**Finance**

**Unit 4 – Insurance**

Automobile Insurance

Updated 12/2/15

Assignment: This assignment is made up of 3 parts:

* Part 1 – Identify which type of automobile coverage will pay for an identified claim (10 points)
* Part 2 – Identify the amounts to be paid for a given incident by the policyholder and/or the insurance company (60 points)
* Part 3 – Research and evaluate teen driving statistics as they relate to insurance premiums (30 points)

This assignment is worth 100 points and will count as a Work grade.

*Part 1 – Which Type of Automobile Insurance Will Cover a Claim?*

For each incident indicated below, identify which type of automobile insurance coverage that you might carry will pay for the claim by putting an **X** in the appropriate column (1 point each):

|  |  |  |
| --- | --- | --- |
|  | **Them** | **You and Your car** |
| *Note:* ***only 1 type*** *of coverage applies to each incident, so only one box should be checked.* | Liability (Bodily Injury) | Liability (Property Damage) | Collision | Comprehensive | Medical Payments | Uninsured/Underinsured Motorist |
| 1. Someone steals the radio from your car.
 |  |  |  |  |  |  |
| 1. You cause an accident that puts the other driver in the hospital.
 |  |  |  |  |  |  |
| 1. You destroy a fence in an accident that is your fault.
 |  |  |  |  |  |  |
| 1. Your car is damaged in an accident that is your fault.
 |  |  |  |  |  |  |
| 1. Your car is damaged by a driver who does not have any insurance.
 |  |  |  |  |  |  |
| 1. You have medical costs from an accident that another driver caused.
 |  |  |  |  |  |  |
| 1. You hit a deer, mangling the front end of your car.
 |  |  |  |  |  |  |
| 1. Your car is completely destroyed by a fire in your garage.
 |  |  |  |  |  |  |
| 1. You accidentally roll your automobile while driving down the road.
 |  |  |  |  |  |  |
| 1. You cause damage to another vehicle; the accident is your fault.
 |  |  |  |  |  |  |

*Part 2 – Identify Claim Payouts*

For each incident listed, identify how much (based on the coverage provided in the insurance policy) will be paid from each portion of the insurance policy, and how much will be paid by you. Each scenario is worth 4 points.

**Scenario #1 (Virginia State Minimums): You own a 2007 Honda Civic DX 2-door coupe (no loan on it); it has a “blue-book” (accepted fair market) value of $9,900. In order to save money on monthly premiums, you choose to get an insurance policy that only has the minimums required by the state of Virginia:**

* **Liability - $25,000 (per person)/$50,000 (per accident)/$20,000 (property)**
* **Collision - none**
* **Comprehensive - none**
* **Uninsured/Underinsured Motorist - $25,000 (per person)/$50,000 (per accident)/$20,000 (property)**

***S1: Incident #1*** – (6 points each) You swerve to avoid a deer and end up taking out the mailbox and 20 feet of fence on someone’s property. The estimated cost to fix the fence and mailbox is $750. The estimate to fix your automobile is $2,500.

|  |  |
| --- | --- |
| ***Their Car/Property*** | ***Your Car*** |
| Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  | Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  |
|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
| Total Amount to be Paid by Insurance for ***Bodily Injury*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Collision Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by Insurance for ***Property Damage*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Comprehensive Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by Insurance from the ***Uninsured/Underinsured Motorist*** ***Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by **Insurance** for this Claim |  | Total Amount to be Paid by **Insurance** for this Claim |  |
| Total Amount to be Paid ***by you*** for this Claim |  | Total Amount to be Paid ***by you*** for this Claim |  |

***S1: Incident #2*** – (6 points each) You accidentally hit another vehicle. The driver of the other vehicle needs to be taken to the emergency room for treatment. The cost of the other driver’s medical bills is $12,000, and it will cost $12,800 to fix the other driver’s car. The estimate to fix your automobile is $10,500.

|  |  |
| --- | --- |
| ***Their Car/Property*** | ***Your Car*** |
| Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  | Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  |
|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
| Total Amount to be Paid by Insurance for ***Bodily Injury*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Collision Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by Insurance for ***Property Damage*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Comprehensive Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by Insurance from the ***Uninsured/Underinsured Motorist*** ***Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by **Insurance** for this Claim |  | Total Amount to be Paid by **Insurance** for this Claim |  |
| Total Amount to be Paid ***by you*** for this Claim |  | Total Amount to be Paid ***by you*** for this Claim |  |

***S1: Incident #3*** –(6 points each) You accidentally hit another vehicle with 3 occupants. All three occupants must be taken to the emergency room and all three require follow-on medical treatment. Each occupant in the other vehicle requires $20,000 worth of medical treatment and $3,000 in lost wages. The estimate to fix the other vehicle is $24,000. The estimate to fix your automobile is $15,200.

|  |  |
| --- | --- |
| ***Their Car/Property*** | ***Your Car*** |
| Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  | Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  |
|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
| Total Amount to be Paid by Insurance for ***Bodily Injury*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Collision Coverage*** in Your Policy |  |  |
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| Total Amount to be Paid by Insurance from the ***Uninsured/Underinsured Motorist*** ***Coverage*** in Your Policy |  |  |
| Total Amount to be Paid by **Insurance** for this Claim |  | Total Amount to be Paid by **Insurance** for this Claim |  |
| Total Amount to be Paid ***by you*** for this Claim |  | Total Amount to be Paid ***by you*** for this Claim |  |

***S1: Incident #4*** – (6 points each) Your car slides on ice on the way to school and flips into a ditch. You are not injured; however, the estimate to fix your automobile is $8,500.

|  |  |
| --- | --- |
| ***Their Car/Property*** | ***Your Car*** |
| Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  | Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  |
|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
| Total Amount to be Paid by Insurance for ***Bodily Injury*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Collision Coverage*** in Your Policy |  |  |
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***Incident #5*** – (6 points each) You are hit by another motorist who has no insurance. You are injured severely; the cost of your medical bills and the amount of lost wages totals $44,000. The estimate to fix your automobile is $8,500. The other driver has a total of $21,500 in medical expenses and lost wages, and the estimate to fix the other driver’s automobile is $22,000.

|  |  |
| --- | --- |
| ***Their Car/Property*** | ***Your Car*** |
| Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  | Total Amount of Damages from Accident (Bodily Injury & Property Damage) |  |
|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
| Total Amount to be Paid by Insurance for ***Bodily Injury*** from the Liability Portion of Your Policy |  |  | Total Amount to be Paid by Insurance from the ***Collision Coverage*** in Your Policy |  |  |
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| Total Amount to be Paid by **Insurance** for this Claim |  | Total Amount to be Paid by **Insurance** for this Claim |  |
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**Scenario #2 (Recommended Coverages): You own a 2007 Honda Civic DX 2-door coupe (no loan on it); it has a “blue-book” (accepted fair market) value of $9,900. You decide to get the coverages recommended by your insurance company; you also elect to get collision & comprehensive coverage, even though it is not required by law (you don’t owe any money on the car):**

* **Liability - $100,000 (per person)/$300,000 (per accident)/$100,000 (property)**
* **Collision - $500 deductible**
* **Comprehensive - $500 deductible**
* **Uninsured/Underinsured Motorist - $100,000 (per person)/$300,000 (per accident)/$100,000 (property)**

***S2: Incident #1*** – (6 points each) You swerve to avoid a deer and end up taking out the mailbox and 20 feet of fence on someone’s property. The estimated cost to fix the fence and mailbox is $750. The estimate to fix your automobile is $2,500.

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| ***Their Car/Property*** | ***Your Car*** |
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|  | Your Insurance pays | You Pay |  | Your Insurance pays | You Pay |
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***Part 3 – Research and Evaluate Teen Driving Statistics***

Part 1 – Research Statistics: Go to the [**IIHS Teen Driver Fatality Facts**](http://www.iihs.org/iihs/topics/t/teenagers/fatalityfacts/teenagers/2012) link on my website. Find the following statistics on the site. Use statistics from the most recent year given in the report.

1. What is the leading cause of death among teenagers? (2 points)
2. What percent of all deaths for the following age groups are due to motor vehicle accidents. Look for table labeled ” **Teenage passenger vehicle occupant deaths by age and seating position, 2012”**? (4 points)

|  |  |
| --- | --- |
| Age Group | # of all deaths caused by motor vehicle accidents |
| 13 – 14 |  |
| 15-16 |  |
| 17-18 |  |
| 19 |  |

1. What is the number of deaths per 100,000 people of ***drivers*** in the following age groups? [IHHS website](http://www.iihs.org/iihs/topics/t/general-statistics/fatalityfacts/overview-of-fatality-facts) (gender tab). Look for this title about half way down the page “**Passenger vehicle occupant deaths per 100,000 people by age and gender, 2013”**: (10 points)

|  |  |  |  |
| --- | --- | --- | --- |
| Age Group | Male Drivers | Female Drivers | Total Drivers |
| 0 - 15 |  |  |  |
| 16 - 19 |  |  |  |
| 20 – 24 |  |  |  |
| 25 – 29 |  |  |  |
| 30 – 59 |  |  |  |

1. What is the rate of deaths for Motor vehicle crashes by state (State by State tab)? (4 points)

|  |  |  |
| --- | --- | --- |
| State | Deaths (column 4) | Deaths per 100,000 population (column 5) |
| Virginia |  |  |
| California |  |  |
| Kansas |  |  |
| Hawaii |  |  |

Part 2 – Evaluate Statistics: Answer the following questions (3 pts each).

1. Insurance representatives will tell you that insurance premiums decline considerably at age 25 for both males and females. Looking at the statistics you researched, explain why this might be true.
2. Insurance representatives will tell you that insurance premiums for males under the age of 25 are higher than for females under the age of 25. Looking at the statistics you researched, explain why this might be true.