

AUTO INSURANCE COVERAGE

Understanding Your Auto Insurance Policy

Auto insurance is an important purchase. Understanding what your policy covers is essential to ensuring you will have the necessary insurance protection when a loss occurs.

Who Needs Auto Insurance?

Automobile accidents can cause great financial and economic insecurity. Financial loss may include property damage, medical bills, and legal costs if a lawsuit arises. Anyone who owns a car should purchase auto insurance so that these important financial protections are provided. Most states either require the owner of a vehicle to purchase insurance or provide proof of financial responsibility. In addition, your auto lender may require you to purchase auto insurance to protect them against damage to a financed vehicle.

Liability Coverage

Most auto liability insurance policies contain three major parts: liability insurance for bodily injury, liability insurance for property damage, and uninsured/underinsured motorist coverage.

- *Bodily injury liability insurance* does not protect you or your car directly. If you cause an accident in which other people are injured due to your negligence, this insurance protects you against their claims for damages, such as medical expenses, lost wages, and pain and suffering.
- *Property damage liability insurance* pays for any damage you cause to the property of others, such as damage to another vehicle, fence, or tree caused by a collision.
- *Uninsured motorist coverage* protects you directly. This coverage pays if you are injured by a hit-and-run driver or a driver who does not have auto liability insurance. This coverage, in effect, takes the place of the liability insurance that the other driver should have purchased but did not. *Underinsured motorist coverage* applies when the other driver is at fault and whose limits of liability are lower than the damages you sustained. Your *underinsured motorist coverage* will pay you an additional amount up to your policy limits. Uninsured and underinsured coverages may provide coverage for both bodily injury and property damage losses combined, or you may be required to purchase separate coverage for bodily injury and property damage.

When purchasing liability coverage, you will need to determine the amount of coverage needed to protect yourself if a loss occurs. Coverage is often sold with a per person and total per loss maximum amount. For example, 100/300/50 coverage means that you have coverage of \$100,000 bodily injury liability insurance per person, \$300,000 total bodily injury liability insurance per accident, and \$50,000 property damage liability per accident.

Some states have *no-fault* laws - meaning there is no need to determine who is at fault to receive payment for injury claims. Each party would seek recovery from his/her own insurer instead of bringing a lawsuit. *No-fault* does not completely eliminate the risk of you being sued. However, *no-fault* laws do place restrictions on when a suit can be brought forward. There are two typical types of coverage provided under a no-fault system. These coverages are Personal Injury Protection (PIP) and Residual Bodily Injury Liability Coverage.

- *Personal Injury Protection (PIP)* coverage will pay you, your relative or any other person riding in your car a minimum amount per person for injury regardless of fault. The level of benefits varies widely among states. Coverage typically includes medical expenses, rehabilitation expenses, work loss benefits (loss wages), funeral expenses, and survivor's loss benefits.
- *Residual Bodily Injury Liability Coverage* will protect your family and anyone else while in your car with your permission in the event you are sued because of injuries caused to others. No-fault laws usually have certain thresholds that, if exceeded, open the possibility of a suit. These thresholds can be based on a specific dollar amount, clearly defined injuries, and/or a death resulting from an accident.

Coverage for Your Car

There are two types coverage that you can choose to purchase to protect your car.

- *Collision Coverage* pays for physical damage to your car as a result of your auto colliding with an object, such as another car or a tree.
- *Comprehensive Coverage* pays for damage to your auto from almost all other losses other than *collision*. Covered losses under *comprehensive* coverage include the following: theft, fire, vandalism, weather related losses such as hail, water (flood), falling objects, damage caused by a bird or animal, and glass breakage.

When purchasing *collision* or *comprehensive coverage*, you will need to determine what your deductible should be. A deductible is the amount of money you agree to pay prior to the insurance company making any payment on a loss. Typical deductible amounts are \$250, \$500 or \$1000.

Other Optional Coverage

Depending on what you want to protect against and how much money you want to spend, there are several other types of coverage which you may purchase. These include:

- *Medical Payment Coverage (MPC)* pays for the medical and funeral expenses for you or others injured or killed in an accident while riding in or driving your auto. This coverage also often extends to insureds that are struck by a vehicle while acting as a pedestrian. Covered expenses include hospital, surgical, chiropractor, dental, and funeral expenses. This might duplicate benefits provided by your health insurer.
- *Rental reimbursement coverage* or transportation expenses pay for a rental car if your vehicle is damaged by a covered loss. This coverage is usually purchased with a daily and total maximum. For example, \$20 per day up to a total of \$600.
- *Towing or Emergency Road Service coverage* pays the cost of towing your car to a repair shop.

What To Do In Case Of An Accident

If you are in an accident, you should:

- Remain calm.
- Telephone the proper authorities and inform them of any injuries. Regardless of the circumstances, report the accident to the police.
- Check for any injuries and administer first aid if necessary.
- Record the name, address and phone number of the other driver. Always write down the make and license number of all vehicles involved.
- Collect the names, addresses and phone numbers of all passengers and witnesses.
- Take photos of the accident scene if possible.
- Do not admit fault.
- Ask the investigating officer how to obtain a copy of the police report.
- Notify your agent or insurance company immediately.

Key Points to Remember When Considering an Auto Policy

- Your auto insurance policy will financially protect you up to your policy limits for auto damage or injuries resulting from an auto accident.
- Be aware of the types of coverage offered and what is required in your state.
- Review your auto policy and stay informed on what and whom your auto policy will cover.
- Know your state's minimum amount of liability coverage required, and decide what amount is best for your situation.
- The state in which you reside will have either a *tort* or *no-fault* system in place.
- Know how to file a claim with your insurance company.
- When an accident occurs, know what to do to protect yourself and others around you.



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