

Proceed with

CAUTION

Auto Policy Transaction in Progress

by Pam McCawley, AAI

Each time you sit down to enjoy your favorite TV show or turn on a big game you've been dying to see, chances are fairly good that you're going to see an auto insurance commercial – they're everywhere! You might find an Australian lizard speaking as an authority on auto coverage, or an unfortunate caveman who is shamelessly picked on for the sake of drawing attention to a company's insurance services.

While the commercials are certainly entertaining, it is important to question whether or not the promises made are truly geared toward your best interest, both in terms of coverage and premium dollars. It's easy to get caught up in the gimmicks; therefore, it's critical to sift through the available data and thoroughly review the various policy options to be certain you purchase the right policy for you and your family.

Vanishing Costs Begin to Add Up

A new trend in auto coverage advertising is the promise of a "disappearing deductible." This insurance policy add-on allows for a certain dollar amount to be reduced from your deductible each year, assuming you are accident-free and haven't filed any claims regarding glass, vandalism or theft. However, if you do cause an accident or file a claim, the deductible reverts to its

original level, minus the sign-up reduction. This particular type of policy offers significant consumer appeal – who wouldn't want to see their deductible vanish with every accident-free year? However, a closer look at the fine print might shine light on some significant drawbacks associated with this policy addition.

The cost to add this benefit to a policy varies per year, per vehicle. For example, one offer might subtract \$100 from your deductible for each year you have maintained a clean accident record and avoided the aforementioned claims. However, you could be charged \$60 per year for \$100 worth of coverage you may never use, especially if your driving record has been clear in the past. It could be more beneficial to save money by simply increasing your deductible. On average, increasing a deductible from \$200 to \$1,000 can reduce your collision premium up to 40% each year.

Although the majority of companies promise huge savings and extra coverage, each plan is different. With so many options, it is recommended that you meet with a licensed professional to discuss which coverage and limits are the best fit for your unique situation.

You'd Better Shop Around

The Internet has become an efficient medium for purchasing nearly everything, including automobile insurance. While it is a great resource and a convenient way to shop, it isn't always the best option for purchasing insurance. The lack of interaction with a live insurance professional eliminates the opportunity to voice concerns or ask specific questions about your personal situation. Most websites will prompt you to answer questions that the company believes are important to you, especially at the time of a loss. For example, they might ask "Do you have health/medical insurance?" If you answer yes, they often fail to point out that if you or someone in your car suffers a minor injury that leads to an emergency room visit (such as slamming a finger in a car door), the only coverage you can rely on is your own medical coverage. Your healthcare policy may have a high deductible or coinsurance clause, while your injured passenger might not have medical insurance at all. The addition of \$5,000 worth of medical coverage on your auto policy is typically priced at just \$10 per vehicle. However, you may never learn about this potential add-on option if you are filling out a computerized form that is programmed to assume you wouldn't be interested since you already have health insurance.

Supplementary medical coverage is just one policy component that could go unexplained when purchasing insurance through a website. Bodily injury, property damage and uninsured/underinsured motorists are additional areas of coverage that might be overlooked or improperly explained when shopping online. Most importantly, this coverage may be offered only at state-required limits, which is far too low for many customers. A serious at-fault accident with bodily injury and/or property damage can incur hundreds of thousands of dollars. For example, if you were to rear-end a vehicle (or two), it is unlikely that the Nebraska property damage minimum limit of \$25,000 will provide enough coverage to repair the damage to the vehicle(s). If you do not carry adequate liability protection, an accident such as this could result in the loss of personal assets, including future earnings.

In addition to a lack of clarity, insurance websites might also fail to highlight a number of valuable policy add-ons, including rental reimbursement (which provides rental car coverage if your vehicle is in the shop for repairs due to a covered claim). Other important options to consider include roadside assistance and loan-or-lease payoff coverage, which may or may not be offered by the carrier online. If you are not aware of all of your coverage options, you may not be able to build the best policy for your individual needs. While insurance websites can be an excellent source of information, it is wise to speak with a trusted insurance professional who can suggest policy elements that will best protect you.

Happy to Help

The next time you are channel surfing and find yourself intrigued by one of the current insurance commercial characters, laugh along and enjoy the ad – but always remember there are educated insurance professionals who are ready to guide you to the best policy for your unique situation and not down a path of misleading promises. Avoid the hype and manage your insurance needs with a trusted agent who has your best interest in mind every step of the way.

Contact Pam McCawley | pmccawley@ssgi.com

