

Auto Insurance Basics

Some people only think that insurance is something they need to get their registration and tag so they can drive. It is needed because their license may/will be suspended if they don't have it. It's just a bother to some because people think "I don't get into accidents, I am a careful driver."

Often time's people will call for insurance and say "give me the cheapest insurance or give me only what is required." Many people don't even know what this insurance coverage this is. A lot of people only really become aware of what coverage they have when they need it, like when they need to make a claim.

When you run into that stopped car or have someone sideswipe your car in a parking lot while you are shopping, suddenly having only the coverage that is required by law may not be the best thing to have. You should always have as much insurance as you can afford to carry. Having too little is never good and if you have insurance you cannot afford is not any better. A policy that is cancelled due to non-payment does you no good at all.

What are required in most states are Liability coverages. States are concerned with motorists having Liability coverages in places since these are what cover others that you may harm in an accident. The state wants to limit lawsuits by drivers having proper insurance in place to cover another person's property or injuries that they caused a person to sustain in an accident. Thus instead of motorists continually taking each other to court or having to negotiate payment for damages on their own they instead have Liability coverages that the victim can place a claim against and get paid for their damages.

While each state has their own set of auto insurance or financial responsibility laws most require a motorist to carry Property Damage and Bodily Injury Liability coverages. These coverages are typically referred to by their limits so for instance in South Dakota the basic insurance limits are noted as 25/50/25. The first two numbers reference your Bodily Injury coverages and the third is your Property Damage coverage. So you are required in SD to have at least limits of \$25,000 for the death or injury of one person in any one accident, \$50,000 for all persons injured in any one accident and \$25,000 for any property damaged in one accident or incident. Now what do these Liability coverages actual cover?

Bodily Injury Liability (BI or BIL) coverage is required in most states. Whether it is required by law or not it is wise to have this coverage and again with the highest limits you can afford. Bodily Injury Liability covers other people's bodily injuries or death for which you are responsible. 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 an insurance 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.

Property Damage Liability (PD or PDL) 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 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. So if you hit someone's car or a person's fence or even the state's guardrail in an accident your Property Damage Liability coverages will cover you, up to your limit amount.

Uninsured Motorist Bodily Injury (UM or UMBI) is another coverage you may want to consider. Uninsured motorist covers you if the other party was at fault and you were injured and they were not insured. 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.

There is also Underinsured Motorist Bodily Injury (UIM or UIMBI) which 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.

In some states UM, and sometimes UIM as well, are required as part of the basic minimum insurance requirements while in quite a few other states the coverage is not required however the auto insurance provider must offer you the coverages and you must decline in writing if you do not want them as part of your policy.

There are also Uninsured and Underinsured Motorist Property Damage coverages though they are not available in every state. Uninsured Motorist Property Damage (UMPD) covers your auto when property damage is sustained by an insured and the negligent operator does not possess insurance. If you do not 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).

Underinsured Motorist Property Damage 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. Similar to UMPD if you do not 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).

Another common insurance people ask for is Full Coverage. This is not an actual coverage or group of coverages that are "full coverage" meaning they would cover any incident or situation. Most people only know that their car dealer or bank wants Full Coverage so they ask for it. What most people mean when saying they need full coverage are at least your state's minimum insurance requirements (Liability) plus Physical Damage coverages. Comprehensive and Collision is what your lien holder (loan institution or leasing company) is looking for when they say Full Coverage is needed as terms of your financial agreement.

Collision covers repairs when your vehicle hits or is hit by another vehicle or object. It pays to fix your vehicle less the deductible you choose. If your car is destroyed it will also pay up to the book value (Actual Cash Value) of the vehicle at the time of a loss.

Comprehensive covers for loss caused by other circumstances other than a collision. Some examples are theft, flood, fire or animal damage. This will also cover total losses up to the Actual Cash Value. Glass breakage is also normally covered under your Comprehensive coverage.

There are other types of optional coverages available such as ones where medical expenses due to injuries from an accident are covered. Medical Payment (MedPay) covers medical costs to you and your passengers injured in an accident.

There are over 10 No-fault states in the US that also require you, as part of your basic auto insurance policy, to have Personal Injury Protection (PIP) which is also referred to as no-fault insurance. Insurance laws in no-fault states vary however basically when a person is injured in an accident they use their own PIP coverages, instead of the at-fault party's Bodily Injury Liability, for their medical expenses.

PIP covers within the specified limits, the medical, hospital and funeral expenses of the insured, others in his vehicles and pedestrians struck by him. The basic coverage for the insured's own injuries on a first-party basis, without regard to fault. It is only available in certain states. Depending on the state, the covered parties below and the amount of protection may vary. Under current no-fault laws, motorists may sue for severe injuries and for pain and suffering only if the case meets certain conditions. These conditions, known as a threshold, relate to the severity of injury

There are many types of coverage to purchase and meet your insurance needs. Every type of auto insurance coverage has a purpose and all are good to get if it fulfills a need of yours. It is always advised that you get as much car insurance as you can afford since it is just more protection for you, your vehicle and your assets.