**Car Insurance**

**By Ravi Nanju, January 2011**

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There are three types of insurance to choose from and you should consider all the options to get the right type. Also, once you’ve chosen make sure you check your policy carefully, so you know exactly what you are and aren’t covered for in the event of a claim.

**Third Party**

The minimum level of cover you need to legally be able to drive on the roads is called ‘Third Party’. It used to be the cheapest type of insurance but now bizarrely fully comprehensive policies can often be cheaper. Third Party covers you for any damage you cause to another person’s vehicle and protection for any passengers in your car.

Therefore, if you are in an accident and it is your fault, you will have to pay for any repairs to your own car yourself, as your insurance won’t cover it. It’s more expensive because it’s assumed you care less about your car and are therefore more likely to have an accident.

It’s generally the most suitable for those…

* With cars worth less than $5000
* Aged under 25
* Without a no-claims bonus
* Or living in a high risk area

**Third Party Fire and Theft**

Third party fire and theft has the same level of cover as third party insurance. However, self evidently, it also has the additional cover of assistance if your car is stolen or is set on fire.

**Fully Comprehensive**

This is the widest level of cover but can be the cheapest. The big advantage is if you have an accident and it was your fault you will be able to claim the cost of repairing your own car as well as those of the other drivers.

The cover also includes accidental damage and vandalism, for example if somebody causes damage to your car when it is parked in the street and they then drive off. Plus you’ll be able to drive hire cars or other people’s cars if you have their permission, although this will probably only be Third Party.

Fully Comp is a good idea if your car is worth more than $5000 and gets more important the more valuable you car is.

Don’t think third party’s cheaper than comprehensive

Why? Car insurance rates are set by actuaries, whose job is to calculate risk. And it’s likely third-party buyers are on average a higher-risk group, perhaps as overall they care less about their cars, and so prices are pushed up.

**Reduce your risk, reduce your cost**

Every application for car insurance is different. Each insurer’s price depends on the underwriters assessment of your risk and then the pricing model which dictates what type of customers the insurer wants to attract.

Therefore by reducing an insurer’s perception of your risk you can reduce the price you’ll pay.  Some things you can do are:

* **Park and drive carefully.** Theft and accidental damage add a bulk to insurance costs. If you leave your car in a garage or driveway it’s a big deterrent to theft and means accidental damage is less likely, resulting in a 3% – 7% drop in insurance costs.

The more points on your license the higher the cost. While speeding points remain on your license for four years insurers check for convictions during the last five before they are removed from your record.

One speeding conviction may only affect the price of cover by around 5% but any more will bump up the price, with two offences costing around 20% more. **Being caught with a mobile phone is more serious and can double your quote!**

* **Add a second person to an under-25s / high risk drivers insurance**
Insuring someone aged under 25 can cost a fortune. Yet by adding a second driver with a good record to the insurance, even if they won’t use the car often, it can smooth out the average risk and sometimes reduce the premium.
* **At no point should you add your name** as the main driver on a younger driver’s policy instead of them. This is known in the industry as fronting and is fraud. When you come to claim, this will often be checked out and your insurance will be invalidated. **Pick a car**
The combination of car, engine size and value all impact car insurance cost. It’s worth considering this when you buy; a big super-powerful 4 by 4 for a 17 year old .
* **Fit a security device**
Fitting an alarm or immobilizer will reduce the bill substantially. **Don’t modify your car**
The more changes you make to your car, barring security ones, the more you’ll be charged. Always make sure you inform your insurer of any modifications to your car, whether you made them or not, or it may invalidate your policy. A modification is anything that is not part of the standard vehicle specification including factory fitted optional extras, such as alloy wheels.
* **Reduce your mileage.** The less you drive, the cheaper your insurance will be. Where possible try and reduce your mileage. This may sound trite, but actually the real key is incorporating the extra insurance cost when you make long journeys not just the cost of petrol compared to taking the bus or train. If you drive your vehicle on business, always declare this rather than just include the business miles as personal, or the policy may be void.

**Inform your insurer of any changes in circumstances**

This is crucial as it reduces potential problems in the event of a claim; even if it’s just your address. Trying to get insurance after you’ve had a policy cancelled due to a fraudulent claim is very difficult, very expensive and will follow you for the rest of your life.

A change in circumstances includes moving jobs, as insurers believe this can affect your risk. Unemployed pay higher rates for their car insurance, so do inform your provider if you’re out of work but also check to see if it’s worth cancelling, as you don’t need to be at renewal to change insurer.

**Other tricks for lowering car insurance costs**

If you’re trying to finesse the lowest price, there are a few more things to watch out for. Car insurance marketing is clever. Its aim is to make you feel you’re getting the best deal but to maximize the insurer’s profit at the same time.

* **Get a ‘new’ quote from your existing insurer.** Often applying to your existing insurer as a new customer produces a cheaper price than its renewal quote. Insurers put out more competitive prices to attract new customers so simply start again and you could be better off.

**Consider how much you’d really claim for?**

It’s worth considering going for a policy with a higher excess (the amount of any claim you need to pay yourself). Many people will find that claiming for less than $1000 worth of damage both increases the future cost of insurance and can invalidate no-claims bonuses, meaning it’s not always worth making a claim.

So why pay extra for a lower excess? A few policies will substantially reduce premiums for a $1,000 excess, so try this when getting quotes. Of course the one downside with this is if you have a bigger claim you’ll have to shell out more, but often it’s a good balance of the risks.

* **Drive someone else’s car on your insurance.** If you have fully comprehensive insurance then often, although not always, it includes what’s called ‘driving other cars’ cover. This provides you with Third Party cover whilst reducing your mileage and therefore the cost of your own policy.
* **New car, free insurance.** Buy a new car and it may include free insurance for a few years. While this is only worth a few hundred a year to an experienced driver, to a young car owner it could be worth thousands and is well worth taking into account when you add up overall costs.

**Gender-specific isn’t always best**

Some insurers advertise cheaper prices for women because they’re a lower risk. Yet, just because an insurer offers a special price doesn’t automatically make it cheaper than unisex insurance elsewhere. All insurers use risk-based price assessments so this is factored in anyway.

**No-claims discounts don’t necessarily reduce the premium**

For every year you don’t claim on the insurance policy you get a discount. This makes a substantial difference to the overall cost. If you do claim it’s usually two years off this discount. This is deliberate to encourage people not to claim. You can also get a protected no-claims discount so that claims don’t impact it.

Remember though, if you do have an accident, even if you don’t claim to keep your no claims discount, the price of the policy can rise simply because you may be assessed as a higher risk in the future.

**Try to keep your no-claims if switching from a company car to a private car**

If you have a no-claims bonus from driving a company car and try to find private insurance online, you’ll find neither insurer nor broker will allow your previous no-claims bonus to count.

Yet if you phone up most companies will give some form of ‘introductory or special bonus’ to those switching to a private car. This is because these discounts are often applied manually as the online systems don’t automatically allow a discount. There are also discounts available with brokers and some insurers where second cars for existing policyholders can attract introductory bonuses, but again these are call-centre not internet-based..

***New Driver?  Especially new UN Staff***

Take an additional driving course called Defensive Driving?

Defensive driving is a method of driving that minimizes the number of driving risks, using more advanced skills than just your basic training. When you employ defensive driving techniques, you become a better, safer, and smarter driver―one who is better prepared for the hazards ahead.

Receive a 10% reduction in the base rate of your auto and motorcycle insurance premiums. Refresh your driving knowledge. First Online Defensive Driving Course Approved by the DMV Can be eligible to reduce as many as 4 points off your New York driving record.

***Note:*** *Most insurance policies cover for rental car insurance that covers when you rent a car while on vacation. Check this out. UNFCU gold card covers the collision coverage insurance if you use it to pay for the rentals. AAA members can get hefty discount on rentals.*

*Beware: In places like NJ if you have had a accident check the car condition thoroughly and if the car has to be towed send it to a garage that you know or get a referral from a friend. Many a times you are told that the car is a wreck and totaled and you believe them when in fact the problem can be fixed. I was present in NJ when my brother in law had a accident which was big and we blindly let them tow the car away. Upon returning to Queens as we lived here we immediately contacted and told a a body shop friend of ours about the accident and that it was towed to a garage in some place. He  told us it was a racket there and he asked us to get it towed back to Queens. We called the NJ body shop that we were coming to get the car back. He was very angry and upon reaching the garage we noticed that the CD player and radio was completely ripped and the passenger side glass was smashed which was not the case when we gave the car the previous day. He also forced us to pay $200 parking and towing charges. He claimed that it was how the car came. We got the car back to Queens and got it completely fixed !*

*AAA paid the full cost of the towing as we had a deluxe $40 annual membership that allows 100 miles towing free.*

Too, the New York Driver’s Manual devotes an entire chapter to defensive driving, and lists the following as the basic techniques:

* Be prepared and look ahead.
* Maintain proper speed.
* Signal when turning or changing lanes.
* Leave enough space, in distance and time, between you and other vehicles.
* Wear your seat belt.
* Don’t drive if you are tired, medicated, or under the influence of alcohol, drugs, or medication.
* Maintain your vehicle.

**What happens in the event of an accident:**

If you’re involved in an accident with another vehicle you must stop. If only vehicle damage is involved you must exchange names, license numbers, phone numbers, and insurance company information.

If the damage is in excess of $1,001 or more, all involved drivers must file an accident report within 10 days of the mishap. Don’t treat this lightly. Failure to file within 10 days can lead to a suspended license.

If a person is killed or injured, contact the police immediately. Don’t leave the scene before the police arrive or there will be a warrant issued for your arrest. You must file a police report and remain at the scene until the police give you the OK to leave.

If you need a copy of the accident report you can either contact the police department that presided over the incident, or submit to the DMV a police report request.

*DO NOT VOLUNTEER ANY INFORMATION ABOUT WHAT YOU DO AND WHERE YOU STAY OR DISCUSS HOW YOU MADE A MISTAKE. Especially if you say UN they immediately think you are a diplomat and pursue you vigorously for silly claims. Always keep a cheap camera in the glove compartment to use in emergencies and take as many photographs fro proof.*

*When you get a police report check that the license plate numbers and identity matches the plate and driver. Cross check insurance information as well.*

*I will give you a real example that happened to me. I was stopped at a signal waiting to take a turn when all of a sudden a young driver coming from the opposite side crashed head on to my car. He lost control talking on the cell phone and fooling around with his friends. I could see all this and it all happened really quick.  I could not move as cars were behind me as well nor could I take a right due to traffic cars zooming right past me. My wife was seated next to me and belted and almost due to have our second child in a few weeks. She was hurt with the impact. I was shaken but okay. The car was totaled. Two ambulance came one private and one FDNY. WE choose the FDNY and went to Long Island Jewish as suggested by my wife’s doctor whom we had called right after the accident. We also called the insurance company and gave the car details.  I stayed behind at the scene to complete the paperwork and get the car towed away. I did not bother to cross check the guy who hit me thinking everything will be done as per standard procedure by the police. However my father in law insisted that I write down the license plate number and the name of the driver.*

*A week later when I went to collect the police report, we noticed that the license plate number was different and that the driver had no insurance and he received a ticket for only $100 for driving without insurance. The cops really could not do much as they felt it was too much ado about nothing. It was upsetting because my new Honda car was totaled and would be getting*

*Around $8000 after just 4 years.*

*I immediately wrote a letter and faxed to the DMV, insurance company as precaution but after the dust was settled I learnt a lesson to be more watch full during the paperwork process.*

*Also a small side note better to buy a partly used car of around 3 year old car from the dealer with average mileage of 12000 miles as it has already been depreciated a lot  and you get a better insurance rate and replacement is not a burden in the event of an accident as most of the money is paid for unlike a new car.*

***For minor accidents which is your fault*** *– Let’s say A SMAL DENT YOU CAN DISCUSS WAYS TO FIX THE DAMAGE WITH A BODY SHOP THAT YOU KNOW NOT AT A BODY SHOP THE OTHER PARTY KNOWS. Talk to the other driver and sort it out. This will reduce the need to make a claim as  the cost of repair maybe  just $150 versus $650 as the body shops will rip you off with the deductible and your insurance premiums go up if you make a claim.*

**No Other people around?**

If you collide with an unoccupied car, or squash a domestic pet, play it safe and call the police.
***Good insurance companies*** *that you can easily get an online quote****: Geico,  State Farm, Travelers, Farmers Insurance.*** *Try to bundle different types of policies to get the best rate. Go for high deductible. Most times if you have an accident the body shop you can negotiate to have them pick up the cost of the deductible.* ***Get that clear in writing before you give them your car.***

***Note: Drivers license is every easy process through the Dept of Motor Vehicles*** [***www.nydmv.state.ny.us/***](http://www.nydmv.state.ny.us/)

***Need to take passport with valid visa, social security card , utility bill or bank statement showing address. First need to get a learner permit even if you are an expert in your previous country of residence.  Being a right hand drive here it may be wise to attend 5 classes offer by most driving schools for $200. Includes a defensive driving video course that you must do to save on the insurance. Then you will get a test date which takes at least a month.***