Oakland CUSD #5

Ag Bus Mgt
April 27-May 1, 2020

Jeff Coon

Week of April 27-May 2, 2020

All of these assignments are on google classroom. You must pick one of the 3 listed and complete by next Monday, May 4th for credit. If you would like to use google docs to complete the work that would be most efficient, just remember to start a new copy with your own work please. Paper copies can be returned to the school.

Class	Choice 1	Choice 2	Choice 3
Ag Science	CDE	Animal Reproduction #2	FFA Journal
Ag Business Mang	Advertising	Borrowing Money	.car Insurance
BSAA	Animal Health	Respiration	Domestic Animals
Landscape Design	Managing grasses	Landscape areas	Landscape Power tools
Intro To Ag	CDE	Consumer Trends	Maintaining your SAE
Ag Mech.	Land measurement	coolants	Remote sensing

Mr. Coon Ag Bus. Advertising option 1 April 27 Name

Checking Your Knowledge:

1. What is advertising?

2. What are the 5 Ws of advertising?

3. How do the methods used to communicate advertisements compare?

4. What are the four written parts of a print ad?

5. What is cost-benefit analysis, and how is it determined?

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Advertising and Promoting Products and Services

IN 2008, roughly $2.6 billion paid for political advertisements. During the 2009 Super Bowl, a single 30-second television commercial sold for approximately $3 million, which translates to $100,000 per second. Advertising can be extremely effective, so people are willing to pay huge amounts to reap the benefits.

Objective:

Examine concepts related to advertising and promoting products and services.

Key Terms:

advertising	cost per click	readerships
benefit	cost per impression	rich media
cost-benefit analysis	feature	spam
cost per action	lead time	spot advertisement

Advertising

Advertising is a strategy to control communication about a product, service, or company. It shares what a product or service can do for a customer and what the item or service can provide that a competitor's similar product cannot. It is a non-personal promotional strategy delivered through media outlets. Advertising typically requires the company to pay for the time or space the ad consumes.

ADVERTISING FUNCTIONS

Advertisements have three main functions. Advertisements should create awareness of a product, service, or company. This function shares information with customers and provides

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context for the target audience. Therefore, it helps potential customers say, "Oh! That exists. I need that." Advertisements should bring the customer to action. This function persuades a customer instead of providing information. Advertisements should also remind customers of the product, service, or company as well as reinforce the message the company wishes to send. This function requires time.

The 5 Ws

When advertisements are created, the five Ws of advertising are considered. They are who, what, where, which, and why.

Who is the company, product, or service?

What is it? What does it provide? What are the features and benefits?

Where is it located? Where can I find more information?

Which features and benefits help set it apart in the marketplace?

Why do I want or need it?

COMMUNICATION METHODS

The methods used to communicate in advertising an agriculture business vary greatly. Beyond traditional outlets, advertisements can be placed on vehicles, clothing, and grocery carts. The general rule to follow when choosing where to place advertising is to go where the target market will most likely see or hear it. Many forms of advertising work well to reach a broad range of consumers. Yet a good medium for one product or service may be a poor choice for another product. The advertising mediums that are chosen will depend on the amount of money that can be spent, the message to be sent, and the target market.

Television

Television is a means to reach a large number of people in a short period of time. Small businesses typically use spot or cable television advertisements. A **spot advertisement** is placed on one station in one market. The size of the target audience who sees the ad depends on how many viewers are tuned into the television station at a specific time. Cable advertising is placed on a local cable television channel or on a cable network. The number of people reached by cable advertising depends on the cable channel viewership in a given market.

Beyond television's reach, an additional advantage is television's ability to convey the company's message with visuals and sound. The disadvantages are higher costs in terms of time on the air and production, limited length of exposure, short segments, and the clutter of many other ads.

FIGURE 1. When using a television ad, a company can display its product or service to a large amount of people in a short time frame.

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Television ads usually require multiple viewings before customers retain the information or are called to action. In addition, viewers may change stations to avoid commercials.

Radio

Like television, radio is able to reach a large number of consumers. Unlike television, though, radio is able to reach narrowly defined segments of consumers. The array of programming formats on radio enables a company to gear its ads to almost any audience.

Small businesses commonly use radio because it is inexpensive to produce and air and because deadlines for placing radio ads are relatively short, allowing for increased flexibility.

There are some disadvantages with radio. Companies are limited to an audio message. In addition, ad clutter is usually high. Listeners' exposure to the message is short, so multiple exposures may be required for customers to take action. Also, listeners may change stations to avoid commercials.

Internet

Online advertising is a form of promotion that uses the Internet to deliver messages to attract customers. Examples are ads on search engines and social networks, banner ads, rich media advertisements, online classified advertising, and email marketing—including spam. **Rich media** combines animation, video, and sound with interactive features. It can deliver instant, detailed feedback to the company, ranging from how many seconds the computer user spends viewing an ad to what is clicked next. **Spam** is the abuse of sending unsolicited bulk electronic messages to unknowing consumers.

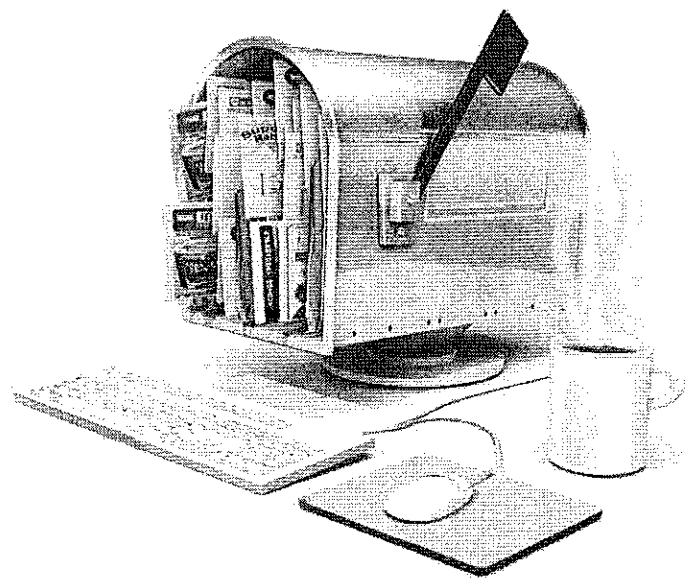

FIGURE 2. Internet advertising has increased dramatically.

One major benefit of online advertising is that it immediately publishes information and is not limited by geography or time. It also allows advertisers to customize the advertisement content and location. Finally, the cost for placing the ad is generally dependent on audiences' responses.

The largest disadvantage of Internet advertising is the perception Internet users have. It is highly invasive. As a result, messages are often ignored or deleted before they are read.

The three most common ways that online advertising is purchased are cost per impression, cost per click, and cost per action. **Cost per impression** (CPM) allows advertisers to pay for Internet exposure to a specific audience. This method is usually priced per thousand impressions. **Cost per click** (CPC) is also referred to as pay per click (PPC). Companies pay every time an Internet user clicks on their listing and is directed to the company Web site. The listing

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itself comes at no cost. The CPC system allows specialists to refine searches and pull information about their market. With **cost per action** (CPA) advertising, the company pays for the number of users who complete a transaction, such as a purchase or a sign up.

Newspapers

Newspapers permit a company to reach a large number of people in a certain geographic area. With newspapers, an advertiser has flexibility in terms of ad size and placement. Readers can take their time with the advertisement's message in a newspaper because it is printed. Short deadlines for print allow company's quick responses to changing market conditions when they advertise in a newspaper.

There are, however, disadvantages to advertising in newspapers. Readership is declining as people move to Internet and television sources for their news. Ad space can be expensive. The ad has a short life span because newspapers are typically read once and thrown away. Because of this, companies need to run their ads multiple times.

FIGURE 3. Newspapers are a traditional method of advertising.

Magazines

Magazines reach very specific readerships. **Readerships** are a mass or group of readers. These groups can be reached by placing ads in magazines with content that relates to their topics of interest. Magazines usually have well-defined geographic, demographic, or lifestyle focuses.

Magazine advertisements have the advantage of a relatively long ad life and repeated exposure since people typically look through them several times before discarding them. Magazine ads have excellent reproduction quality and pass-along value.

Disadvantages of advertising in magazines exist. There is a long **lead time**, which is the time between the beginning of a process or project and the appearance of its results. In addition, there is limited flexibility in placement and format. The costs of production and placement are high.

Outdoor

Outdoor advertising is usually used to reinforce or remind the consumer of advertising that has been communicated through other media. Outdoor advertising gives companies the ability to cover a market in many locations and ensures that there is a high frequency of viewing.

The disadvantages all relate to viewing time. Because target consumers are typically moving, an outdoor advertisement must communicate a message with few words. Messages must be simple, direct, and easily understood.

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Direct Mail

Direct mail advertisers use targeted mailing lists to reach specialized audiences. In addition to a low waste in ad exposure, direct mail provides an advertiser with great flexibility in the message presentation. Direct mail comes at a high cost per contact. It is difficult to obtain updated and accurate mailing lists. Also, it is hard to grab the attention of the target audience because direct mail is often considered junk mail.

Word of Mouth

Word-of-mouth advertising is the passing of information from person to person. It is the most personal form of advertising and represents any type of human communication, including face-to-face, telephone, and email. Because of the personal nature of word-of-mouth advertising, it is believed that product information communicated in this way has added credibility.

FIGURE 4. Word-of-mouth advertising can be any type of person-to-person communication.

Word-of-mouth advertising has advantages and disadvantages. People are more inclined to believe word-of-mouth advertising than other forms because the consumer tends to believe the communicator is being honest. The downside to word-of-mouth advertising is negative word-of-mouth publicity. For customers to spread positive words about a business, everything that happens to them in the business must be a positive experience. The products, the service, the personnel, and the follow-up must all be first rate. If they are not, negative things are easily spread about the business, which is detrimental to store traffic and sales volumes.

CREATING AN ADVERTISEMENT

Print ads generally have four written parts: a headline, support copy, a call to action, and the company information. A visual is typically included as well. All together, the components address the five Ws of advertising covered previously.

Headline

The headline is the most prominent piece of copy. It brings attention with a word, phrase, or sentence to announce the product, service, or company.

Support Copy

After the headline, the support copy provides an explanation and adds features and benefits that the product or service offers the customer. A **feature** is a factual statement about the

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product. Features typically are not the driving factor in customers choosing to buy a product. In the case of a bicycle, features may include all-terrain, blue and silver alloy frame, 21 speed, element suspension forks, soft foam saddle, or 26-inch black tires.

A **benefit** helps the customer answer, "What's in it for me?" and persuades the customer to make the purchase. So benefits help the customer see the value in the product. In the case of the bicycle, the benefits may include: "I can ride it on the street or off-road." "Silver and blue look sleek." "I can make my ride easier with all of those gears." "My ride is going to be nice and smooth with the suspension system and a cushioned saddle." "The 26-inch tires will be perfect for my height."

When sharing the features and benefits, the acronym AIDA must be considered. AIDA stands for "attract **A**ttention, hold **I**nterest, arouse **D**esire, and motivate **A**ction." Advertising should always communicate a message that will be seen as important by the target audience.

The support copy should not over-promise on the product or the service. Therefore, caution should be used with phrases such as "best," "highest quality," and "largest." Words or phrases that can be misunderstood or misleading should be avoided.

The price of the product or service often is included in the support copy.

Call to Action

Following the copy, the customer should be called to action. Examples include: "Call for an appointment today!" "Hurry! We're down to our last 50 in stock!" "The sale ends on Wednesday."

Company Information

The company name, address, phone number, and/or Web site should be included in the advertisement. If the business is difficult to find, adding a small map or the closest intersection is helpful.

Visuals

Visuals are usually more important than the copy because they are more effective in attracting attention and can instantly present the product or service in a dramatic and motivating way.

After all of the elements of an advertisement are ready, it is necessary to combine them into an eye-catching, easy-to-read format. The dimensions of the advertisement must meet the requirements of the publication where the ad is being placed. Most people experiment with different layout ideas and then fine-tune the best idea. A pitfall of many advertisements is excess. Many ads end up crammed with ideas and features, making them appear uninviting and making them difficult to read.

COST-BENEFIT ANALYSIS

Cost-benefit analysis is, in theory, a simple technique for deciding if an advertisement should be placed and for what period of time.

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Cost-Benefit Formula

The following is a formula to represent the idea: the sum of benefits received from the advertisement – all costs for the advertisement = the positive or negative return on investing in the advertisement.

Cost-Benefit Goal

The goal is for the financial benefits of placing an advertisement to outweigh the associated costs. It is usually easy to calculate all of the costs put into the ideation, design, and placement of an advertisement. Determining the benefits an advertisement lends to a company, however, is more difficult. For instance, how should situations where someone does not actually make an immediate purchase but recognizes the company name and sees it as a provider of future products or services be represented financially? Calculating benefits often requires putting a subjective monetary figure on a potential return.

Cost-Benefit Example

An example of a simple cost-benefit analysis may be that Steve, who owns a lawn care and snow removal business, invests $1,840 in advertisements in his local newspaper and radio station from April through August.

1. In April, he received seven contracts for summer lawn care (each worth $450).
2. In May, he secured 12 more contracts (each worth $400).
3. In June, he signed six contracts (each worth $380).
4. July brought four contracts ($150 each).
5. In August, he signed no new contracts.
6. All together, he received $10,830, which more than made up for his advertising investment. It appears that the benefit of placing the newspaper and radio ads outweighed the costs.
7. In looking at this analysis, Steve could see that advertising through July could have saved him some money for the same benefit because he received no new contracts in August.

Summary:

Advertising is a strategy to control communication about a product, service, or company. Three main functions of advertising are to create awareness of a product, service, or company; to bring the customer to action; and to remind customers of the product, service, or company as well as reinforce the message the company wishes to send.

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Advertisements are created with the five Ws of advertising: who, what, where, which, and why.

The methods used to communicate in advertising include television, radio, the Internet, newspapers, magazines, outdoor ads, direct mail, and word of mouth.

Print ads generally have four written parts: a headline, support copy, a call to action, and the company information. A visual is typically included as well. All together, the components address the five Ws of advertising.

Cost-benefit analysis is, in theory, a simple technique for deciding if an advertisement should be placed and for how long.

Checking Your Knowledge:

1. What is advertising?
2. What are the 5 Ws of advertising?
3. How do the methods used to communicate advertisements compare?
4. What are the four written parts of a print ad?
5. What is cost-benefit analysis, and how is it determined?

Expanding Your Knowledge:

Examine the advertising strategy for one or more products. What methods of advertising were used with the products? Were the 5 Ws addressed? Did you find the methods used to be effective? Record your thoughts.

Web Links:

Advertising
http://en.wikipedia.org/wiki/Advertising

Major Methods of Advertising and Promotion
http://managementhelp.org/pblc_rel/basics.htm

Modern Advertising Methods
http://www.buzzle.com/articles/modern-advertising-methods.html

American Advertising: A Brief History
http://historymatters.gmu.edu/mse/ads/amadv.html

Agricultural Career Profiles
http://www.mycaert.com/career-profiles

Mr. Coon Ag Bus. Borrowing MoneyOption 2 April 27 Name

Checking Your Knowledge:

1. List three characteristics that lenders would look for in potential borrowers.

2. List three characteristics that borrowers should look for in potential lenders.

3. What is a credit rating, and how can it affect your ability to receive a loan?

4. What are three things that someone can do to improve his or her credit rating?

5. What should you do if you encounter difficulties in paying your bills in a timely manner?

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The Concept of Borrowing Money

LOOK AROUND THE ROOM at your fellow classmates. Would you loan $5 or $100 to any of your classmates? Lending money can be risky business, especially when the amounts are hundreds of thousands of dollars. Similar to how you decide which friends you would loan money to, banks evaluate potential borrowers before loaning money. As a result, it is important to know what lenders and borrowers want and how credit can affect the loan amounts.

Objectives:

1. Identify desirable characteristics in borrowers and lenders.
2. Describe the role of credit in the borrowing process.

Key Terms:

assets	default	liabilities
character	interest	loan security
collateral	intermediate-term loan	long-term loan
credit rating	lender	short-term loan

Positive Characteristics of Lenders and Borrowers

A **lender** is an institution or individual who loans money. For most people, lending institutions include banks, credit unions, and other companies that offer loans. Because lending institutions need to make a profit from loaning individuals money, they carefully screen all loan applicants to select people who have the ability to repay the loan. Having an individual **default** (stop payments) causes hardships for the individual and the lending institution.

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TYPES OF CREDIT

Usually at some point in the operation of a business, there will be a need to borrow money. An individual may need money to buy or start a business, expand an existing business, purchase new supplies and equipment, or hire new employees. Depending on the reason for the loan, several loan types are available to the business owner.

Just as lenders research the borrower before making the loan, a borrower should thoroughly research the lender before applying for a loan. Before entering into any type of loan contract, a borrower must feel comfortable with and trust the lender.

Short-Term Loan

A **short-term loan** is money that is typically repaid within one year. These loans have lower interest rates and are generally used to purchase items that are needed in the immediate operation of the business (e.g., supplies, inventory, fuel, seed, fertilizer, and livestock feed).

Intermediate-Term Loan

An **intermediate-term loan** is money that is typically repaid between one and ten years later. These types of loans are normally used to purchase machinery or equipment. The loans can also be used for small expansions to the business.

Long-Term Loan

A **long-term loan** is money that is repaid over a period of time, typically longer than 10 years. Long-term loans are used to make large purchases (e.g., property or real estate) or to make substantial improvements or expansions to an existing business. Long-term loans usually have the highest interest rates because of the length of time for repayment, along with the economic uncertainty of the future.

CHARACTERISTICS OF BORROWERS

Lenders will examine the **character** (reputation) of the individual before deciding to issue the loan. Lenders may ask borrowers to provide a list of people who can be contacted to establish the borrower's character.

The financial position of the borrower is also important. The amount of the loan is partially based on the borrower's current economic state. In other words, the bank will want to know how much money you currently have, a list of any **assets** (items of value), and a list of any **liabilities** (debts). If the borrower is significantly in debt already, the lender will be hesitant to loan the individual more money.

A borrower must prove the capacity to repay the loan. Lenders may require the borrower to provide a copy of a recent pay stub for proof of employment and for verification of the

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monthly income amount. The lender may also ask for a monthly budget to review the current spending habits and income of the borrower.

Loan security—the ability of the lender to recover the money if the loan is not repaid—is another consideration. To secure the loan, borrowers are sometimes asked to pledge collateral against the loan. **Collateral** is property or other items of value that will be seized by the lender if timely payments are not received. Real estate and vehicles usually act as collateral for home mortgages and car loans.

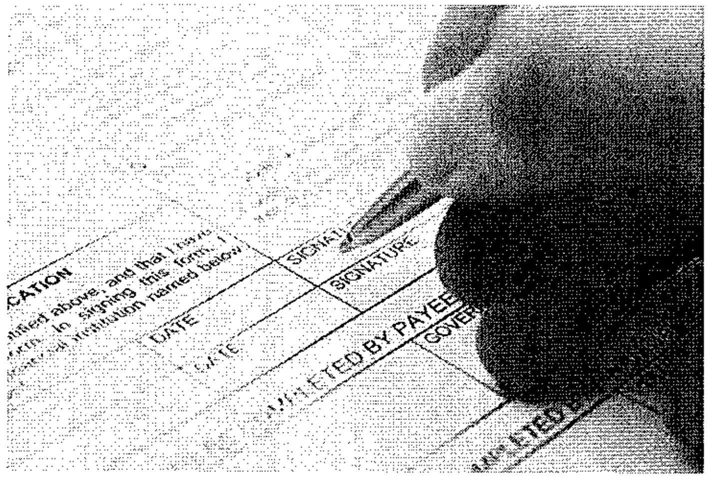

FIGURE 1. Knowing desirable characteristics for borrowers can help you receive a loan.

CHARACTERISTICS OF LENDERS

A lender should be a business of high quality and outstanding character. Borrowers should educate themselves on the reputation of the lender in the community by talking to relatives, friends, and other business owners or by checking with the local Better Business Bureau to research any past complaints.

After examining character, the institution's lending policies should be examined. Knowing exactly the person who is handling the loan, the name of the person to contact in case of questions, the policies for late payments, and the loan fees is part of being an informed borrower. Some loans, including most mortgage loans, may require insurance as part of the contract, which may increase the loan-processing fees.

Permanence of the lending institution should be considered. Permanence refers to the length of time the institution has been in operation and its ability and likelihood to remain in operation for the life of the loan. If the loan office is operating out of a building that was a fast food restaurant a year ago, it is probably not the best choice.

Every loan has a cost associated with borrowing money. Banks and other lenders charge borrowers **interest** (a fee associated with the amount of money that is lent) to make a profit on issuing loans. Not all institutions have the same interest rates, and some loans

FIGURE 2. As a borrower, you should evaluate possible lenders to determine which lender will best suit your needs.

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may have provisions that increase the interest rate in the event of a missed or late payment. Being informed about all interest rates and policies can help borrowers make better decisions about potential lenders.

Credit

Before lending institutions loan money, they will require the individual to provide proof of the ability and willingness to repay the loan and interest amount. Lenders will often check an individual's credit rating to determine if the borrower is a safe risk. The higher the credit rating number, the safer the risk.

Steps can be taken to obtain a good credit rating. A **credit rating** is a measure of an individual's or company's ability to repay debt. It is, in part, determined on the borrower's debt repayment history, so a person who has never had debt typically will not have a good credit rating. Lenders will want proof that a person can take on debt and successfully make long-term plans and payments to repay the full loan amount. Borrowers can work to improve their credit ratings.

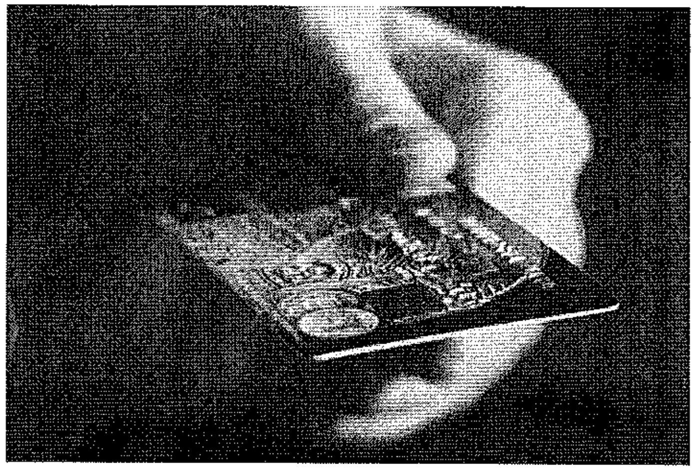

FIGURE 3. Although credit cards may be easy to receive, great care must be taken in their use to avoid damaging your credit rating.

BUILDING CREDIT

One of the easiest ways to begin building credit is to open a checking or savings account and to use it successfully. By managing even a small account, you will show lenders that you can budget and save money and will be able to repay a loan. Writing bad checks (checks for more than the amount you have in your checking account) will lower your credit rating and make you more unlikely to receive a future loan.

Another way to build credit is to buy an item on a payment plan to show the willingness to pay. By successfully making small payments, month after month, a borrower can prove their willingness to repay a loan.

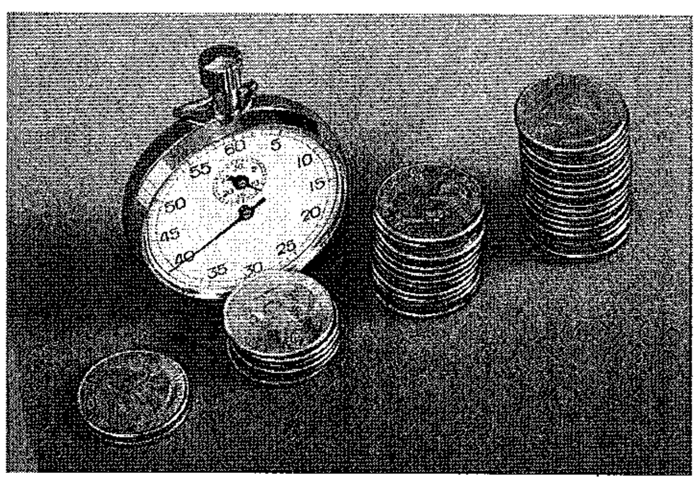

FIGURE 4. Having money in a checking or savings account is a good way to start building credit.

Ag Bus Loan 4-27 #2

Using credit cards is another way to build credit, as long as the cards are used wisely and with caution. If you have a few credit cards, use them to make purchases, and then pay off the full amount each month, you will show lenders that you understand the concept of borrowed money and the responsibility to repay loans. Improper use and the mounting of serious credit card debt can ruin your credit rating more quickly than it can be established. A good rule of thumb is that if you cannot fully pay off the charges on your card each month, you should stop using the card until it is paid.

What's Your Profile?

➤ *Interested in the information presented in this E-unit? You might make a great Agriculture Financial Service Representative!*

Check out: www.mycaert.com/career-profiles/cp-ag-finance.pdf

➤ *Looking for something a little different? Explore your options!*

Visit: www.mycaert.com/career-profiles

When difficulties are encountered in paying bills in a timely manner, it is best to contact the lender to discuss alternative repayment plans. Lenders do not like borrowers to miss payments any more than the borrowers do. It is best to avoid all surprises with your lenders and to keep them informed of any changes in your financial situation. Some lenders may provide grace periods that result from a sudden illness or a loss of employment.

Summary:

A lender is an institution or individual who loans money. Just as lenders research the borrower before making the loan, a borrower should research the lender before applying for a loan.

Characteristics that lenders look for in borrowers include good character, a demonstrated use of credit, the ability to repay, and sources of collateral. Borrowers should look for lenders with good reputations, up-front policies regarding interest, and investment in the community.

A credit rating is a measure of an individual's or company's ability to repay debt. Individuals can build a positive credit rating by using checking accounts, savings accounts, and credit cards.

Interest is the charge from the lending institution for giving out a loan. Three common forms of calculating interest include simple, add-on, and the percent per month methods.

Checking Your Knowledge:

1. List three characteristics that lenders would look for in potential borrowers.
2. List three characteristics that borrowers should look for in potential lenders.

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3. What is a credit rating, and how can it affect your ability to receive a loan?
4. What are three things that someone can do to improve his or her credit rating?
5. What should you do if you encounter difficulties in paying your bills in a timely manner?

Expanding Your Knowledge:

Use the Internet to research lending institutions, including credit card companies. Investigate their interest rates on loans. Then create a graph or chart to show the differences in the rates. Share your findings with your class.

Web Links:

Center for Responsible Lending
http://www.responsiblelending.org/issues/credit/

Loan Calculator
http://calculators.interest.com/content/calculators/new/howmuch.asp

Agricultural Career Profiles
http://www.mycaert.com/career-profiles

Mr. Coon Ag Bus. Car insurance Option 3 April 27 Name

1. What is the function of vehicle insurance?

2. What is a claim?

3. Who are drivers, as defined by an insurance policy?

4. What is the difference between collision coverage and property damage liability?

5. What does uninsured motorist bodily injury cover?

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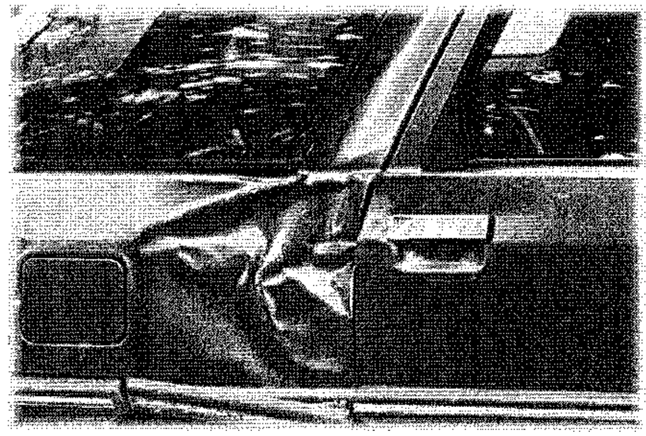
Vehicle Insurance

THE LAW REQUIRES that if you drive you have vehicle insurance. Vehicle insurance companies provide a wide range of coverage. Protecting yourself and others from damages that could occur because of an accident is extremely important.



Objective:

Determine the function of vehicle insurance.

Key Terms:

adjuster
anti-theft device
bodily injury liability
claim
collision coverage
comprehensive coverage
deductible
drivers
insured
peril
personal injury protection coverage
property damage liability
subrogation
underinsured motorist bodily injury
underinsured motorist property damage
underwriting
uninsured motorist bodily injury
uninsured motorist property damage
vehicle insurance policy
vehicle insurance score

Understanding Vehicle Insurance

Every state requires basic vehicle insurance, and the state minimum is mandatory. Such insurance is a contract between you and an insurance company in which you agree to pay premiums and the provider agrees to pay for losses due to an accident. The purpose of vehicle insurance is to provide protection to individuals involved in an accident.

COMMON TERMS

Adjuster—A person engaged by an insurance company to investigate the damage following an accident. The adjuster conducts a physical inspection of all vehicles and property, examines documents, interviews the people involved, and settles the claim.

COON Ag Bus. 4-27 #3

Anti-theft device—A device such as a steering wheel lock, alarm, or fuel cutoff value that helps prevent vehicle theft. Other devices can be used to track and find a vehicle.

FIGURE 1. Many modern-day vehicles are equipped with an anti-theft system.

Claim—A request made by the policyholder to the insurance company for payment of a loss.

Deductible—The amount the insured agrees to pay out of pocket in the event of a claim.

Drivers—The licensed operators who are listed as rated drivers on the policy and who drive the insured vehicle.

Insured—the person(s) named on the policy to whom the coverage may be applied.

Peril—The cause of a possible accident or loss.

Subrogation—The process of recovering funds to settle a claim for damage caused by another driver.

Underwriting—Evaluating the insurability of an applicant for coverage.

Vehicle insurance policy—A policy providing protection against losses and liability that may result from traffic accidents.

Vehicle insurance score—A score derived from consumer information to help insurers establish policy prices.

TYPES OF COVERAGE

Vehicle insurance policies offer a wide range of benefits. Some individuals may pay high rates either because of their driving records or because they want very thorough coverage. Others may choose lower rates and obtain less thorough coverage or even just the state-mandated minimum. The following are among the types of coverage that may be included in your policy.

Bodily injury liability—Coverage that will pay for the injuries or death of other people if you are legally liable in an accident.

Property damage liability—Coverage that will pay for another person's property (e.g., another vehicle, a fence, a house) damaged because of an accident.

Collision coverage—Coverage that will pay for damage to the insured vehicle if the vehicle is hit by another vehicle or some other object. This coverage will pay the costs of fixing the insured vehicle after the deductible has been met.

Comprehensive coverage—Coverage that will pay for damage to the insured vehicle resulting from events other than collision (e.g., theft; damage by flood, fire, or animals).

Uninsured motorist bodily injury—Coverage in the event of an accident due to the negligence of a person with no insurance. It applies to bodily injuries or death of the insured person and the occupants of the insured vehicle.

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Uninsured motorist property damage—Coverage that applies only if the insured is involved in an accident caused by a driver without insurance. It pays for property damage but does not replace collision coverage.

Underinsured motorist bodily injury—Coverage in the event of an accident due to the negligence of a person with insufficient insurance. It applies to bodily injuries or death of the insured person and the occupants of the insured vehicle.

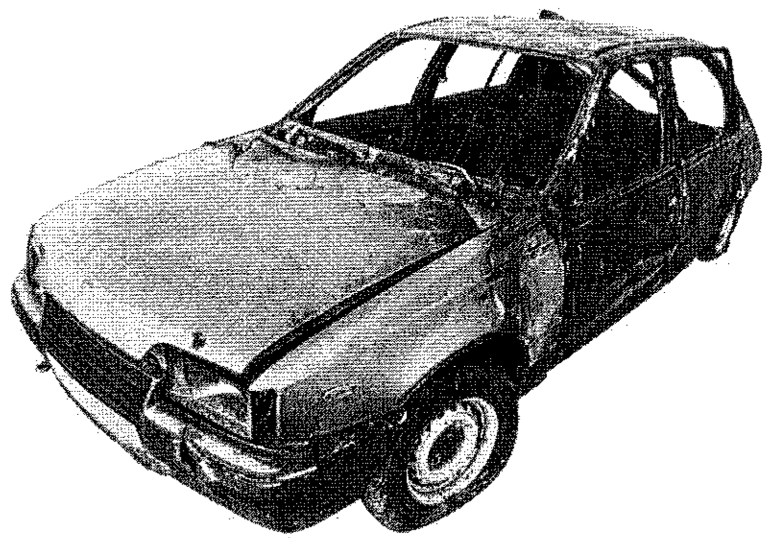

FIGURE 2. Comprehensive coverage will pay for vehicle damage caused by fire.

Underinsured motorist property damage—Coverage that applies only if the insured is involved in an accident caused by a driver with insufficient insurance. It pays for property damage but does not replace collision coverage.

Personal injury protection coverage—Coverage of medical, hospital, and funeral expenses of the insured and others within the insured vehicle, as well as pedestrians struck by the vehicle. This type of coverage is available only in certain states. The people who benefit from this type of coverage are those who do not have health or other insurance that would adequately cover expenses. This is also important coverage for people who carpool or regularly drive with passengers.

THE BEST COVERAGE FOR YOU

Getting quotes and comparing vehicle insurance plans is easy. Several factors should be considered when comparing vehicle insurance plans and rates. First, decide what type of coverage you need. Then, shop around and see what various insurance companies have to offer.

FURTHER EXPLORATION...

ONLINE CONNECTION: Filing a Claim

If you are in an accident involving property damage or personal injury, call your insurance agent immediately, even if the accident is minor. Allow your insurance agent to guide you through the claim procedure. Keep good records through the entire process.

To learn more about filing a vehicle insurance claim, visit the link below:

http://www.carinsurance.com/Articles/content5.aspx

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Many insurance companies have online comparison tools for viewing rates. Once you have made comparisons, decide on a deductible amount. If you choose a higher deductible, your premiums will be lower. Investigate the financial strength and the complaint index of a possible insurer. Knowing how stable the company is and its overall customer service performance will give you further confidence in choosing a company and a policy that are right for you.

Summary:

The function of vehicle insurance is to protect you and others from damages that could occur during an accident. Every state requires basic vehicle insurance, and the state minimum is mandatory. Understanding insurance-related terms is essential when evaluating insurance policies.

Vehicle insurance companies offer many different types of coverage. Understanding vehicle insurance is important so that you get the proper coverage. Companies also offer online comparison tools to view rates. Obtaining quotes and comparing insurance plans is easy.

Checking Your Knowledge:

1. What is the function of vehicle insurance?
2. What is a claim?
3. Who are drivers, as defined by an insurance policy?
4. What is the difference between collision coverage and property damage liability?
5. What does uninsured motorist bodily injury cover?

Expanding Your Knowledge:

Research new laws pertaining to safe driving practices. How do these new laws affect vehicle insurance rates and policies?

Web Links:

Be Safe on the Road
http://www.statefarm.com/learning/be_safe/road/road.asp

Vehicle Resources
http://www.progressive.com/vehicle-resources/main.aspx

Agricultural Career Profiles
http://www.mycaert.com/career-profiles