



Auto Insurance

THE DIFFERENT TYPES OF COVERAGE

There are many different types of car insurance products available to consumers. However, the five most common types of auto insurance coverages are liability, collision, comprehensive, personal injury protection, and uninsured motorist.

LIABILITY INSURANCE

Liability insurance coverage is the most common type coverage and is required in most states. When you cause an accident, you will be held accountable for injuries and/or property damage of those involved. **Liability** car insurance pays a certain amount for injuries to the people and damage to the property you caused in a car accident. Liability insurance is made up of two types; bodily injury and property damage. **Bodily injury coverage** will pay for bodily injuries suffered by others in an accident you caused.

Property damage coverage will pay the cost of damage you caused to another person's property (typically their vehicle). It is important to understand that your liability insurance doesn't cover the damage of your own injuries or property when you are at fault. Thus, to cover your personal damages such your medical bills and repairing or replacing your car, you would need to add a different type of insurance coverage.

There is a limit as to how much money an insurance company will pay for the damage caused in each accident. The **limit** or maximum amount an insurance company will pay is called the **coverage limit**. What this means is that if you are in an accident, your insurance company will payout up to a certain amount of money per person and per occurrence (accident). For instance, you may have liability policy set at a limit of \$20,000 for bodily injury, per person; thus, if you cause car accident and hurt someone your insurance company will pay the hurt person no more than \$20,000. You are responsible for paying any amount over the \$20,000.

The amount of coverage or your limit will depend on how much you want to purchase and your state's requirement. The higher your limit the more you will need to pay for your insurance policy. Therefore, when buying insurance you will need to weigh how much financial protection you require and how much you can afford to pay for insurance.

Answer each question with a complete sentence on a separate piece of paper.

1. What type of insurance coverage is most common and often required?
2. What does liability insurance cover?
3. What does bodily injury coverage pay for?
4. What does property damage coverage pay for?
5. What doesn't liability insurance cover or pay for?
6. What does coverage limit mean?
7. What will the amount of your limit coverage depend upon?
8. When buying insurance, what do you need to weigh or think about?



COLLISION COVERAGE

Another type of insurance coverage is called collision. **Collision coverage** will replace your car and/or pays for the repairs to your car if you cause an accident. If your car is totaled in an accident, collision coverage will pay the value of your car. If you have a lienholder (*lender or lessor*), this type of coverage is required. However, if you own the car outright, then you don't have to purchase collision coverage. If your car is older, it may not be worth carrying collision coverage on it, depending on the car's value.

COMPREHENSIVE COVERAGE

Collision coverage covers damage to your car if you are in a car accident but not if damage to your car is caused by unrelated events such as weather or theft. For these events, you would need to purchase comprehensive coverage.

Comprehensive coverage will cover the cost if your car is stolen, damaged by weather, or damaged by vandalism. If you have a lienholder, comprehensive coverage is required.

PERSONAL INJURY PROTECTION (PIP)

Often referred to as "no-fault insurance," **personal injury protection (PIP)** covers medical expenses for you and for your passengers due to an accident regardless of who is at fault. Only 15 states require PIP. It is optional in many other states and isn't available everywhere.

UNINSURED MOTORIST COVERAGE

Though most states require drivers to have car insurance, some drivers will break the law and drive without auto insurance. As many as 25 percent of drivers are uninsured, according to the Insurance Research Council.

In the event you are injured or your car is damaged in an accident caused by one of these uninsured drivers, **uninsured motorist coverage** will pay for your medical bills and car repairs. This insurance is required in about half the states.

Answer each question with a complete sentence on a separate piece of paper.

9. What is collision coverage?
10. Who is required to have collision coverage insurance?
11. What does comprehensive coverage pay for?
12. What does personal injury protection cover?
13. What is personal injury protection often referred to as?
14. What is the purpose of uninsured motorist coverage?