

Knowing The Basics About Your Auto Insurance Coverage

Chances are you're spending hundreds, maybe thousands of dollars on auto insurance every year. When you stop to consider what a sizable part of your budget is spent on auto insurance, it makes sense to spend some time learning the basics. While not a detailed explanation of your auto insurance coverages, this guide is designed to help you make informed coverage decisions. Please check your policy for details of the coverages you have.

What if, while driving your car, you caused an accident which resulted in extensive property damage and serious injuries to yourself and others: do you know for certain that your auto insurance coverage would pay for most medical expenses, repair bills, lawsuits and court costs? Having the right coverage and limits can eliminate or substantially reduce the risk of losing your life savings.

In the final analysis, you owe it to yourself and your loved ones to know enough about auto insurance to select the best company and coverages for you.

Liability Coverages

Liability coverages are among the most important in relation to your financial security.

In the face of ever increasing medical costs, the possibility of a multiple car accident, or damage to expensive property, the minimum coverage limits required by law may not be enough. Choosing low liability limits could be an unwise way to save on insurance.

Bodily Injury Liability

This coverage, combined with property damage liability coverage, is the foundation of any auto insurance policy and is required in most states. If bodily injury claims or lawsuits are brought against you and if an investigation or a court finds you to be legally responsible for injuries to persons, your bodily injury liability insurance will pay, up to your policy limit, for injuries to other people - such as pedestrians, passengers in your car, or people in other vehicles. Also, bodily injury liability coverage provides for your legal defense against those bodily injury claims or lawsuits, should it become necessary.

Although it varies by state, bodily injury coverage does not generally pay for your own injuries or to your spouse or other family members, especially when they are not in your covered vehicle. Injuries to you, your spouse, and other family members in your vehicle can be protected more completely by medical payments coverage.

There are different limits of bodily injury liability coverage. Different limits of coverage are offered to accommodate various levels of protection. If you are found to be responsible for a serious accident with injuries to several people, in your car or in other cars, or if there is even one serious injury or death, your state's minimum insurance may not cover you adequately. An objective in selecting limits of any liability coverage should be to purchase coverage equal to the net asset value that you have available and could reasonably lose in the event of causing damages to others. It is a good idea to consider and purchase higher limits than what your state requires.

Property Damage Liability

This coverage, combined with bodily injury liability coverage, is the foundation of any auto insurance policy and is required in most states. If property damage claims or lawsuits are brought against you and if an investigation or a court finds you to be legally responsible for damages to property, your property damage liability insurance will pay, up to your policy limit, for repair or replacement of things like someone else's car, light posts, or even buildings. Also, property damage liability coverage provides for your legal defense against those property damage claims or lawsuits, should it become necessary. Property damage coverage does not pay for the damage to your own property, damages to your property are covered under the optional collision and comprehensive coverages.

There are different limits of property damage liability insurance. Different limits of coverage are offered to accommodate various levels of protection. If you are found to be responsible for a serious accident with damages to several vehicles, or even one expensive vehicle, your state's minimum insurance may not cover you adequately. An objective in selecting limits of any liability coverage should be to purchase coverage equal to the net asset value that you have available and could reasonably lose in the event of causing damages to others. It is a good idea to consider and purchase higher limits than what your state requires.

Each state's Financial Responsibility Law requires minimum property damage liability limits.

Medical Payments

This optional coverage pays, up to the policy limit per person, for medical expenses regardless of fault for you and the occupants of your covered vehicle who are injured in an automobile accident. It also protects you and the relatives living in your household if they are injured in someone else's car, or by a car as pedestrians. All reasonable and necessary medical expenses are covered within the period of time specified in your policy. This coverage is valuable if you do not have health insurance, because payment will be made while the liability is being determined.

Excess Medical Payments Coverage

This optional coverage is different from medical payments coverage in that it covers only those reasonable and necessary medical expenses, up to the policy limit, which are not covered by another source, such as health insurance or another person's auto insurance (except Medicare). This coverage pays up to the policy limit per person for medical expenses as outlined above, regardless of fault, if you or the occupants of your covered vehicle are injured. This coverage also protects you and the relatives living in your household if injured in someone else's car, or by a car as pedestrians under the same coverage conditions.

This coverage is designed to complement your health insurance as most medical insurance policies carry co-insurance and/or deductible provisions and is less expensive than standard medical payments coverage.

Coverage For Your Car

Comprehensive Coverage:

This optional coverage applies if your car is damaged by fire, theft, vandalism, glass breakage,

windstorm or even contact with an animal. The coverage provides to repair your car, or pay the actual cash value if the car is deemed to be a total loss, less your deductible. Comprehensive coverage does not cover wear and tear, engine failure, or other mechanical difficulties. When you are financing your car, comprehensive coverage may be required by the lien holder.

Collision Coverage:

This optional coverage provides the payment to fix your car, or pay the actual cash value if the car is deemed to be a total loss, if it is overturned or damaged in a collision with another car or object. This coverage would pay for damages to your covered vehicle regardless of who is at fault, but this coverage is subject to a deductible. As with comprehensive coverage, if you are financing your car the lien holder may require collision coverage.

Rental Reimbursement Coverage:

This optional coverage is invaluable if you have a covered loss and you do not have another car to use while yours is being repaired. This coverage is available for purchase if you carry collision or comprehensive coverages on the vehicle. We will reimburse you, up to the policy limit, for rental car expenses incurred when the covered vehicle is not driveable or is in the shop for repairs during a reasonable period due to a covered loss. The policy limits are a per day dollar limit up to a total dollar limit per accident. Several limit combinations are available for many types of vehicles.

Uninsured Motorist Coverage

Suppose you are injured in an accident caused by an uninsured motorist? Or, what if you are injured by a hit-and-run driver?

This coverage is commonly referred to as UM coverage. This coverage is important and is required in many states because even in mandatory insurance states there are still vehicles without insurance coverage in force at some time during the year. This coverage pays for injuries, up to the coverage limit, caused by a driver who is uninsured, or an unidentified hit-and-run driver, who is legally liable for those injuries. This coverage also protects relatives who live with you, the occupants of your insured car, and while you are a pedestrian.

Please note that uninsured motorist coverage does not pay for damage to your car which was caused by an uninsured motorist. Damage to your car would be covered under collision coverage or uninsured motorist property damage coverage if it is allowed in your state and you carry it on your vehicle.

The coverages and limits vary by state

Underinsured Motorist Coverage

What if you are injured and the coverage limits of the person at fault are not enough to pay your medical bills?

This coverage is commonly referred to as UIM coverage. This coverage will apply if another driver, who is legally responsible for an accident which injures you, is required to pay more than their bodily injury liability coverage limits. This coverage will pay up to the coverage limit, but only after all of the

liable person's coverage limits have been exhausted. This coverage also protects relatives who live with you, and as a pedestrian.

The coverages and limits vary by state