

Automobile Owners Policy and Coverage

Insurance Coverage Definitions | Car Insurance Coverage

Auto insurance coverage is packaged into different coverage types. It is usually easiest to determine what you are required to purchase. Then, you determine what you have that needs to be protected. You purchase insurance to protect yourself (your family) in the event that you suffer a loss to your person or property and you purchase insurance to protect yourself (your family) from losses suffered by others. Below is a breakdown of each car insurance coverage type to help you understand more about what each type of coverage protects. Next to each type is a term that is usually associated with that coverage type (i.e. BI and PD).

LIABILITY COVERAGE (LIABILTY) BODILY INJURY LIABILITY (BI):

Covers other people's bodily injuries or death for which you are responsible. It also provides for a legal defense if another party in the accident files a lawsuit against you. Claims for bodily injury may be for such things as medical bills, loss of income or pain and suffering. In the event of a serious accident, you want enough insurance to cover a judgment against you in a lawsuit, without jeopardizing your personal assets. Bodily injury liability covers injury to people, not your vehicle. Therefore, it is a good idea (and usually a company requirement) to have the same level of coverage for all of your cars. Bodily Injury Liability does NOT cover you or other people on your policy. Coverage is limited to the terms and conditions contained in the policy. It is mandatory in most states.

How much protection does this coverage provide?

The dual coverage limits refer to the maximum amounts that will be paid per person, per incident, respectively.

Essential things to keep in mind when selecting your Bodily Injury limits:

If you select limits that are too low, you could be putting yourself at risk financially.

For example, if either you or a driver covered by your policy cause a serious injury where damages exceed your limits, you will be held responsible for the amount above your limits. To make that payment, you could be forced to liquidate property, savings, and other assets, or your future earnings could be attached. By purchasing liability limits to account for both your current assets and future net worth, you can help protect yourself against this risk.

PROPERTY DAMAGE LIABILITY (PD):

Covers you if your car damages someone else's property. Usually it is their car, but it could be a fence, a house or any other property damaged in an accident. It also provides you with legal defense if another party files a lawsuit against you. It is a good idea to purchase enough of this insurance to cover the amount of damage your car might do to another vehicle or object. Coverage is limited to the terms and conditions contained in the policy.

How much protection does this coverage provide?

The coverage limits refer to the maximum amounts that will be paid per accident.

Essential things to keep in mind when selecting your Property Damage limits:

If you select limits that are too low, you could be putting yourself at risk financially. For example, if either you or a driver covered by your policy cause a serious accident where damages exceed your limits, you will be held responsible for the amount above your limits. To make that payment, you could be forced to liquidate property, savings, and other assets, or your future earnings could be attached. By purchasing liability limits to account for both your current assets and future net worth, you can help protect yourself against this risk.

COMPREHENSIVE COVERAGE (OTHER THAN COLLISION, OTC, COMP):

Covers your vehicle, and other vehicles (in limited scenarios) you may be driving for losses resulting from incidents other than collision. For example, comprehensive insurance covers damage to your car if it is stolen; or damaged by flood, fire, or animals. It pays to fix your vehicle less the deductible you choose. To keep your premiums low, select as high a deductible as you feel comfortable paying out of pocket. Coverage is limited to the terms and conditions contained in the policy. This is not required by a state, but if you have a loan or a lease then the lien holder will require it.

How much protection does this coverage provide?

The amount you see typically refers to the deductible, or the portion of a claim you are responsible for paying.

A higher deductible can substantially lower the cost of insurance premiums. You should balance this savings against your ability to absorb a larger out-of-pocket expense. For example, if you set your deductible at \$1,000 and your car sustains damages totaling \$1,500, you will pay \$1,000 and your insurance company will pay \$500.

Who might benefit from buying Comprehensive coverage?

- If your car is financed or leased, the finance company will probably require that you carry this coverage.
- If you have a newer vehicle or one in excellent condition, you may need this coverage to replace or repair the vehicle in case of loss.
- If you have an older car or one in poor condition, you may not want to pay for this coverage.

COLLISION COVERAGE (COLL):

Covers damage to your car when your car hits, or is hit by, another vehicle, or other object. Pays to fix your vehicle less the deductible you choose. To keep your premiums low, select as large a deductible as you feel comfortable paying out of pocket. For older cars, consider dropping this coverage, since coverage is normally limited to the cash value of your car. Coverage is limited to the terms and conditions contained in the policy. This is not required by a state, but if you have a loan or a lease then the lien holder will require it.

How much protection does this coverage provide?

The amount you see typically refers to the deductible, or the portion of a claim that you're responsible for paying.

A higher deductible can substantially lower the cost of insurance premiums. You should balance this savings against your ability to absorb a larger out-of-pocket expense. For example, if you set your deductible at \$1,000 and your car sustains damages totaling \$1,500, you will pay \$1,000 and your insurance company will pay \$500.

Who might benefit from buying Collision coverage?

- If your car is financed or leased, the finance company will probably require that you carry this coverage.
- If you have a newer vehicle or one in excellent condition, you may need this coverage to replace or repair the vehicle in case of loss.
- If you have an older car or one in poor condition, you may not want to pay for this coverage.

UNINSURED AND UNDERINSURED MOTORIST COVERAGE (UM)

UNINSURED MOTORIST BODILY INJURY (UM):

Covers you, the insured members of your household and your passengers for bodily/personal injuries, damages, or death caused by an at-fault uninsured or hit-and-run driver. If you are involved in an accident where the other driver is at fault but has no insurance, your policy will cover your medical expenses, up to the limit on your policy.

Who is covered?

- Policyholder
- Other drivers covered by the policy
- Passengers

How much protection does this coverage provide?

If the other driver involved in an accident is uninsured, this coverage pays up to the limit you purchase. The coverage limits refer to the maximum amount that will be paid per person, per incident, respectively.

Who might benefit from buying uninsured motorist bodily injury coverage?

Individuals without health insurance may benefit from this coverage, because if the limits chosen are inadequate, you will be responsible for paying the additional amount.

UNDERINSURED MOTORIST BODILY INJURY (UNDUM):

Covers you, the insured members of your household and your passengers for injuries, damages or death caused by the negligence of a person with insufficient insurance. If you have an accident with a person whose coverage cannot meet your damages, your policy will meet the difference-up to the limit of liability listed on your policy.

Who is covered?

- Policyholder
- Other drivers covered by the policy
- Passengers

How much protection does this coverage provide?

If the other driver involved in an accident is underinsured, this coverage typically pays any difference between what the other driver's insurance covers and what your bodily injury coverage will pay. The coverage limits refer to the maximum amount that will be paid per person, per incident, respectively. If the limits you purchase are lower than an accident's costs, you'll be responsible for paying the amounts over your limits, unless you're covered by health insurance.

Who might benefit from buying uninsured motorist bodily injury coverage?

Individuals without health insurance may benefit from this coverage, because if the limits chosen are inadequate, you will be responsible for paying the additional amount.

Both UM and UNDUM coverage can be combined or sold separately depending on the state and the insurance carrier.

UNINSURED PROPERTY DAMAGE (UMPD):

Covers your auto when property damage is sustained by an insured and the negligent operator does not possess insurance.

How much protection does this coverage provide?

If you don't have Collision coverage, Uninsured Motorist Property Damage coverage pays up to a certain amount for repairs to the insured car (some states have limits at \$3500, some are lower and some are higher). If you have Collision coverage, Uninsured Motorist Property Damage coverage only pays your Collision deductible (in some states).

Does this coverage replace Collision coverage?

No. Uninsured Motorist Property Damage alone is not enough to cover all potential car repair/replacement costs, and only applies if you are involved in an accident caused by a driver without insurance coverage.

UNDERINSURED MOTORIST PROPERTY DAMAGE (UNDPD):

Covers when property damage is sustained by an insured and the negligent operator possesses insurance, but the limits of liability carried by the negligent driver are not sufficient to cover the damages.

How much protection does this coverage provide?

If you don't have Collision coverage, Underinsured Motorist Property Damage coverage pays up to a certain amount for repairs to the insured car (some states have limits at \$3500, some are lower and some are higher) If you have Collision coverage, Underinsured Motorist Property Damage coverage only pays your Collision deductible (in some states).

Does this coverage replace Collision coverage?

No. Underinsured Motorist Property Damage alone is not enough to cover all potential car repair/replacement costs, and only applies if you are involved in an accident caused by a driver without enough liability insurance coverage.

Both UMPD and UNDPD coverage can be combined or sold separately depending on the state and insurance carrier.

OTHER COVERAGE TYPES

MEDICAL PAYMENTS (MEDPM):

Covers medical expenses to you and your passengers injured in an accident. There may also be coverage if as a pedestrian a vehicle injures you. This coverage applies, regardless as to who is at fault. Medical Payments may also cover policyholders and their family members when they are injured while riding in someone else's car or when a car hits them while on foot or bicycling. Coverage is limited to the terms and conditions contained in the policy.

Who might benefit from buying Medical Payments coverage?

If you and your regular passengers already have health insurance that covers similar expenses, medical payments coverage may be unnecessary. Check your health insurance policy for details.

LOAN/LEASE GAP INSURANCE (LLG):

Also referred to as GAP, Loan/Lease Payoff

Loan/Lease Gap Coverage is optional. To buy this coverage, you must have Collision coverage and Comprehensive coverage. You must have a deductible and your car must have a lien holder because it is financed or leased.

This coverage protects you if your car gets damaged and will reimburse you for the difference between the following items:

- The actual cash value of your car at the time of the loss, less the applicable deductible and the vehicle's salvage value (if retained by the owner or insured) and;
- Any greater amount owed on the vehicle at the time of loss, less any unpaid finance charges, excess mileage or wear and tear charges, any other charges or expenses associated with the loan or lease, and the vehicle's salvage value (if retained by the owner or insured).

Please follow this link to learn more about [GAP Insurance](#). GAP insurance is usually available as a separate policy from the auto policy. It is much less expensive to purchase LLG coverage with your policy.

RENTAL CAR REIMBURSEMENT (RREIM):

Covers renting a car if your car is not drivable or while your car is being repaired because of a covered accident.

TOWING AND LABOR (TL):

Also, referred to as Tow Club, Emergency Road Service, Emergency Roadside Service

Coverage is only available if you purchase Comprehensive and/or Collision Coverage. Some policies limit coverage to pay only when a claim has been issued against your physical damage coverage (an accident). Coverage limits are different for each carrier, but typically, this is what is covered.