

Common Automobile Insurance Coverage Terms

What is Full Coverage?

I've been in the insurance business for a lot of years. We have people who call for an auto quote and ask for full coverage. Full coverage means something different to them than it does to me. In the insurance world, full coverage would mean everything listed below. Most people assume it means the state mandatory coverage along with comprehensive and collision, sometimes with towing and rental reimbursement and sometimes not. It can get confusing. We also hear the term(s) one way or both ways. I think that the average person also means comprehensive and collision. Get out of the habit of using these terms. Make sure that the agent or company that you are talking to has a clear understanding of the terms and what you want your policy to look like. That way there won't be any question about what is covered (or should have been covered) at the time of a claim.

Liability Coverage

Liability coverage is the part of your car insurance that pays for the bodily injury or the property damage you cause to someone else. Liability insurance is required in all the states. It usually costs less than other kinds of coverage because it will only pay for the damage you cause to another person and not for the damages you suffer yourself.

If you have auto liability coverage and you get into an accident, your insurance policy will pay to repair or replace the other person's car, and also pay any medical bills, up to your set limits. It will be divided into 2 parts, bodily injury coverage and property damage liability coverage. This coverage is required on all policies.

Medical Payments Coverage

Medical payments protection is the part of your car policy that helps pay for medical expenses for accident-related injuries, no matter who's at fault. It is not a mandatory part of the policy, and you may purchase from \$500 to as much as \$100,000. These medical costs may include doctor visits, hospital visits and stays, surgery, x-rays, emergency medical care, and ambulance costs. This coverage option covers you, your passengers, and any family members who may be driving the car during the accident.

Uninsured and Underinsured Motorist

This insurance coverage pays for medical expenses and damages to your car resulting when you're involved in an accident with another driver who has no insurance or lacks sufficient coverage and he is at-fault.

This coverage is divided into 2 groups: Bodily Injury Coverage and Property Damage Coverage. You have the option of purchasing coverage up to set limits. A minimum amount of coverage is required and limits may be increased.

Collision Coverage

This optional coverage pays for damages to the insured person's car when it collides with another object, such as a tree, streetlight, or a second vehicle. Usually it will pay up to the actual current cash value of your car.

If you carry this type of coverage, and the cost of repairs on your vehicle is more than its worth, the insurance company will "total" the car and reimburse the owner what the car was currently worth, rather than fixing it. The deductible amount you choose depends on different things, with the most important factor being how much you would be comfortable paying out and the car's blue book value. The higher the deductible you select, the lower the premium charge.

Comprehensive Coverage

Comprehensive insurance, another optional coverage, pays for car damages caused by anything except hitting another vehicle or object. It usually covers common situations like fire, storms, floods, vandalism and theft, broken windshields, and things like shopping cart, hail or wind damage, and hitting an animal.

Comprehensive coverage also has a deductible. That's what you pay out of pocket before your insurance pays the rest. This should be based on your car's value and how much you can afford to pay.

NOTE: If you have a loan on your car, your lending institution generally requires that you purchase comprehensive and collision protection.

Personal Injury Protection (PIP)

Personal injury coverage pays for medical and hospital expenses that result from the accident no matter who is at fault. It can also help you with other expenses while you are hurt. These can vary state to state, but can include income replacement, loss of services on work you can't do yourself, funeral expenses, and expenses of child care. This coverage is not sold in Virginia.

Additional Coverage

Insurers may also offer additional coverages like towing, rental reimbursement, disability, and life insurance. Costs vary from one carrier to another.

Towing

This is a relatively inexpensive coverage that starts at \$50.00 with additional increments up to \$100.00 to \$125.00, depending on the company. This coverage pays to have your car towed if involved in an accident or if your vehicle breaks down. Generally you will pay the tow truck and submit your receipt for reimbursement.

Rental Reimbursement

This coverage pays for you to get a rental vehicle if your auto (covered on the policy) is involved in an accident and is being repaired. Minimum is usually \$600.00, and higher amounts can be purchased. It will not pay a benefit if you just decide to rent a vehicle.

GAP Coverage

This coverage pays for the difference of what is owed on the loan value of a vehicle and the actual cash value if the vehicle is considered a total loss. For example, if the loan balance on your auto is \$6,000.00, and the insurance adjuster determines that your car is worth only \$4,000.00, it would pay the difference.

Life and disability

These are also additional coverages that will pay if a policy holder becomes disabled and can't work or dies in an auto accident. Coverage is inexpensive, but again only pays if it occurs due to an automobile accident.