

Understanding Auto Insurance

You are required by law to carry auto insurance in the state where your vehicles are registered (it is required in almost all 50 states). Everyone has it, but hardly anyone understands the provisions or coverages outlined in their policy. Auto insurance is extremely important, because it not only covers you and your vehicles, but it also covers your liability associated with damages you cause to other persons or property.

There are several important coverages that you need to understand. The first coverage you will see listed is called bodily injury liability. This is the amount of liability coverage you have for injuries you cause to other people in an accident. It is sometimes listed as a split limit, in which case the first number is the amount of liability you have per person, and the second number is the maximum total amount of money your policy will pay for all injured persons. It is considered customary to maintain at least \$100,000 of bodily injury liability per person, and \$300,000 per accident.

Sometimes, bodily injury is grouped together with property damage liability (property damage is damage that you do to other vehicles or property in an accident) and listed as one number. This is known as a combined single limit. It is recommended to maintain \$300,000 of combined single limit liability for your bodily injury and property damage.

The next coverage you will see listed is called uninsured/underinsured motorists liability. This number should be equal to the liability you have for bodily injury and property damage. This coverage is mandatory in most states. It covers you if you are involved in an accident and the other driver was at-fault, but that other driver either does not have insurance or their coverage is not adequate to compensate you for your damages. Uninsured/Underinsured motorist coverage kicks in to fill in the gaps.

After uninsured motorist coverage you should see something called personal injury protection (PIP). Some states required this coverage, some do not. In states that require it, it is best to maintain \$250,000 of PIP coverage. Those states that do not require it may have different laws that mandate health insurance to cover any and all injuries associated with an auto accident. You should contact your agent if your policy is not clear on this; if PIP coverage is required in your state, make sure you have it.

Right underneath or in the vicinity of PIP you might see something called Additional PIP. Some states make this available while others do not. Additional PIP provides you with a certain level of income up to a certain maximum amount to help make up for lost wages if you are disabled as a result of an auto accident and unable to work. Additional PIP also includes a certain amount for funeral expenses that would be incurred by your family if you are killed in an accident. If you do not have Additional PIP coverage on your policy, call your agent immediately and find out if it is available.

The next items listed on your policy are comprehensive and collision coverage. Comprehensive covers you for damage done to your vehicle when caused by things such as fire, theft, a rock hitting the car, or hitting an animal on the road. Collision pays for damage to your vehicle when the cause is an accident involving a collision with another car or other object on or near the road. Comprehensive and collision coverage is normally subject to a deductible, which you should see listed on your policy.

The final two coverages listed on your auto policy are rental reimbursement and towing. Rental reimbursement pays you a certain amount per day to cover expenses associated with having to rent a car if your vehicle has become disabled following an accident. Towing coverage, as the name suggests, covers your towing expense when your car is towed following an accident.

I hope this has helped you to understand your auto insurance policy. Even though almost everyone who has a car has insurance, most people have no idea what it covers. Then when it comes time to file a claim, they find that their policy does not meet their needs sufficiently. Use the information that was presented here to help you make intelligent choices so you can be prepared if something happens.

Source: <http://www.articlecircle.com>

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