

MODULE 3 – WHY DO I NEED INSURANCE?

Objectives:

1. To understand the concept of INSURANCE.
 2. To understand the coverages provided in an auto insurance policy.
 3. To become familiar with Ohio's Financial Responsibility Law.
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Why do I need insurance?

Cars are wonderful inventions! You rely on them to take you whenever and wherever you want to go. But owning and operating a car comes with risks and responsibilities. And sometimes things go wrong when you're driving, so wrong that you could lose your car. Insurance is a means of limiting the economic risk you face.

What is insurance?

Insurance is a concept where many people share the losses of the few. This doesn't provide much comfort unless you are one of the few. It helps you pay for the losses that ordinarily you wouldn't be able to afford on your own. Without insurance, few people could afford the risk of owning a car or home.

How does the risk get shared?

People pool their money by paying premiums to an insurer, who manages the funds. If a person suffers a loss, the insurer dips into the pool and pays for whatever is covered by the insurance.

Will I get my money back if I don't need the insurance?

No. Remember, you are sharing the risk. Insurance is not like a savings account where your money builds up over the years. Instead, the money in the pool is given to those who need it, when they need it. An insurance policy is a contract that describes what the insurance company promises to pay under certain conditions.

Why is my premium different from yours?

Some people are at greater risk for suffering losses than others. The more likely someone is to dip into the insurance pool, the greater the premium that person is expected to pay. Your age, gender and marital status may be considered.

Other factors include the value of your car, the distances you drive and the reasons you use your car. The insurer evaluates all of these differences to determine what is a fair premium for you.

What is covered under a typical auto insurance policy?

Each policy provides several types of coverage, and each coverage has a specific function. This overview will provide general descriptions of what should be covered.

The type and amount of coverage you purchase should be based on your needs. There may be situations where your coverage is limited, or certain items are not covered at all. Always read your policy and talk to your insurance agent or company representative if you don't understand.

Who is covered?

The people who are covered will be described in your policy. Generally, this includes:

- the person named on the policy
- family members who live with the person named
- passengers in your vehicle
- people driving your car.

Just remember one simple rule: When you loan your car, you loan your car insurance!

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What is covered?

Coverage usually pays for injuries to people and property. Your policy will outline exactly what is covered and for how much. Standard coverages are:

- **Bodily Injury Liability**-If you injure someone in an automobile accident for which you are to blame, this coverage will pay claims for injury or death.
- **Property Damage Liability**-Similar to bodily injury, except that it covers damage to another car or property.
- **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 family members if struck by a car as a pedestrian or if riding in another car.
- **Uninsured/Underinsured Motorists**-Unfortunately, not everyone purchases auto insurance. This pays if you or your passengers are injured by someone who does not carry insurance, or doesn't have enough insurance to cover your losses.
- **Uninsured Motorists Property Damage**-Provides coverage for your car if involved in an accident with an uninsured motorist. This isn't available if you carry collision coverage.
- **Collision**-Pays for damage to your car caused by an impact with another object or an overturn, no matter what caused this. The cost for this depends upon the value of your car. A deductible makes collision coverage more affordable, but it also means you pay for the first \$100, \$200 or so for repairs before the insurer pays the rest.
- **Other Than Collision**-Also called comprehensive coverage, this is a catch-all coverage that pays for damage to your car by something other than a collision. Covered causes of loss might be fire, theft, striking an animal and lots of other things.

What is not covered?

The more items that your policy covers, the more expensive your premium. You may be tempted to keep your premium low by carrying minimal coverage. But remember that if something goes wrong, and you're not covered, you will have to pay for this yourself. Consider your risk and decide what is the best combination of coverage for you.

Exclusions in your policy will detail what the policy will pay for and what it will not. Examples of what may be excluded are:

- Mechanical breakdown
- Vehicle wear-and-tear
- Road damage to tires
- Portable electronic equipment, like CD players, cell phones, pagers and radar detectors. Also, tapes and CDs wouldn't be covered.

Be sure to check exclusions in your insurance policy. In fact, when you're shopping for insurance, ask your agent about exclusions and ask him to explain what is not covered. This information will assure you that there are no surprises if and when you have a claim.

Aren't you required to buy auto insurance in Ohio?

No. The state has a Financial Responsibility Law, not a compulsory automobile insurance law. But carrying auto liability insurance DOES satisfy the law, which applies to:

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- owners of registered vehicles in Ohio
- drivers leasing vehicles from licensed dealers
- people applying for operators, commercial, restricted or probationary drivers licenses.

Law officers have to ask for proof of financial responsibility when you are stopped for a moving violation, accident or vehicle safety inspection. Insurance companies must give you an Auto Insurance Identification Card, which verifies your coverage when requested by law enforcement officials.

Insurance not only helps you meet expenses in the event of an accident, it also satisfies the law. It makes good sense to buy insurance.

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Module 3 - Quiz

Module 3 - Question 1 of 7:

"You pay your insurance premium but you don't make a claim. What happens to your money?"

A. "I get it back, just like I would from my savings account. I'm not sure if I get any interest, though."

Feedback: "Nope, when you pay your premium you take the risk that you may or may not need it. The money is used by other unfortunate people who had losses."

B. "Although I won't see my money again, I should feel lucky that I didn't need it. Instead, it goes to pay for other people's claims."

Feedback: "You're right! The pool of insurance money is used to cover someone else's losses."

Module 3 - Question 2 of 7:

"You're driving along, minding your own business, when a deer runs in front of your car. You try to avoid contact, but you wind up hitting Bambi anyway. What coverage helps pay for the cost of repairs to your car?"

A. "Collision coverage, but I have to pay the deductible first before the insurance company comes through."

Feedback: "No, although you collided with Bambi, look toward another coverage."

B. "Property damage something or other."

Feedback: "No, property damage liability coverage takes care of damage to someone else's car."

C. "The coverage is known as 'Other Than Collision,' and I'll still need to pay the deductible first."

Feedback: "Great! See, you remember more than you thought you had. Contact with an animal is considered 'Other Than Collision,' also known as comprehensive coverage."

Module 3 - Question 3 of 7:

"What if your car is damaged by flooding? What coverage helps pay for damages caused by this?"

A. "Collision"

Feedback: "No, it would be covered if you have 'Other Than Collision' coverage."

B. "Property Damage"

Feedback: "No, it would be covered if you have 'Other Than Collision' coverage."

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C. "Other Than Collision"

Feedback: "Good! You can buy insurance for damage caused by natural disasters like this, but not everyone carries it. It's called 'Other Than Collision' coverage."

Module 3 - Question 4 of 7:

"How many moving violations will delay, or keep you from obtaining a full license?"

"This question is a little tricky. Do you have to buy auto insurance in Ohio?"

A. "Isn't that what you've been telling me? Of course I do."

Feedback: "No, you don't have to buy insurance, but you do have to show that you are financially responsible. Having insurance is a good way to do this."

B. "No, not really, BUT I have to prove I can meet the requirements of the financial responsibility law, and having liability insurance coverage can do that."

Feedback: "Wonderful! You don't have to have insurance, but it's a good way to comply with the law as well as help you pay for losses."

Module 3 - Question 5 of 7:

"You've just gotten your probationary license. Should you have insurance even if you don't own a car?"

A. "No, since I don't own a car, I don't need auto insurance."

Feedback: "Wrong, Amy. The law applies not only to the owners of cars but also to those with probationary licenses."

B. "Yes. Since I drive a car, I must be able to prove financial responsibility when law enforcement officials request proof."

Feedback: "Congratulations. You remembered that if you drive any car and you're not already covered under your parents' policy, you may need to purchase liability coverage on your own. It's best that your mom or dad contact your insurance carrier as soon as you get your temporary permit. Requirements differ between insurance companies regarding when you must be listed as a driver on the auto insurance policy. Some require you to be listed as soon as you receive your permit; others won't list you as a driver until you receive your probationary license."

Module 3 - Question 6 of 7:

"My folks say my insurance premium costs more than my mom's does. Why is that?"

A. "It could be lots of things, but maybe it's because she's a whole lot older than you are."

Feedback: "Right! I'm young and lack driving experience so it means I have a higher risk of getting in an accident."

B. "You haven't put in enough money in your insurance fund yet. Later, when your fund builds up, you can put in less."

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Feedback: "No, that's not the way insurance works. I have to pay a bigger premium because I'm at a bigger risk for having an accident."

Module 3 - Question 7 of 7:

"How do you go about obtaining a full license?"

"You're sitting at a downtown stop light thinking about how cute that prom dress looks hanging in the window when someone smacks into the back of your car. You find out he doesn't have any brakes OR insurance and you didn't purchase 'Collision' coverage on your policy. Are you destined to ride around with a coat hanger keeping the trunk lid closed?"

A. "If I've got uninsured motorist property damage coverage, I'm covered. If not, I have to choose whether I want me OR the car to look good."

Feedback: "I'm impressed! You're right. See how nice it can be to have insurance after all."

B. "Hey, that guy caused it so he's responsible and has to pay up. It wasn't my fault."

Feedback: "Sorry. Although you may be able to get money from this guy, remember he didn't have enough to pay for brakes, let alone a new back end for your car. You might get the money, but it is better to take the responsibility for covering yourself in case something like this happens."

MODULE 3 – WHY DO I NEED INSURANCE?

Module 3 – Teacher Recording Score Sheet

Module 3: Why Do I Need Insurance?

User Name	Questions:	#1	#2	#3	#4	#5	#6	#7	Date
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