

Auto Insurance 101

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Auto insurance provides property, liability and medical coverage:

- Property coverage pays for damage to or theft of the insured car.
- Liability coverage pays for legal responsibilities to others for bodily injury or property damage.
- Medical coverage pays for the cost of treating injuries, rehabilitation and, in some cases, lost wages and funeral expenses.

Most auto insurance contracts last for six months to a year. Your insurance company should notify you by mail when it is time to renew the policy and to pay your premium.

What is in a basic auto policy?

Auto insurance policies are comprised of six different kinds of coverage. Most states require drivers to buy some, but not all, of these coverages.

In California, the law requires drivers have the minimum liability insurance of 15/30/5 - This means \$15,000 coverage for injury or death per person, \$30,000 coverage for injury or death to two or more persons per incident and \$5,000 property damage. Under the state-sponsored California Low Cost Auto Program, these minimums were reduced by the State Legislature to \$10,000 coverage for injury or death per person, \$20,000 coverage for injury or death to two or more persons per incident and \$3,000 for property damage.

However, the more assets you have to protect, the more liability insurance you may want to purchase.

Bodily Injury Liability

This coverage applies to injuries to someone else. Drivers listed on the policy are also covered when driving someone else's car with their permission.

Medical Payments or Personal Injury Protection (PIP)

This coverage pays for the treatment of injuries to the driver and passengers of the policyholder's car. At its broadest, PIP can cover medical payments, lost wages and the cost of replacing services normally performed by someone injured in an auto accident. It may also cover funeral costs.

Property Damage Liability

This coverage pays for damage you (or someone driving the car with your permission) may cause to someone else's property. Usually, this means damage to someone else's car, but it also includes damage to lamp posts, telephone poles, fences, buildings or other structures.

Collision

This coverage pays for damage to your car resulting after an accident. It also covers damage caused by potholes. Collision coverage is generally sold with a deductible of \$250 to \$1,000—the higher your deductible, the lower your premium.

Comprehensive

This coverage provides reimbursement for loss due to theft or damage caused by something other than a collision, such as fire, falling objects, missiles, explosion, earthquake, windstorm, hail, flood, vandalism, riot, or contact with animals such as birds or deer. Comprehensive insurance also provides coverage for cracked or shattered windshields.

Comprehensive insurance is usually sold with a \$100 to \$300 deductible. The higher the deductible, the lower the premium.

States do not require that you purchase collision or comprehensive coverage, but if you have a car loan, your lender may insist you carry it until your loan is paid off.

Uninsured and Underinsured Motorist Coverage

This coverage provides reimbursement if the insured vehicle is hit by an uninsured motorist. Underinsured motorist coverage comes into play when an at-fault driver has insufficient insurance to pay for your total loss. This coverage will also protect you if you are hit as a pedestrian.