

Transcript Season 1: Episode 16: You've Got the Car, Now the Insurance

All I wanted was a car, but I didn't plan on how expensive the car insurance would be.

Have you been in that boat? I mean, car?

In Arkansas, the average cost of car insurance is \$1,914 per year for a full coverage policy and for a minimum coverage policy it is \$470 per year. There's a big difference between those two amounts and what you can expect if an accident happens.

Keep listening and you will learn the must know vocabulary for purchasing car insurance, plus some handy tips that can save you money.

Podcast Opener:

Adulthood – Thinking of all the things adults have to do can be intimidating. Maybe you are realizing just how much you don't know about living on your own.

If this sounds familiar, join us today to learn the skills you need and take some of the stress out of being an adult.

This is Grown Up U, an adulthood podcast to help you navigate the twists and turns of adult life. Listen and get life skills you didn't learn in school.

Podcast Script:

Alison Crane: Hello listeners! I'm Alison Crane, Family and Consumer Sciences Agent for the Garland County Extension Service in Hot Springs, Arkansas.

Joining me today is my daughter, Anna Crane. Thank you, Anna, for taking time to help me share about car insurance.

Anna Crane: Thank you for having me. I'm glad to be back.

Alison Crane: Anna, you are currently shopping for your first car that will be purchased on your own. What are some things that you have done so far to help you make a good choice?

Anna Crane: The first thing that I started with was research. Lots and lots of research. There are just so many cars out there. It helps to figure out what your options are. Not to mention, I got some help from people who know some things about cars. Asking people for advice is always a good way to go.

Alison Crane: Right. Do you have any questions or concerns about car insurance?

Anna Crane: Actually, I do. I heard that everyone has to have car insurance to drive any type of motor vehicle in Arkansas, is that correct?

Alison Crane: Arkansas passed legislation in 1987 and 1999. This legislation states that it is unlawful for any person to operate a motor vehicle within this state unless the vehicle is insured with the minimum amount of liability coverage.

Anna Crane: Okay, but what are the minimum amounts? I want to make sure that I have enough to cover me.

Alison Crane: The minimum amounts are \$25,000 for bodily injury or death of one person in any one accident. \$50,000 for bodily injury or death of two or more persons in any one accident and \$25,000 for damage to or destruction of the property of others.

This may seem like a lot of coverage and that just purchasing the minimum would be good enough, but when you consider how expensive vehicles are and also how expensive a trip to the emergency room or a stay in a hospital can be... well, it adds up quick, especially in a fault state, like Arkansas.

Anna Crane: Whoa! Wait a minute! What is a fault state?

Alison Crane: Okay, first, let me explain what a no-fault state is. In a no-fault state, a driver's insurance company will automatically cover their medical expenses after an accident, regardless of who was at fault (or caused the accident). Arkansas is a "fault state" and requires the insurance of the driver who caused the accident to pay the other driver's hospital bills.

Anna Crane: Okay, it makes sense that we have to have at least liability insurance knowing that, because liability is for bodily injury and property damage. What happens to someone who doesn't have insurance?

Alison Crane: Well, you will receive a fine and your license could get suspended. In 2020, Arkansas passed a new law that allows law enforcement officers to see real-time insurance data when they run a license plate number.

If the database shows that they driver's policy has lapsed, they automatically receive a \$100 fine. If the driver doesn't provide update proof of insurance within a certain timeframe, their registration will be permanently suspended until they purchase coverage and pay the fine.

When you are driving uninsured, most of the time you not only receive the fine, but you are automatically considered at fault for the accident because you should not have been driving and if you weren't then the accident would not have happened.

Anna Crane: I don't want to be responsible for an accident if I can help it, so I will definitely keep my insurance current and drive carefully.

Alison Crane: I like to hear that.

Anna Crane: Ha! Okay, but there's still a lot of terms and things that I keep seeing about insurance and some of it's like a whole new language. I hear all these terms but, I'm not always sure what they mean.

Alison Crane: Insurance does seem to have its own language and we don't have time to cover every single definition but let's talk about some of the most common terms and later I will share the link for a handy brochure that you can download for more details.

The first term to know is premium. A premium is the amount you pay for your insurance and depending on the company, it can be paid monthly, quarterly or yearly.

Deductible is another common term. The deductible is the amount that you must pay for the repair of your automobile beyond the cost of your premium.

Anna Crane: is that the same as paying a deductible for when you have surgery or some kind of medical procedure?

Alison Crane: It's the same concept. You are responsible for a set amount and the amount of deductible of your deductible affects the cost of your premium. The higher your deductible, the lower your premium, because you are responsible for paying more to fix your vehicle.

Anna Crane: So, if I have a \$1000 deductible, and my car was going to cost \$950 to get it repaired, I would be responsible for the whole amount, right?

Alison Crane: Exactly, that's also why it is a good idea to have enough money set aside in a savings account to cover the costs of any deductibles you might have to pay so you don't have a large bill that you suddenly have to figure out how to pay.

Anna Crane: Well, what is the difference between collision coverage and comprehensive coverage?

Alison Crane: Collision coverage pays for the damage to your vehicle as the result of colliding with another vehicle or object, regardless of who is at fault. Collision coverage does have a deductible.

Comprehensive coverage pays for the damage to your automobile caused by a collision with a bird, or animal or damage caused by something other than a collision with another vehicle. This could include hazards like fire, theft, vandalism, water, hail, windstorm, and flood. This coverage can be purchased with or without a deductible, but it will be more expensive without one.

Most loans on a vehicle require you to carry full coverage on your automobile in order to make sure that your car retains its value in case of an accident or damage. Your lending institution will actually be named as a loss payee on your policy so that its investment will be protected.

Anna Crane: I've seen commercials for car insurance that talk about accident forgiveness, is that something I need to consider while I'm shopping for insurance for my new car?

Alison Crane: Most car insurance companies will raise your premium payments when you get a ticket for driving infractions and for accidents (sometimes even if it's not your fault).

If you can add accident forgiveness to your policy, do it. Accident forgiveness prevents your car insurance premium from increasing after your first crash. Most companies have limits on what damages qualify for accident forgiveness, but it can still help keep your costs down.

With that, also look for an insurance company that offers good student rates as well as the possibility of lowering your premiums for being a good driver if you drive without an accident or ticket.

Anna Crane: That's why you were always telling me and my sibs to get good grades! You wanted lower insurance premiums.

Alison Crane: That wasn't the only reason, but can you blame us? With three teenagers in the house, we were paying over \$500 a month for a while. Every little bit helped.

Anna Crane: Why was our insurance so expensive?

Alison Crane: Well, insurance costs more for young drivers. After age 25, the costs go down, if you have a good driving record.

Young drivers have an unproven driving record and are considered inexperienced in knowing how to deal with all the hazards and potential problems that come with driving. Also, statistically, high school and college students are more likely to engage in risky behaviors behind the wheel. Insurance companies charge more for young drivers because they typically have to pay out more for claims on their insurance.

This doesn't mean that all young people are bad drivers.

Anna Crane: I can see why rates for young people are higher. Looking back, I know how nervous I was when I first started driving. Sometimes I still get stressed out when I have to drive in heavy traffic or bad weather.

Alison Crane: Me, too, and I've been driving for a long time. Don't even ask how long!

Anna Crane: I would never think of it. (laughter) Seriously, do you have some tips for me for saving money on purchasing my auto insurance?

Alison Crane: There's several things you can do to help you save money:

First, consider increasing the amount of your deductible. – decide how much can you afford to pay and then shop around to see what the various companies offer.

Also, adding a deductible to your comprehensive coverage can reduce the price.

Taking a certified driver's education course may entitle you to a discount as well as the good driver discount for drivers between the ages of 16 to 25.

The type of car you are driving will affect your insurance rate. High performance cars, sports cars and exotic cars are usually rated higher, and some companies will not cover them.

Finally, ask about any other discounts the insurance company may offer. Some offer discounts for more than one vehicle, other potential discounts include discounts to nondrinkers, nonsmokers, and accident-free drivers.

Don't forget that it's also a wise idea to check reviews on how well an insurance company provides customer service and follows through on its coverage.

Anna Crane: I'll remember those tips as I am shopping for insurance for my new car. What was that brochure you mentioned earlier?

Alison Crane: You can download for free a brochure on car insurance written for drivers in our state. I've included the link in our podcast description, but you can also look it up by going to insurance.arkansas.gov. It has a list of questions you can ask when contacting insurance companies and a handy comparison chart that you can fill out to see what each company offers.

Anna Crane: That will be handy. I like knowing what I need to ask ahead of making the call.

Alison Crane: Anna, thank you for coming on the program today. Hopefully, you feel more confident to be able make a good choice for purchasing your own car insurance. Of course, you can always ask your dad and myself for advice. We'll be glad to help.

And for our listeners, if you would like more information on purchasing insurance for your car or for financial planning in general, you can, of course, listen to more of our Grown Up U podcasts. You can also visit our website at uaex.uada.edu or contact your local county Extension agent.

Next week's program will give you some great information about whether to rent or buy when it comes to housing.

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