

Auto Insurance – Teacher’s Guide

The purpose of this section of the “Lessons on Insurance and Credit” teaching kit is to:

- Define auto insurance;
- Develop a basic understanding of what an auto policy covers; and
- Provide students with general knowledge of the importance of having auto insurance.

Watch the video segment, assign the students to review the student guide, and then discuss the material by asking them the following questions.

What is auto insurance?

Auto insurance protects you financially from:

- an auto accident;
- damage to your car;
- damage to someone else’s car or property; or
- injuries resulting from an auto accident.

An auto insurance policy is a legal agreement between the policyholder and the insurance company. You pay a premium, and the company provides coverage.

What does auto insurance cover?

In most states auto insurance provides bodily injury liability, property damage liability, uninsured motorist bodily injury, underinsured motorist bodily injury, medical payments, collision and comprehensive coverages. (Each of these is defined in the student guide.)

What is liability coverage?

Bodily Injury Liability and Property Damage Liability coverages pay for what you are financially responsible for after an accident. Whether it is an injury to another driver or passenger, or the property damage caused by the accident, liability coverages pay these types of costs up to the policy’s limits.

Why is liability coverage so important?

Medical bills can be very expensive. Even if you can afford to pay the medical bills and property damage resulting from an accident, a lawsuit and the cost of a lawyer can run into the tens of thousands of dollars and beyond.

What is the difference between Uninsured Motorists and Underinsured Motorists coverage?

Underinsured Motorists (UIM) coverage helps to fill the gap between the amount of coverage “the other guy” has and the actual amount of damage, medical bills, etc., resulting from an accident, up to the policy’s UIM coverage limit. In this case, the person at fault has insurance, just not enough to cover everything.

Uninsured Motorists (UM) coverage protects you and your passengers if the person at fault does not have any insurance, up to the policy’s UM coverage limit.

What is the difference between Collision and Comprehensive coverage?

Comprehensive coverage pays for physical damage to your car caused by situations other than a collision. For example, if your car is stolen, dented by a rock or a falling tree limb, demolished by an explosion, painted or scratched up by vandals or flipped over by a tornado, the damage is covered by the Comprehensive portion of your policy.

Collision covers damage to your car when you collide with another object, whether another vehicle is involved or not.

Why does a driver under age 25 pay more for auto insurance than a driver over 25?

Statistically, young drivers cause more accidents and more damage than drivers over age 25. Also based on statistics, married people and women are responsible for fewer accidents than singles and men. Insurance companies use these statistics as factors in determining how much of a risk you are. The greater the risk, the higher the insurance costs.

What are some other factors that affect the cost of auto insurance?

- Age
- Gender
- Marital status
- Number and types of previous auto accidents
- Number and types of traffic violations on your record
- Type of car you drive (sports cars, for example, cost more to insure)
- Amount and type of insurance purchased
- Amount of deductibles chosen

What does 50/100/25 mean?

Numbers like 50/100/25 are the dollar limits (in thousands) for auto liability insurance coverage:

- The first number is the amount of Bodily Injury liability coverage you have for injuring or killing an individual in an accident.
- The second number is also for Bodily Injury, but it represents the total coverage for all injuries or deaths in an accident.
- The third number is the amount of Property Damage liability coverage you have.

Why are deductibles important?

Deductibles are the amounts you agree to pay for specific kinds of losses. With deductibles, you are agreeing to pay for and assume responsibility for part of a larger loss and may be covering all the costs of smaller losses. The higher the amount you are willing to pay before your insurance coverage begins, the lower your premium will be.

For additional discussion:

Safety tips

Safe drivers are in fewer accidents, which make them lower risks to insure. Refer your students to the following websites to learn how they can become safer drivers:

- **nhtsa.gov** – The National Highway Traffic Safety Administration’s site includes information on all vehicles, alcohol, distracted driving and youth statistics.
- **teendriving.com** – This site was created by then-teenaged driver Ryan Buckholtz and his mother, Eileen. It’s written from a teen’s perspective and lists many tips for safe driving.
- **hwysafety.org** – The Insurance Institute for Highway Safety’s site has information on highway safety laws, vehicle safety ratings, insurance losses by car make and model, and much more.

Affording auto insurance

Insurance is an important factor in the overall cost of a vehicle, especially for young drivers. The cost must also be balanced with the appropriate level of coverage for the vehicle. Discuss the following ways young drivers can keep their auto insurance costs down:

- **Good Student Discount** – Some insurance companies give discounts to students with a B average or better.
- **Higher deductibles** – You’ll pay more out-of-pocket, but your premium will go down.
- **Vehicle type** – Statistics show sports cars are riskier to insure than sport utility vehicles, for example.

- **Age and condition of vehicle** – Physical Damage coverage may not be cost efficient for older vehicles.
- **Being insured on parents' policy** – Being listed as a driver on the parents' insurance policy for a vehicle titled in their names is less expensive than paying for insurance on your own.

Lesson plan:

When someone is involved in a traffic accident, police often ask everyone involved to fill out an accident report. The information in these reports is used by insurance companies as well as police to determine fault.

This exercise teaches your students how an accident report is filled out. Accidents happen quickly, and this will test their ability to listen for detail. Give each student a copy of the [accident report diagram \(PDF\)](#) in this teacher's guide. They will fill out this form after you read the following accident scenario to them. You should read the scenario only once.

Accident scenario:

On a wet, rainy night, you are driving east on Oak Street. You haven't driven this street before. Your wipers are on. Your lights are on. But you can't see too well in the heavy rain. You approach the intersection with Ninth Street. There are no stop signs or traffic signals on Oak Street, so you have the right of way. A car heading north on Ninth Street runs a stop sign. You lock up your brakes, skidding on the wet pavement and slamming into the driver's side of the car on Ninth Street. A car behind you hits your car's rear end. Both streets are two-way, two-lane streets with a speed limit posted at 30 mph. The road is level with no defects.

After each student fills out the accident report, go over the results in class.