

Auto Insurance
Financial Responsibility Law
[New York State Financial Responsibility Law]
Mandatory Liability Insurance

[This is - believe it or not - a **Simplified Introduction to Car Insurance!**
[Actual insurance policies are much longer, more complicated, and use much smaller print]

The links will move you down to the item on this page and to the DMV.

Basic Terms and Information you must know: [When you do need to purchase insurance, you **must, must** “do your homework.”]

The New York State Department of Motor Vehicles (DMV) advises that a vehicle registered in the state and driven on a ‘public highway’ [**any** road that is not on private property] in the state **MUST** be covered by **Liability Insurance**. This is true whether you drive the vehicle or allow someone else to drive it. New York State is a [No-Fault*](#) state.

Liability: When one is liable for a debt, they are responsible for paying the debt or settling a wrongful act they may have committed. **For example, a driver is expected to drive responsibly, with care.** If the driver hits another person’s car, [or other property - a fence, wall, mailbox, house, garage, shed or tree, etc] the driver is responsible and is liable for the damages to that vehicle or other object. They are responsible/liable for the damage and must pay to repair the damage, or replace it.

Liability insurance is one type of insurance that helps to protect the purchaser [the ‘Insured’] from some of the financial risks of liabilities imposed by lawsuits and similar claims. It helps to protect the insured in the event he or she is sued for claims that come within the coverage of the insurance policy. If the liability, or costs are not covered by the policy or are greater than the insurance policy will pay, the driver is stuck with all the extra costs. This can be very expensive. People lose their homes or go bankrupt.

In New York, **Liability Insurance** must be issued by a company authorized to do business in the state and licensed by the New York State Insurance Department. Coverage must be in the exact name of the registrant. [The owner of the vehicle] The insurance company must file an electronic notice of the coverage with the DMV. Out-of-state insurance coverage for a vehicle registered in New York is not acceptable or valid. Meaning, if you move to New York, your coverage must be by an insurance company licensed in New York.

Vehicles registered outside the state of New York but operated within the state of New York must comply with the New York state financial responsibility law. This law, in essence, requires liability insurance to financially protect you and others on the highway who may be involved in a crash with you.

New York State law requires a minimum of \$25,000/\$50,000 for injury, \$50,000/\$100,000 for death, and \$10,000 for property damage caused by one “accident. On the Policy, it states the maximum and it looks like this: 50/100/10. If the liability, or costs, are greater than the insurance policy, the driver is stuck with all the extra costs. Therefore, it is better to have a higher level above the minimum of insurance coverage.

Also, if the driver does not have a license, or the action that caused the crash is illegal, the insurance company will likely not be willing to pay, since they only agree to cover licensed drivers who drive responsibly, but something went wrong. Speeding, racing, reckless driving, on regular roads, are known causes of crashes so they are not covered by insurance. Those result in expensive legal fees, and payments and can cost you your home.

Penalties for Non-Compliance [driving without insurance]

The New York State DMV stipulates that vehicles without valid auto insurance **MUST NOT BE DRIVEN**. If you do drive an uninsured vehicle in the state, you could be arrested, and the vehicle impounded by a law enforcement officer. If you are convicted of operating an uninsured motor vehicle **or** permitting another person to operate your uninsured vehicle, your license will be revoked for at least one year. The same penalty applies if the Department of Motor Vehicles receives evidence that you were involved in an “accident” without being insured. This is serious business. There are other rules and penalties detailed here.><http://www.dmv.ny.gov/broch/c43.htm>

Provider: The Insurance Company

Policy: [also called an Insurance Policy.] A contract of insurance ‘Provided’ by the insurance company describing the Term, [how long you are covered] Coverage [what they will pay for], Premiums [payment you make] and Deductibles. All these terms are explained below.

Policy Holder [also called, “the Insured”] The person who bought the insurance, usually the registered owner of the vehicle.

Premium: The periodic payment made on an insurance policy. Also called Insurance Premium. Depending on the company, they may be paid monthly, or semiannually.

Bodily Injury Liability insurance covers you in the event that you cause an “accident” that hurts someone else. Your bodily injury liability insurance covers the medical and rehabilitation costs of any physical injury incurred by passengers in your car and other cars after an “accident” for which you are responsible. It also covers the legal costs that you may incur when you cause an “accident. Medical costs are the number one cause of bankruptcy in this country, and investing in bodily liability insurance coverage can help save you from this fate. The legal fees alone could bankrupt you if you are sued for damages, and bodily injury liability covers those, too. You can get sued even if the “accident” isn't your fault. Regardless of fault, bodily liability insurance covers you in the court room. **These are very serious and complicated matters. If there is an injury, you are advised to engage a lawyer BEFORE you file ANY report or claim.**

Personal Injury Protection [also known as PIP], not only covers reasonable and necessary medical and hospital expenses when an insured is involved in a covered loss, it can also help with other expenses while you're healing, including rehabilitation costs. These vary state to state, but can include: Income continuation when you can't work, Funeral expenses, Childcare expenses. The reason you would buy this coverage is that these might not be part of your budget, and your education savings or retirement savings would otherwise be used to cover these expenses. Also, your health insurance might not cover them or cover them completely, and health care is expensive. There is much more to this and further study is required before you decide.

Medical Payments coverage will pay for the medical expenses you and your passengers incur in a car “accident, whether or not it was your fault. This is similar to Personal Injury Protection and is often purchased in place of no-fault insurance. It also covers the medical costs of pedestrians that you may injure. It does not, however, cover any property damages that occurred in the “accident, for either party.

Property Damage Liability coverage pays for the damages to the car and possessions of the other party in an “accident” that is your fault. This includes not only the labor and parts costs associated with car repair, but also replacement for valuables inside the car that were destroyed or even for repairs to stationary objects you may hit (for example, a fence, wall, mailbox, house, garage, shed or tree).

Collision is the part of your car insurance policy that will cover the cost of damages to your car that occur because of a car “accident” you cause. If it was someone else's fault, then their insurance will cover the cost of your car repair. If you have a loan on a new car, the bank requires that you have Collision Insurance to protect their investment, which you do not own, until your loan is fully paid off.

Comprehensive coverage is an addition, or rider, to a car insurance policy that covers the cost of damages to your car caused by natural disasters, fire, robbery, theft, vandalism, and more. [Usually applies to damage to a vehicle that is not caused by a crash with another car or stationary object.] If you have a loan on a new car, the bank requires that you have Comprehensive Insurance to protect their investment.

Deductible: The deductible is the amount the policy holder [also called, “the insured”] chose and agreed to pay out-of-pocket toward a covered repair. In the event of an “accident,” if the cost of repair is within the limit of your deductible, and there is no injury or death, and it does not exceed \$1000, you will pay for the repair yourself. Otherwise, you must immediately fill out a “Report of Motor Vehicle “accident” MV-104 and send it to the State DMV. You may also need to contact a lawyer. **If there is an injury, you are advised to**

engage a lawyer before you file ANY report or claim to anyone. There are many complex legal issues that need to be dealt with, and only an “accident” lawyer can prevent further trouble. You must also file a claim for your insurance company. Your car will be looked at by a mechanic or insurance adjuster from the insurance company, and he or she will give you an estimate on the repair. Based upon the amount the policy holder agreed to pay out-of-pocket, [the Deductible] the insurance company subtracts/deducts the deductible before issuing payment. What you're left with is the amount that the insurance company will pay for the damages. The amount of the deductible affects your monthly payments. The higher the deductible - the more you are willing to share the risk - the lower your payments [Premium] will be. Choosing a lower deductible means paying more on each payment for your premium. When choosing your deductible, consider your overall financial situation and monthly budget, and your willingness to pay out-of-pocket for smaller damages, rather than file a claim if not filing is legal under the circumstances.

Under - Uninsured Motorist covers the cost of damages to your car in the event that you are hit by another driver who doesn't have car insurance, or provides additional money if the other person's insurance does not cover your expenses, but only up to the limits specified in your policy. Uninsured motorist coverage also pays for medical care for you and your passengers, and funeral costs for injuries related to the “accident” up to the amount that your policy would have covered for the other person had the “accident” been your fault. Hit and run “accidents are included under this policy as well. “accidents involving bikes and pedestrians may also be covered; contact your prospective provider [insurance company] to be sure.

***No Fault:** With some strict limitations, and with not everyone happy with this law, No Fault auto insurance policies have the advantage of quickly paying medical bills and lost wages resulting from a car “accident. If you have a no fault policy, it will pay regardless of who was responsible for the crash or collision. In theory this saves on costs, paperwork and court time, as you don't have to sue anyone to pay your bills, but in many cases you'll still need legal action or liability coverage. No fault insurance covers medical expenses and lost income up to the limits of the policy. It doesn't pay above that and doesn't cover pain or emotional distress. If you want or need more than the policy pays, you'll have to file a claim against the other driver and his insurer and possibly sue them. All states allow this if your damages exceed a certain threshold, which could be the value of your policy, a set monetary level or a degree of serious injury.

Who really was at fault determines how much, if any, the person finally receives.

Negligence: [being at fault] If you try to recover money from the other driver, your state's rules on fault and negligence will play a role. There are four systems. New York is a **Pure Comparative Negligence System:** A judge or jury assigns a percentage of fault to each responsible party and then apportions the damage award accordingly. Using this system, an injured person may recover his or her damages even if the injured person was 95% at fault in causing the injury, with those damages reduced by his or her portion of the fault. For example, in a car “accident”/collision between Tom and Jerry where Jerry was found to be 95% responsible, and the jury found that Jerry suffered \$10,000 in damages, that award would be reduced by Jerry's 95% fault in causing the injury. In the end, Tom would only have to pay 5% of Jerry's damages, or \$500 in this case. This could and does happen when someone opens the car door without checking, runs between parked cars, makes an illegal turn or parks illegally. Any contribution to the crash by either party or both parties is evaluated by the investigation.

Assigned Risk A group of motorists who are considered high-risk because of numerous speeding or other traffic tickets, or a recent history of motor vehicle “accidents”, or in states that have a point system, accumulation of so many points. The state DMV point system may be different from the insurance companies' point system. Assigned risk means that they are so bad, that no company wants to insure them! But, they are not allowed to drive without insurance. They are drivers of a motor vehicle, or a class [group] of such drivers, who would be denied insurance coverage by insurance companies, but are required to be covered under U.S. state law. Because no one will take them, the state government, usually the Department of Motor Vehicles or its equal, **assigns** the risky motorists who would not otherwise be able to obtain insurance, to automobile insurance companies [under a special formula based on the size of the company] who really don't want them. **Because they are such high risks, the driver pays the highest premiums for the lowest coverage.**

Towing: [also called Towing and Labor, also called Roadside Assistance] It covers exactly what it sounds like: It doesn't matter whether or not your need for towing or labor was caused by an "accident. It covers the costs you incur because of a mechanical/electrical breakdown, dead battery, flat tire and/or lockout, or having your car worked on by the side of the road or by having your car towed if needed. The coverage, however, does not cover the cost of any parts necessary to get your car up and running again, just the labor for installation. A tire blowout can happen to anyone and any vehicle - not just old cars, but brand new luxury cars as well. You don't need towing and labor cost coverage if you have a membership with a road side assistance company, like AAA or similar plans. An auto club like AAA is a good idea, as it provides other services in addition to road side assistance and towing for about the same cost per year. Insurance policies **ONLY** cover the specific car. Membership services cover any car the member is driving. Towing and labor cost coverage, unlike many auto club memberships, covers the car specifically and not you, the driver. If you are driving a friend's car and it breaks down, it will be her towing and labor coverage that you'll need - or your own auto club membership. Always read the details of what **IS AND IS NOT** covered, before you buy, or get stuck! Remember, regular maintenance and checks go a very long way in preventing problems, and the time lost and being stuck in the middle of nowhere or on a fast moving road or bad weather.

Car Rental: Rental reimbursement coverage pays the cost of a rental car while your car is being worked on, up to a pre-determined limit and for a pre-determined length of time. Rental reimbursement is considered an 'additional coverage' item for your car insurance policy. It is rare for someone to purchase this policy without purchasing a larger, more comprehensive policy, at the same time. Rental reimbursement may not be available to customers in all states.

How are insurance rates decided? Good question.

One size does not fit all when it comes to car insurance. There are too many combinations and variables to have one answer. Each driver, family, car, location and situation is different. So, there is no point in asking friends or family what they pay for insurance. However, based on statistics, auto insurance companies look to match you with a policy that they can offer at a price they feel is reasonable, even if you don't. Knowing what they are looking at can save you money later on.

Basically, insurance companies want to collect money for their policies, and they don't want to pay out. That's how they make a profit. So, they are looking for safe, responsible drivers, who don't make claims.

While, again, each person is unique, there are patterns that show up in statistics. Driving record, age, gender, education, marital status, occupation can all affect your insurance premium. Let's face it, would you lend your bike to someone who has a tendency to wreck them? Of course not.

Drivers between age 17 and 25 have, in general, a bad driving record and pay higher premiums. Some companies give discounts for good grades, some for being on the Dean's List [The good Dean's List, not the list of troublemakers] Responsible students are usually, but not always, responsible drivers and may receive a discount. Married drivers sometimes pay less, as well. However, a poor driving record will override any or all of those discounts.

Where you live and drive.

Crowded halls mean more bumping, and empty halls mean less. Usually, just an "Excuse me." will do. Driving is quite different. If you live in a highly populated area, there are more chances to have others damage your vehicle, or to get into a collision with vehicles, people and property, than in a quieter suburban or rural area. You do the math.

How you drive.

Traffic violations [not tickets, but convictions] for Seatbelt violation, Child seat violation, DUI, DWAI, texting, speeding, ignoring stop signs, traffic controls, reckless driving, aggressive

driving, tailgating, improper lane changes or turns, etc., etc.,etc.,etc., etc. as well as points on your license, tell what kind of driver you are and all have an affect on how much you pay. Again, you do the math.

What you drive.

The safety features back up a safe driver. A car with a good safety rating with extra safety features will cost less to insure than a car offering less protection. A heavier car will do more damage but will sustain less damage than a small car. The insurance company weighs the differences. An expensive car will be expensive to repair. A less expensive car will not cost as much to repair. Vehicles that are high on the list of thieves to steal, will more likely be stolen and, once again, you do the math.

How you handle Credit.

Of course, you know that a poor credit score makes loans more expensive. It just shows that you are not responsible in handling your money and there is an extra charge for that, because you are a poor credit risk. Statistics say that people with poor credit scores are less responsible as drivers, as well. So, when an insurance company finds out that you are a poor credit risk - well you know what that means, and, once again, you do the math. Consumer reports explains. '

<https://www.consumerreports.org/cro/car-insurance/credit-scores-affect-auto-insurance-rates/index.htm>

Beating the system

In the distant past, it might have been a bit easier to “get away with” driving uninsured or with expired registration. If you drove carefully, which was unlikely for someone with no insurance, and did not have an “accident” or were not stopped for any reason, it would not be obvious that you did not have insurance or that your registration had expired. If you were stopped, it was game over.

Times have changed. ALPR (Automatic License Plate Reader/Recognition) technology has been used for years to identify the license plate on cars at toll crossings, recording both the plate and time, even in the cash lanes, where some still remain. Police would be alerted to plates that trigger a problem. These cameras and systems are now small enough to be mounted on the patrol cars that travel the streets. Instead of an officer having to ‘run a plate’ now and then, these automatically and continually look at every car around them in both directions. Thousands an hour. They read the license plate, check with the State Database, and also record the exact location, direction and time with GPS. This information is kept on file in case something turns up later. Within milliseconds, the system determines if this plate/car has no insurance, an expired registration or identifies drivers who have a warrant for arrest, or are driving with suspended licenses, or if the vehicle is stolen or is identified in a robbery, leaving the scene of an “accident, or is part of an “Amber Alert.” The system alerts the officer in real-time, and seconds later, the car is pulled over. Period. The record also provides a look-back if a later investigation determines that the car is reported to have been part of an illegal act.