

When jobs go, so does car insurance

by *IndyStar.com*

More drivers are letting their car insurance lapse because of the sour economy.

Several hundred thousand drivers dropped their insurance in the past year as the jobless rate climbed, estimates a study to be released next month by the Insurance Research Council, an industry-funded group.

Online agency Insurance.com says it also is seeing evidence of more uninsured motorists.

"I am seeing a lot more canceled policies than ever, especially in the last couple of months, usually due to job loss," said Christine Williams, a licensed agent at Insurance.com's call center outside Cleveland.

The trend is bad news for everybody on the road. If you're hit by an uninsured motorist, you may have to sue to recover costs, and many uninsured motorists have few assets. You can protect yourself by carrying uninsured-motorist coverage -- almost half of states require it -- but this may boost your premium.

Even in good times, many Americans drive without coverage. The Insurance Research Council's previous study, released in 2006, found that nearly 15 percent of drivers nationally were uninsured in 2004, up from about 13 percent in 1999. In Mississippi, California and Arizona, roughly a quarter of drivers weren't insured.

Preliminary data from the council's forthcoming study "indicate that a single percentage point increase in the unemployment rate is associated with a half-point increase in the percentage of uninsured drivers," said David Corum, council vice president. The nation's jobless rate was up two percentage points to 6.7 percent in November from a year earlier. The group estimates the number of uninsured motorists based on data from insurance claims.

Possibly adding to the problem is the fact that auto-insurance rates are rising after a couple of years of flat or declining premiums. Premiums nationally rose 3.8 percent in November from a year ago, according to the Labor Department.

Agents say a growing number of customers are stripping down their policies, taking the minimum level of liability coverage allowed in order to drive in their state.

"A good proportion of people on the road are either uninsured or underinsured, and so you have to protect yourself," said Robert Hartwig, president of the Insurance Information Institute, a nonprofit group. "Your odds of being in an accident with an uninsured driver are substantial."

About 20 states require drivers to buy coverage for uninsured or underinsured motorists. That compensates policy owners and their families if they are injured as pedestrians, by hit-and-run drivers and drivers without insurance. Uninsured and underinsured motorist coverage adds 7 percent to 9 percent to an average premium, according to State Farm Mutual Automobile Insurance Co. and Allstate Corp.

Debbie Kuban, Stratford, Conn., is glad she had uninsured motorist coverage when a car she was riding in was hit by an uninsured driver the day after Thanksgiving.

Kuban, a nurse, suffered a gash in her head that required stitches and had two broken bones in her foot. Because the at-fault driver had no insurance, Kuban has relied on her \$300,000 uninsured-motorist policy for claims reimbursement.

"The hardest part of this is that we had a very good record with our insurance company." Now she expects the rates to go up.

Motorists driving without insurance also face risks. In a wreck, they could lose whatever assets they own in a court judgment. The only states that don't require insurance are New Hampshire and Wisconsin; these states require drivers to show proof of ability to pay damages for liability.

Motorists who allow their policies to lapse for any reason often must pay an initial 25 percent to 50 percent surcharge for a new policy.

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