

Buying Insurance

Suppose now you've got a new car. Before you can drive it anywhere, you'll need to get auto insurance. Before you figure out how to buy insurance, you'll need to understand the vocabulary of the auto insurance industry.

Collision Coverage: This pays for damages to your car or truck (minus a deductible) when you hit something, such as another car or a telephone pole.

Comprehensive Coverage: This pays to repair your car or truck (minus a deductible) when it's damaged by something other than a collision, such as vandalism, fire, or hail. Comprehensive coverage also pays if your car is stolen.

Property Damage Liability: This coverage, usually required by law, pays for any damage your car or truck may cause to somebody else's car or other property.

Bodily Injury Liability: This coverage, usually required by law, covers you against lawsuits in case you injure another person while driving your car.

Personal Injury Protection: This pays for medical expenses that you or any of your passengers have as the result of an accident.

Uninsured/Underinsured Motorist: This covers damages to your car or injury to you and your passengers caused by a person without any insurance or without enough insurance. It also covers you if you're the victim of a hit-and-run.

1. Complete the chart by writing the correct terms in the spaces provided.

Accident	Extent of the damage	Kind(s) of coverage you need
a. A driver in a large van just hit your car and drove away.	Your front fender is crushed.	
b. A hailstorm ripped through your town last night.	Your car is completely pitted with hail damage.	
c. You backed your car into a support pole in a parking garage.	Your bumper is dented.	
d. You drove too fast into your best friend's driveway and ran into the garage door.	The garage door is damaged beyond repair, and the front end of your car is crumpled.	
e. You drove your car off a country road and into a ditch.	Your back is hurt, and your doctor says you may need extended physical therapy.	
f. You ran into a pedestrian in a crosswalk during a rainstorm.	The pedestrian is injured badly.	

Calculating the Cost of Auto Insurance

In this activity, you will compare the cost of insuring two different cars for six months: a new sports car and a five-year-old compact car.

2. Insurance companies will need a certain amount of information from you. You must be truthful when actually buying insurance, but for this activity, you can use fictitious information to answer the following questions:
 - a. How old is the driver? _____
 - b. How long has the driver been licensed? _____
 - c. How will the car be driven—commuting to school or for business? _____
 - d. How many miles per year will the car be driven? _____
 - e. Has the driver had any tickets or accidents in the last five years? _____
3. Now, find out the insurance rates for each car by visiting an insurance company's Web site or by calling an insurance agent directly. Complete the chart below.

Coverage	Dream car Year: Make: Model:	Economy car Year: Make: Model:
Property Damage Liability (\$50,000 coverage)	\$	\$
Bodily Injury Liability (\$30,000 per person/\$60,000 per accident)	\$	\$
Collision (\$500 deductible)	\$	\$
Personal Injury Protection (\$25,000)	\$	\$
Comprehensive (\$500 deductible)	\$	\$
Uninsured/Underinsured Motorist (\$30,000 coverage)	\$	\$
Emergency Road Service (optional coverage that pays for towing, locksmith service, and other services)	\$	\$
Rental Car Reimbursement (pays for a rental car if your car is disabled in an accident)	\$	\$
Total Six-Month Premium		

4. What is the difference between the cost to insure an economy car versus a sports car?

5. Why do you think there is a difference?
