT Hartford also offers

discounts for driver training as well as for students with a certain grade point average.

Review your policy. "Some people do not know what coverages they have," maintains Mr. Collins. "And a lot of people carry coverages they don't need." Some optional coverages that may not be needed include:

- *Income loss.* This only applies if you are working.
- *Medical expenses.* If you have other health coverage, your auto insurance would be tapped into first for emergency room and initial expenses, but your primary health insurance would still be used.
- *Funeral expenses.* Life insurance usually covers this.
- *Towing and rental car expenses for a disabled car.* These may be covered if you have an auto club membership.

### Protect yourself

As with all other purchases, the buyer must be cautious. Mr. Collins states, "Your agent is supposed to be your book of knowledge," but he acknowledges that not all agents fit the bill. He recommends when searching for an agent to look first for longevity in an area. That usually means the agent is successful. As a second step, he would meet face-to-face—look for honesty. Don't be afraid to ask the agent's commission on the policy. Last, get a second opinion on rates, but make sure you are comparing the same coverage.

The State Insurance Department recommends other ways to protect yourself, including:

- Be wary of insurance agents or companies who state or imply they are sanctioned by the government, labor groups, teacher groups, or other professional organizations.

## SAFE DRIVING COURSES

**M**ature driver courses are offered through various organizations, providing a refresher course in techniques of driving, the rules of the road, and tips on how to compensate for the changes that come with age. Pennsylvania residents benefit by a law passed several years ago mandating that any company wanting to sell insurance in the state must offer a 5 percent discount to drivers age 55 or older who have completed such a course.

The course is presented over two days, for four hours each day. Attendance at both days' sessions is required to receive a certificate to present to your insurance agent. The course must be taken every three years to be recertified.

The Automobile Association of America's (AAA) course is priced at \$35 for members, \$45 for nonmembers. The National Safety Council offers the Mature Driver Course, with rates varying by council.

Course information can be found in local papers and TV ads as well as in hospital and group newsletters. Or contact your local Office of Aging, local AAA Driving School, or the National Safety Council at 800-621-7619.

- Don't feel pressured to make a decision on the spot. Policies and premiums do not change daily.
- Don't be pushed into buying coverage you don't need.
- Always pay by check (not cash) made payable to the company, not the agent. Paying by check allows you to stop payment if necessary.
- Do not sign an application for any type of insurance until you read it fully for accuracy. You are responsible for information bearing your signature. Remember that your policy could be declared void if you misrepresent information.

"The more people know about insurance, the better off they are," asserts Mr. Collins.

Information can be found in your local library or through the State Insurance Department. Question your agent and make sure you understand your policy now, before you need it. ■