Auto Insurance

Student’s Name

Institution

**Auto Insurance**

Insurance is a contract entered to by the insurer and the insured. Auto insurance covers financial losses that may arise due to theft of accident (Kote, & Jariyasunant, 2012). The insured pays a premium in accordance to the agreement whereby the insurer accepts liability to compensate an loss arising in case of theft or accident. Therefore, the insurance rates vary from one country to another. The rates depend on the insurance company involved to provide the insurance services. In most cases, the insurance constitutes the cost utilized to purchase the vehicle. The premiums paid may be on a reducing balance based on the contract created by the two parties.

The insurance rates are based on the risk levels of the assets covered. For example, the insurance rates for cash in transit differ from the rates of a motor vehicle (Bordoff, & Noel, 2010). Since cash in transit is more risky due to theft or losses in the process of transit, the insurance rates are high. Motor vehicles are less risky in terms of accidents or theft hence the rates are low. Therefore, the cover varies depending on the risk levels. In addition, the death prone risks raise the levels of accidents (Christensen, Hayward, Gay, Cielocha, & Binion, 2015). The accident rates increase in countries where there are no structured policies or regulations to govern the people and their activities. These high rates trigger insurance companies to increase the rates at which they provide cover to individuals or assets.

A country has its own minimum requirements included in the insurance. However, an insurer can comprise of bodily injury liability, property damage liability, personal injury protection and uninsured motorist protection (Desyllas, & Sako, 2013). Therefore, the insurance covered in the comprehensive insurance can capture details of the assets. However, an alternative solution is the third party where the insurance covers insurance to the third party and not the original owner of the assets (Grace, Klein, & Phillips, 2002). This is the only way to reduce the premium paid towards insurance.

References

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