

Understanding Automobile Insurance

By Andrew H. Meisel

Automobile insurance policies can be very difficult to understand if one attempts to read the full policy issued by the insurance company. There are many coverage's that can be found in a typical policy, the purpose of this article is to assist the consumer in understanding the types of coverage that may be available in the automobile insurance policy. Coverage definitions can vary from policy to policy, and case law interpreting policy language can change. So too can laws governing the policies. Thus, this is only a general guideline, and cannot be used to determine available coverage in any given policy. A complete review of the actual policy would be need for that. Additionally, person's purchasing insurance coverage should speak to their insurance agent and/or broker about the coverage available, and one must read the policy carefully to determine what the coverage includes and excludes. Many times what seems at first to be covered is excluded by the terms of the policy.

Liability Coverage: This is the type of coverage many people think about when considering automobile insurance coverage. This is coverage for the insured's liability to others if they have caused an automobile accident to occur. An easy illustration is where you are driving your car, and you accidentally go through a stop sign and collide with another car that did not have a stop sign. Assuming you would be found to be at fault for this accident, the liability coverage of your policy will pay the bodily injury damages you caused to occupants of the other car, up to the policy limits you purchased (see discussion under "policy limits" below). Bodily injury damages typically include medical bills, lost wages, other out of pocket expenses, and pain, suffering and emotional damages.

Property Damage: When you are at fault for causing property damage to someone else, this is the part of the policy that will pay for those damages up to the policy limits you purchased. In thinking about the illustration under liability coverage, where you went through a stop sign and had a collision with another car, this coverage would pay for the damages to the other person's car, but NOT damages to your own car.

Collision and Comprehensive Coverage: In the event your car is in an accident, or is otherwise damaged, or stolen, or something is stolen out of the car, this coverage will pay for those damages. This coverage does NOT pay for damages to someone else's car. Typically, you will have a deductible of \$250.00, \$500.00, or \$1000.00, such that your insurance company will pay the damages that are over the deductible amount. If you are in an accident that is someone else's fault, you can seek to have your damages paid by the at-fault person's insurance or your own insurance coverage. Sometimes it is faster to go through your own insurance company, and they will then seek reimbursement from the person who caused the accident. Other times the person who

was at fault may not have sufficient property damage coverage to pay for your damages, and you can then look to your collision coverage.

Rental car: coverage for a rental car when the insured vehicle is damaged or stolen. This coverage will typically have a daily maximum and an aggregate maximum as well.

Uninsured Motorist/Underinsured Motorist: Typically abbreviated as UM and UIM respectively, these coverage's provide protection to the insured up to the available policy limits, when there is a motor vehicle accident that was caused by someone with no insurance (an uninsured motorist) or insufficient insurance coverage to pay for the insured's bodily injury damages (an underinsured motorist). These coverage's are not available to pay for property damages. This coverage is very important to have, since the smallest liability coverage issued in California is a 15/30 policy, and since many drivers have no insurance coverage at all.

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Uninsured Property Damage: This is coverage for damage to your own car, up to the policy limits, in the event you are in an accident with someone who does not have property damage coverage (which very likely means they were uninsured). Frequently the coverage here is minimal, unless the policy holder asked for and obtained greater coverage limits.

Medical Payments: If there are injuries in the insured vehicle, or to an insured person, this coverage will pay medical bills for those injuries, up to the policy limits. Typically, the policies require that the medical treatment be necessary, and the bills be reasonable. Many times, the policies limit the coverage for bill incurred within a certain period of time after the accident, as for example, one year.

Accidental Death benefits: some companies offer coverage, up to the policy limits, in the event an accident results in death, irrespective of who is at fault.

Policy Limits: The policy limits is the amount of coverage the insured has purchased, and the insurance company will only pay damages up to those policy limits. In some of the coverage's, including liability and UM/UIM, there are two numbers, a singular and an aggregate policy limits. The singular limits are the maximum coverage for any one person injured; the aggregate is the total amount of all coverage, no matter how many people are injured. For example, if four people are injured in a single accident, and there is a 50/100 liability policy, the insurer will not pay more than \$50,000.00 to any one injured person, and will not pay the four injured persons more than \$100,000.00 in total. Some policies have the singular and aggregate coverage in the same amount.

Insured Person: Policies typically define who an insured person is, for purposes of obtaining the coverage under the policy. Each coverage of the policy may define an insured person somewhat differently, so, for example, an insured person under UM or UIM coverage may not be an insured person under liability coverage. Often, the named insured will be covered but relative who live with the named insured may also have coverage under the policy, as may persons who use the insured vehicle with the permission of the vehicle owner, and occupants of the insured vehicle.