

Car Insurance Tune-Up

Posted: May 11, 2010 | By: Tom Torbjornsen, AOL Autos We keep our cars tuned up, but what about our automobile insurance? Recently I had a chat with an insurance broker. The topic of conversation? Smart insurance buying. After our conversation I realized that the biggest mistake an uninformed consumer makes is to regard insurance coverage as a commodity... as generic as the oil purchased for the car. An insurance policy is a personalized service contract that provides coverage for you and your family in the event of an accident. When you read your auto policy the language is anything but simple. And everyone knows it's not inexpensive! To regard auto insurance as a "necessary evil" to be purchased as cheap as possible is a foolish and ignorant approach to this very necessary aspect of driving an automobile. Based on our conversation, here's how to get the biggest "bang for your buck" when purchasing automobile insurance: **BUY AS HIGH A LIABILITY LIMIT AS YOU CAN AFFORD** - This is the coverage that protects you in the event you get into an accident and are accused of negligence. Remember, a lawsuit can be brought against you despite your culpability - and damages sought in today's court actions seldom fall below six figures. Often the spouse of the injured party seeks more than \$100,000 for "loss of services." This doesn't include the dollars requested for the injured party.

Question... how far would your present policy go in responding to this kind of a suit? Be realistic, not ridiculous in determining the amount of liability you need. Most insurance companies will write liability coverage up to at least \$500,000. Adding an umbrella liability policy in the amount of one, two, three million (or more depending on your situation) will go a long way in protecting you. Only buying \$50,000 coverage? See how long that lasts you when you get the hospital bill from the party you hit for three or four weeks... oh, and I forgot about the "loss of services." **BUY SUPPLEMENTAL UNINSURED MOTORIST COVERAGE** - This is the coverage that protects you in the event you are involved in an accident with an uninsured motorist, or a motorist with low limits of liability insurance coverage. Let's say that you're involved in an accident resulting in serious injury to you, and possibly your passengers. No matter what the amount a court might award, if the negligent party has inadequate liability coverage and few assets, your award is of little value. The Supplemental Uninsured Motorist portion of your policy provides the liability coverage the other driver should have had up to the limit you carry on your policy. **CARRY HIGH DEDUCTIBLES ON YOUR PHYSICAL DAMAGE** - Higher liability as well as Supplemental Uninsured Motorist coverage means higher premiums. A good way to help pay

for this is to carry as high a deductible on your collision and comprehensive as you can reasonably afford. This brings the price of the premiums down. **CONSIDER DROPPING PHYSICAL DAMAGE ON OLDER VEHICLES** - This is not an easy call. Typically, an insurance company charges less for collision and comprehensive on an older vehicle. In general, when a vehicle is six years old or more, it's worth considering this change. Things to take into consideration when trying to make this call are value of the vehicle, its condition, how much you drive it, and the policy charge for the coverage. At some point the charge for the coverage will not be worth what you could collect in the event of a loss. Never skimp on liability coverage in order to pay for less important physical damage coverage on a vehicle that is worth less than what the policy would pay in the event of a loss. **DEAL WITH AN AGENT THAT HAS YOUR CONFIDENCE** - Make sure your agent gives you the service you need. Ask questions about coverage under different scenarios and ask for recommendations. Deal with a full-service agency; one that offers all the products you need and has the staff to make the complex insurance marketplace bearable. People spend money on maintaining their cars and ignore their insurance coverage. When you get in an accident and have the other party's lawyers breathing down your neck is not the time to find out that your insurance coverage was inadequate. Get with your agent and tune up your insurance policy now.