

CAPITAL INSURANCE AGENCY OF WISCONSIN

Can Someone Explain These Automobile Coverages?

A driver who's unlucky or careless can maim or kill other persons and severely damage or destroy property. This deadly potential is a primary reason for having auto insurance. In fact, most states have versions of financial responsibility laws which require proof that you are financially able to pay for any damage that you may cause while driving. Insurance policies are the most common method of complying with these laws. More specifically, drivers are typically required to carry liability insurance at some minimal limit which varies by state.

Bodily Injury Liability

This covers damage or injury that you may cause to other persons. The key is that it involves your being held financially responsible for injuries to other persons as a result of the way you operated your car. This coverage does not apply to your injuries.

Property-Damage Liability

This covers damage that you may cause to the property of others. The key is that it involves your being held financially responsible for property you may damage or destroy as a result of the way you operated your car. This coverage does not apply to damage to your property.

Uninsured Motorist Coverage

The limits and coverage details also vary widely by state. It typically pays for your expenses that result from an accident caused by an uninsured driver. Now be careful with this coverage. An uninsured driver must be the one who is responsible for causing the loss. "Uninsured" is typically defined to include a person who has no insurance; a person who can't be located ("hit and run drivers"); a person who has insurance, but their insurance company is financially incapable to provide coverage; plus other situations which may be considered to involve an "uninsured" motorist. **IMPORTANT:** The amount of protection under this coverage may depend upon state law. Payment under this coverage part may be controlled by the limits mandated by the state's financial responsibility law. Or, a particular state may have specific uninsured motorist legislation that dictates what limit or limits must be offered to insurance consumers. In some cases, a consumer may choose to reject the coverage. Typically, the rejection must be in writing.

Underinsured Motorist Coverage

Although the coverage concept is similar to uninsured motorist, this coverage is for injuries caused by a driver who is inadequately insured. Basically, it operates as excess insurance, paying for your expenses which exceed the amount of insurance protection available from the other driver's policy. For example, you are seriously injured by a person who carries a bodily injury liability limit of \$25,000. Your injuries amount to \$50,000. Your Underinsured Motorist Coverage limit is \$100,000. If the loss circumstances qualify for coverage per the policy's underinsured motorist provisions, your policy would pay the difference between \$25,000 and \$50,000, or an additional \$25,000.

Remember that this is merely an introduction to complex policy coverages. Be sure to contact your agent for detailed insurance information. Please watch for Part Two of this topic which discusses other, typical auto policy coverages.

Cars are expensive to buy and repair and their high cost is a strong incentive for protecting them. If you borrowed money to buy your car, the lender was likely to make certain that you carried comprehensive (increasingly referred to as "other than collision") and collision coverages to pay for any damage to the vehicle.

Collision coverage

This covers damage to your own vehicle. The damage has to be the result of your vehicle running into (colliding with) another object, such as other vehicles, trees, light poles, mountains, etc.

Comprehensive or Other Than Collision coverage

This also covers damage to your own vehicle. The damage has to be the result of a specific cause of loss. Although causes of loss may vary by policy, some common causes include fire, theft, hitting an animal, vandalism, earthquake, flood or hail.

Remember that both Collision and Other Than Collision coverages are subject to deductibles. A deductible is merely the initial dollar amount of a loss which is paid by you, the policy owner.

Personal Injury Protection or Medical Expense

This coverage, the available financial limits, and the exact details of how such coverage operates vary by state. The coverage typically handles medical expenses for injuries to you, your passengers or people who are "around" you. It is usually a "per person" limit. It may also cover you and members of your household if you, as a pedestrian or while riding a bicycle, are struck by an automobile.

Towing and Labor coverage

This coverage is to help pay for your costs to deal with a disabled car. It could help pay for the car to be towed to a service station or for any repair that occurs at the location of the car's breakdown. Again, this coverage is for labor and not the cost of any necessary parts. Typically the available coverage amount is minimal (often between \$25-\$75).

Rental reimbursement

This coverage reimburses you for the expense of renting a car as a temporary replacement. The car being replaced must be an insured car that's unavailable for use because of that car being damaged or destroyed due to a covered cause of loss. Coverage is also available if use of the insured car is lost because of it being repaired or serviced.

Remember the above information only touches upon some typical auto insurance issues. It's always wise to contact your agent and discuss your coverage questions and needs in detail. If you missed it, please see Part One of this topic which discusses other, typical auto policy coverages.

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