

## Auto Questions & Answers

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### ***General Auto Questions***

**Do I need to purchase insurance or call my agent before I buy a new car?** Yes; if this is your only car, you'll have to buy auto liability insurance before you drive the car off the dealer's lot. If you are financing the purchase, the lender will require that you also buy a policy that includes comprehensive and collision coverage.

If you already have an active insurance policy, your new vehicle is generally covered for up to 14 days after you buy it, depending on the insurance company, but the coverages you need or want may be considerably different from the coverage on your previous car(s).

We suggest you contact the agency prior to or as soon after the purchase as possible to make sure you have the coverages you want.

**Should I expect my premium to rise if I report an auto accident in which I was not at fault?** Your insurance company would not likely raise your premium just because you were in an accident in which another person was at fault. However, your premium could increase if that accident was one of several incidents you have had in recent years. Your insurance company might consider the pattern of incidents to be a predictor of future events and decide a higher premium is in order.

**My car was damaged in an accident. Who will the check be made out to for the repair of my car?** The check will most likely be made out to you and the body shop and/or lien holder unless you have made other arrangements with the adjuster.

**Can I use the body shop of my choice to repair my car after an accident?** Most states do not allow an insurance company to force you to use a particular repair facility. However, an insurance company is not obligated to pay more than the reasonable and customary charges.

**I have a chip in my windshield and the repair bill is \$60 but I have a \$250 deductible. Does that mean I will have to pay this out-of-pocket?** No, if you have comprehensive coverage on your vehicle, the deductible is waived for the repair of your windshield. This type of payment is more favorable than a windshield replacement on your loss history as well.

**I hit a pot-hole on the roadway and damaged a tire and rim. Does the comprehensive deductible apply?** No, in this situation you actually collided with the roadway and the collision deductible would apply.

**Is personal property in my car covered if the car is stolen?** Generally, personal property would not be covered as part of the auto claim. A separate claim would have to be made under your homeowner's or renter's policy, with the deductible from that policy being applied to that portion of the claim.

**What does "No-Fault" mean?** When you hear the term no-fault auto insurance being used, it does not mean that no one is determined to be at fault for an auto accident. The no-fault concept only applies to injuries that arise out of an auto accident. How no-fault works is best illustrated by a hypothetical auto accident. Driver A rear-ends the car owned and driven by Driver B at an intersection. Driver B's car is pushed into Pedestrian C, who suffers minor injuries. Driver B also suffers a minor neck injury.

That Driver A is clearly at fault is a given. Driver A's liability coverage will pay for the damage to B's car. No-fault does not apply to the damaged vehicle. However, when Driver B and Pedestrian C try to collect for their injuries, they will be told to submit their medical bills to their own auto insurance companies because no-fault applies to injuries arising out of an auto accident. Even the pedestrian will have to submit it to his/her auto carrier because a car accident caused the injury. Once the injuries reach a certain severity, the claim is presented to the responsible party and his/her insurance company.

**Do red vehicles cost more to insure than other vehicles?** No, insurance companies do not consider the color of your vehicle when determining premiums. Factors that insurers consider include your age, the kind of vehicle, your claims history and your driving record.

**I borrowed my friend's trailer to pull behind my car. If it comes unhooked and rolls into another vehicle, am I covered for damage or injuries to the other vehicle? What about damage to my friend's trailer?** For damages to the other car the answer would be yes. Your auto policy's liability coverage will automatically extend to a trailer you are pulling with your vehicle to cover damage or injury subject to your policy limits. The damage to your friend's trailer will be covered if you have collision coverage on the vehicle that is pulling the trailer, subject to the collision deductible and a deduction for depreciation for age, wear-and-tear, and condition.

**I'm pulling my trailer with my car. It comes unhooked and the trailer is damaged. Am I covered?** Not unless you have the trailer listed on your auto policy with collision coverage.

**I carry a large amount of sale samples in my car for work and my boss says I am responsible for these samples if they are lost or stolen. Does my home or auto insurance cover me?** Your auto policy will not cover you for any loss to the sales samples. Your homeowners may provide some coverage but the standard limit for business personal property away from your home is only \$250. The coverage is typically \$2,500 while on the premises insured on the policy.

**How can I reduce the cost of my auto insurance?** There are a few things you can do. First, raise the comprehensive and collision deductibles. For example, increasing the deductibles could reduce your premium by 15%.

Second, consider dropping the collision coverage. Collision coverage is generally not worth purchasing on older vehicles with high mileage because if you file a claim for significant damage, your insurance company will likely declare your vehicle a total loss rather than fix it. The amount you get for the total loss may not justify paying the premium for collision coverage.

Consider dropping comprehensive coverage on older vehicles for the same reasons.

Consider taking a safety course which would reduce the premiums 5-10% on the vehicle you drive most frequently.

When purchasing a new car, consider the safety and repair costs – two factors that make up a large part of the insurance premium.

In the long run, the best thing you can do to lower the cost of your insurance is to drive carefully and obey all traffic laws. People with no accidents or violations have the best auto rates!

It is generally **not** a good idea to lower the liability or uninsured/underinsured motorist coverage on the policy. Discuss your situation with your agent thoroughly to determine the best options for your situation.

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## ***Teen Driver Questions***

**My teenager just got a driver's permit. Does my teenager need to be added to my insurance policy?** It is a good idea to inform your agent that there will soon be a new driver in your household. However, your son or daughter will not be "rated" on the policy until they obtain an actual driver's license. We have a lot of good information to share with customers on how to help your son or daughter be a safer driver – contact us and we'd be happy to send it to you!

**I have a new teenage driver. What can I do to keep my premium as low as possible?** Driver's training and obtaining a "B" average in school will help reduce the premium considerably.

Also, the premium increase will not be as great if there are more drivers than cars in your household.

If you decide to provide a car for a newer driver, consider an older but safe car that can be insured for liability only. Physical damage coverage (comprehensive and collision coverage) can double, and sometimes triple, the insurance costs for young drivers. The vehicle you chose makes a big difference in the insurance cost. The safer the vehicle, and the lower the repair costs, the less expensive the insurance is between two cars with similar values.

**How do I insure my teenage driver?** As soon as your teenager begins to drive, notify your insurance agent that there will be an additional driver in the house. The full name, date of birth and driver's license number will need to be provided. There will also be questions about how the new driver will be using the family vehicles. Statistically, teenagers have more accidents than other age groups. The accidents also tend to be more severe and involve more injuries. This is reflected in

higher insurance rates. Boys statistically have more accidents than girls, and the rates reflect this.

#### **Ways to keep the increased cost to a minimum:**

- 1. Insure your son or daughter on your own policy.**  
It is generally cheaper to add your teenagers to your insurance policy than for them to purchase their own. If they are going to be driving their own car, insure it with your company so you can get a multi-policy discount.
- 2. Let your insurer know if your teenager is going away to school.**  
If your son or daughter lives away at school – at least 100 miles from home – you will get a discount for the time they are not around to drive the car. This, of course, assumes that they leave the car at home!
- 3. Encourage them to get good grades.**  
Most companies will give discounts for getting at least a “B” average or being in the top 20% of the class if they are enrolled in school full-time.
- 4. Encourage them to take Drivers’ Training and/or Behind the Wheel driving courses.**  
Most companies will give discounts for completion of one or both of these courses.
- 5. Pick a safe car.**  
The type of car your teen will be driving will dramatically affect the price of insurance. They should have a car that is easy to drive and would offer protection in the event of a crash. You should avoid small cars and those with high-performance images that might encourage speed and recklessness. Trucks and SUVs should also be avoided, since they are more prone to rollovers.
- 6. Talk to them about safe driving.**  
Driving safely will not only keep your son or daughter alive and healthy, it will also save money. As your teenager ages, insurance rates will drop – providing that they have a good driving record.
- 7. Talk to them about the dangers of combining driving with alcohol, lack of sleep and distractions.**  
Accidents occur each year because a teen driver was using a cell phone, playing the radio or talking to friends in the backseat. Also, teens should be careful when they are passengers in their friends’ cars. Recent studies indicate the effects of drowsiness on driving is similar to that of driving while intoxicated.
- 8. Be a good role model.**  
New drivers learn by example, so if you drive recklessly or speed, your teenage driver may copy you. Always wear your seatbelt and never drink and drive.
- 9. Institute your own version of a graduated drivers licensing program.**  
A number of states have reduced teen accidents by restricting the amount of time new drivers may be on the road without supervision. If your state doesn’t have such a program, you may institute this same policy with your own children. Also, take an active role in helping your teenager learn to drive. Plan a series of practice drives in a wide variety of situations – nighttime, rain and snow. You also want to give them time to work up to challenges such as driving in heavy traffic or on freeways.

*Information courtesy of the Independent Insurance Agents of America*

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## **Rental Car Information**

### **What is the collision damage waiver offered by rental firms?**

The collision damage waiver is a release of your obligation to pay the rental company if the rental vehicle is damaged, as long as you have complied with all the terms of the rental agreement. Rental contracts vary, but generally they require reimbursement up to the full value of the vehicle rented, as well as loss of use and administrative fees in the event of damage to the vehicle. This could amount to \$25,000 or more depending on the vehicle rented.

### **I’m going on vacation abroad and renting a car; do I need to buy the insurance offered by the rental car**

**company?** If you are renting a vehicle in a foreign country, purchase the necessary insurance from the rental firm. Personal auto policies only cover you in the United States, its territories or possessions and Canada.

**If my car is in an accident, is the cost of a rental car covered?** If you are at fault in the accident, you will be responsible for rental car expenses. Most auto policies do not provide this coverage automatically; it is an option that can be purchased. Typical limits available are \$15 per day to \$40 per day and costs vary from \$8-\$24. The coverage needs to be added to each vehicle that you wish the coverage to apply to.

### **Do you need to buy the collision damage waiver?**

While your North Dakota or Minnesota personal auto policy may provide some coverage for rental vehicles, it does not cover all the obligations you assume by signing the rental contract.

You must purchase additional liability and physical damage coverage when you rent a motor home or truck (U-Haul, for example). This type of vehicle **is not** covered by your personal auto policy. Rental of a pickup or van for business use is not covered by your personal auto policy.

By law, North Dakota and Minnesota personal auto policies provide coverage for damage to a rental vehicle under the liability section of your policy regardless of fault. For the coverage to apply, the vehicle must be rented in your own name and for 30 days or less.

Based on legal requirements, you most likely have coverage for damage to a rental vehicle under your personal auto policy. However, there are reasons you may want to purchase the collision damage waiver anyway. We feel it is our obligation to advise you when coverage applies and the advantages of the rental car insurance so that you can make an informed decision.

### **What are some advantages to purchasing the waiver?**

1. Even though your insurance would cover the damages, the rental company may bill the estimated damages to your credit card when the car is turned in. This could result in a diminished line of credit for the balance of your trip or interest fees built up during the settlement process.
2. At-fault accidents are more likely in unfamiliar cities, driving an unfamiliar car. If the collision damage waiver is not purchased, your insurance company will most likely increase your rates if the accident is considered at-fault.
3. Credit card companies are eliminating coverage for rental vehicles. Check with your credit card company before assuming they provide this coverage. Most often the coverage is simply deductible reimbursement. Some pay the damage, and then turn the claim in to your insurance company.

### **The broadest protection is achieved by:**

1. Renting from a reputable rental firm.
2. Purchasing the collision damage waiver.
3. Having a full coverage personal auto policy with high liability limits.
4. Having a personal umbrella liability policy.

### **Before renting a car:**

1. Include the cost of the collision damage waiver when comparing the total cost of vehicle rental from company to company.
2. Find out from the rental company how the claim is handled if the rented vehicle is returned damaged and the collision damage waiver was **NOT** purchased.
  - a. Will a charge be made against your credit card for the damages?
  - b. What is the maximum dollar amount you could be liable for?

3. Find out from the rental company how the claim is handled if the rented vehicle is returned damaged and the collision damage waiver **WAS** purchased.
  - a. What actions would cause the collision damage waiver to be voided?
  - b. Does the collision damage waiver cover comprehensive losses (fire, theft, hail, vandalism)?
4. Ask the rental company to send you a copy of the contract you will be signing so that you have adequate time to review it before arriving at the rental counter. If you send the contract to us, we can determine for you what specific coverage your auto policy has and how it applies to this agreement.
5. It is also critical that **YOU** read through your rental contract carefully so that you do not violate any of its provisions and void the coverage it provides.

**When renting vehicles remember to:**

- Bring your auto insurance ID cards. Some states require all drivers to have evidence of insurance in their possession, and the rental company insurance may not be acceptable.
- Completely and thoroughly inspect the vehicle before you leave the lot. Be sure all previous damage and/or missing parts are listed on the contract.
- If you will be crossing state lines or national borders, be sure to have the rental clerk approve this in writing on the contract.
- Be sure **ALL** potential operators of the vehicle are approved and sign the rental contract. Be sure all operators have their own personal insurance policy or be sure to purchase the collision damage waiver.
- Carry two credit cards with you if possible so that one can be used for the vehicle rental and another for travel expenses.
- When you are renting a vehicle for more than 30 days at a time, or at regular intervals, be sure to tell us. Your policy will need to be amended to extend any coverage for this situation. This additional coverage typically costs only \$12 per year.
- If you have not purchased a personal umbrella policy, perhaps now is a good time to do so.

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