

# Types of Auto Coverage

Those numbers represent liability limits.

The first number is the maximum coverage for Bodily Injury Liability for one person injured in an accident (thousands). The second number is the maximum coverage for Bodily Injury Liability for one accident (thousands). The third number is the maximum coverage for Property Damage Liability for one accident (thousands).

Therefore, if you have 10/20/10 the maximum liability limits are \$10,000 for Bodily Injury Liability for one person in an accident, \$20,000 for all Bodily Injury liable injuries in an accident, and \$10,000 for Property Damage in

**Bodily**      10 → **Max Per Person**  
                  20 → **Max For ALL People**  
                  10 → **Property Damage**

- **Liability** - This coverage pays for accidental bodily injury and property damages to others. Injury damages include medical expenses, pain and suffering and lost wages. Property damage includes damaged property and automobiles. This coverage also pays defense and court costs. State laws determine how much liability coverage you must purchase, but you can always get more coverage than your state requires.
- **Collision** - This coverage pays for damages to your vehicle caused by collision with another vehicle or object.
- **Comprehensive** - This coverage pays for loss or damage to the insured vehicle that doesn't occur in an auto accident. The types of damages comprehensive insurance covers include loss caused by fire, wind, hail, flood, vandalism or theft.
- **Medical Coverage** - Pays medical expenses regardless of fault when the expenses are caused by an auto accident.
- **PIP** - Personal Injury Protection (PIP) is required in some states. This coverage pays medical expenses for the insured driver, regardless of fault, for treatment due to an auto accident.
- **Uninsured Motorist** - Pays your car's damages when an auto accident is caused by a driver who doesn't have liability insurance.
- **Underinsured Motorist** - Pays your car's damages when an auto accident is caused by someone who has insufficient liability insurance.
- **Rental Reimbursement** - This type of coverage will pay for a rental car if your car is damaged due to an auto accident. Often this coverage has a daily allowance for a rental car.

Many insurance policies combine a number of these types of coverage. The first step in choosing the insurance you want for your car is to know the laws in your state. This will tell you the minimum insurance you need for your car. It's good to keep in mind that, just because your state

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may not require extensive insurance, extra coverage may be worth the expense. After all, no one wants to be stuck with thousands of dollars worth of bills because of an auto accident.

## Know Your State Laws

Remember that forty-seven states require that you purchase liability insurance. Liability insurance is what pays for bodily injury and property damage that you cause another driver. Fifteen states including Florida, Maryland, Michigan, Massachusetts, New York and New Jersey also require that you buy Personal Injury Protection (PIP). This coverage pays for your medical expenses and lost wages in the event of an auto accident. Your insurance minimum will most likely be determined by state law, but many people are encouraged to purchase more than is required.

## Know Your Vehicle

If your car was totaled, would you be able to afford to replace it? If not, you will want comprehensive and collision coverage. The decision to buy this coverage is usually based on the value of your car. Guidelines usually suggest that if your car is worth less than \$2,000, it won't be worth it to buy comprehensive and collision. If you own a \$50,000 car though, it would most certainly be worth it to pay an extra \$200 annually or so to insure that your car will be replaced if you get in a serious accident.

1. If you are looking to buy a car, consider buying a car that "looks good" to insurance companies. For instance, insurance companies know what kinds of cars are prone to problems. They also know what kinds of cars are most often stolen. If you haven't purchased your car yet, find out what cars make this "good list" among auto insurers.
2. Most insurance companies offer discounts for a variety of reasons - for example, good students, having more than one car insured and accident-free driving are all worth a discount. Ask insurance companies about specific discounts that may be available to you.
3. Consider carpooling or using public transportation to get to work. The less you use your car, the less your insurance will cost you.
4. Finally, drive carefully! Insurance companies are not happy to insure accident-prone drivers, so the safer you drive, the less you will have to pay for auto insurance.
  
5. **Geography**  
Where you live makes a difference. Folks living in areas with little or no traffic are likely to spend less on insurance than those living in congested cities or suburbs because areas with a lot of traffic tend to see more accidents. Some neighborhoods also have a higher rate of vehicle thefts, which can result in a higher premium.
6. **Driving Violations**  
Having an accident or moving violations on your record (speeding tickets, DWI, reckless driving, etc.) put you at a higher risk for accidents and will likely mean a higher premium. Some insurance companies will penalize you for your record for as many as five years from when the incident occurred. However, keep in mind, as your record improves, your premium will get lower.
7. **Vehicle Type**  
A cheap car will cost less to insure than that status symbol SUV sitting on 24" rims.

8. Accident Claims  
A driving record that is clean and free of accidents will hold far better for you than lots of tickets and/or accidents.
9. Credit Rating  
Many insurance companies view having a poor, or even no credit history as suggestive of higher risk and thus, charge you a higher premium. Monitor your credit rating free to see if you can get a better score. A better credit score will save on insurance premiums.
10. Occupation  
Insurers have statistically found a correlation between your occupation and risk. For instance, a newspaper delivery person is most likely a higher risk than the personal banker sitting at their desk all day.
11. Education  
A higher education can save on your premiums.
12. Driving distance to work
13. Miles driven each year
14. Years of driving experience
15. Business use of the vehicle
16. Whether or not you currently have auto insurance and how high are your limits
17. Theft protection devices (often results in discounts)
18. Multiple cars and drivers (another opportunity for discounts)

## **Liability Coverage**

### **Car Insurance Terms and Definitions**

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 guy'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.

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## **Medical Payments Coverage**

Medical payments protection is the part of your car policy helps pay for medical expenses for accident-related injuries, no matter who's at fault.

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. It generally pays more than a health insurance policy would.

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## **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 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.

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## **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 would you be comfortable paying out and the car's blue book value.

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## **Comprehensive Coverage**

Comprehensive insurance 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 and 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.

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## 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.

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## Washington State Auto Insurance Requirements

### What is the Mandatory Auto Insurance Law?

The law requires anyone driving a car in Washington state to have an insurance liability policy, a certificate of deposit, or a liability bond to the required limits. If you have 26 or more cars, you may self-insure.

Under the law, you're required to have a car insurance liability policy with limits of at least 25/50/10. This means:

\$25,000 for injury to another person  
\$50,000 for injuries to all other persons  
\$10,000 for damage to another's property

You must carry the same auto liability insurance limits if you choose to buy a bond instead of an auto insurance policy. If you use a certificate of deposit, you must deposit \$60,000 in cash or securities with the Office of the State Treasurer. If you're insuring 26 or more cars, you can self-insure through the Washington State Department of Licensing.

### Proof of insurance

If you're stopped by a law enforcement officer, you must present an insurance identification card showing that either the car is, or you are, insured.

Your auto insurance company must provide you with an identification card when they issue or renew your car insurance liability policy. At your request, the company will provide a card or temporary proof of insurance for each car covered under your policy.

The insurance identification card must include the name of the insurance company, the policy number, and the policy's effective and expiration dates. It must also include a description of the insured car(s) and/or the name of the insured driver.

If you do not carry proof of insurance and you are stopped by law enforcement, the state of Washington considers it a traffic infraction. You will receive a \$450 fine and it may go on your driving record. The courts could add other fees to your fines, such as a public safety and education assessment, which is 70 percent of all fines.

### Out-of-state drivers

Even drivers registered in other states who drive in Washington state must comply with Washington's Mandatory Auto

Insurance Law.

Out-of-state drivers who plan to drive in Washington should check their auto insurance policies. Most insurance policies include a broadening clause that raises the automobile liability limits to the minimum insurance requirements of the particular state they're driving in.

#### **Autos exempt from the Mandatory Auto Insurance Law**

- Specially licensed antique autos over 40 years old
- Collector's cars over 30 years old
- Publicly-owned autos (cars owned, rented or leased by state, federal, city, county, and town governments, school districts and political subdivisions)
- Cars registered with the Washington Utilities and Transportation Commission as common or contract carriers (any truck that hauls for payment)
- Motorcycles
- Motor-driven cycles, such as motor scooters
- Mopeds

Regardless of this exemption, all drivers are subject to the state's Financial Responsibility Law. This law requires the person who is responsible for the damage or injury to pay the loss.

**Special note:** The Mandatory Auto Insurance law is under the authority of the Department of Licensing.

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#### ***Understanding your auto insurance policy***

Your auto insurance policy is a contract between you and your insurance company. It spells out exactly what the company agrees to do in exchange for the premium that you pay. This contract is divided into two sections: a declarations page and the policy itself.

##### **The Declarations Page**

This section of the policy includes basic details of the agreement. It is important that you review this page to make sure all the information is correct and all the coverages you requested are included.

##### **The Declarations Page includes:**

Name of the insurance company  
Name(s) of the policyholder(s)  
Policy number  
Policy period  
Description of the vehicle(s) insured  
Coverages purchased  
Limits of liability and deductibles purchased  
Premium charge for each coverage  
List of forms that are a part of the policy

##### **The Policy**

The second part of your insurance contract is the policy itself. This includes:

Insuring Agreement  
Definitions  
When and where coverage applies  
Conditions if the vehicle is financed  
General Conditions  
Mutual Conditions  
Exceptions and Endorsements of the policy

## **Types of coverage**

There are many different types of coverages available to meet your auto insurance needs. Some are required and some are optional. Here are brief descriptions of the available coverages:

### **Liability**

Washington state requires liability coverage. This covers bodily injury and damage to property that you cause to others while using your car.

### **Personal injury protection**

This covers a limited amount of medical and hospital costs, income continuation, funeral expenses, and loss of services. Coverage limits are defined in the policy.

(more details on this below under **What is PIP?**)

### **Medical payments**

This covers medical and funeral expenses (not all companies offer this coverage).

### **Uninsured/underinsured motorist bodily injury**

This covers injuries an uninsured or under-insured driver causes to an insured person.

### **Uninsured/under insured motorist property damage**

This covers property damage an uninsured or under-insured driver causes to your insured car.

### **Collision coverage**

This covers damage to your car that is caused by a collision.

### **Comprehensive coverage (other than collision)**

This covers damage to your car -- except by collision. For example, this covers your car if a tree falls on it or someone vandalizes it.

### **Emergency road service**

This covers towing when your car breaks down.

### **Car rental expense**

If you have a claim that is covered under your auto policy, this coverage pays to rent a car. Be sure to check your policy for any limitations.

### **Death, dismemberment and loss of sight**

This pays for death and certain injuries to people named in your policy due to an auto accident.

### **GAP coverage**

In the event your vehicle is a total loss, this pays the difference between the current market value of your auto and the amount you still owe the lender.

### **Custom equipment coverage**

This covers direct and accidental loss to custom furnishings or equipment.

Many companies also offer other endorsements (additional coverage). Ask your insurance agent or broker about:

- Trailer/camper body coverage
- Snowmobile coverage
- Limited Mexico coverage

- Joint ownership coverage
- Auto loan/lease coverage

Remember to check your declarations page to verify the coverage you purchased.

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#### **What is Personal Injury Protection (PIP)?**

Personal Injury Protection (PIP) is an insurance coverage for medical and other expenses resulting from an automobile accident, for people specified in the policy, regardless of who is at fault in the accident.

#### **Is it required by law?**

Washington's Mandatory Insurance law does not require PIP coverage on automobile policies. An insurance company is required to offer you the coverage when you buy an auto insurance policy. If you don't want it you can reject it in writing. If you haven't signed the rejection the car insurance company must add the coverage and charge a premium for it.

#### **Who is covered?**

The person named in the policy as the 'named insured', and residents of the named insured's household related by blood, marriage or adoption, step or foster children are generally covered for injuries incurred in an accident. Also passengers or pedestrians are covered interestingly enough. These people will be eligible for payments no matter who is at fault in the accident.

#### **What does PIP cover?**

PIP covers reasonable and necessary medical expenses for injuries sustained in an automobile accident, up to three years from the date of the accident and up to \$10,000. PIP also offers income replacement coverage limited to a maximum of \$200 per week for one year, after a person has been disabled for 14 days after the accident. Funeral expenses of \$2,000 and loss of services (payment to others for work you can't do) of up to \$5,000 are also included in the coverage. Payments are made for costs that are actually incurred by the injured person.

#### **How much does it cost?**

The rising cost of medical care has made PIP coverage more expensive in recent years. If you carry PIP on your car it generally applies to all autos you insure, and companies charge a premium for every auto.

#### **What doesn't it cover?**

PIP doesn't typically cover injuries caused by using farm equipment, recreational or off road vehicles, mopeds or motor cycles (PIP coverage is available on motorcycle policies). It won't cover intentional injuries to the insured person or if the person is injured in organized car racing activities or committing a felony.

#### **Do I need it?**

That's your choice. If you are retired, have other medical and disability coverage, PIP may be duplicate coverage. If you and your family have health care coverage, most of your medical bills may be paid, subject to the plan's limits and co payments. If you seldom transport passengers who aren't residents of your household, you may not need the added protection.

#### **Are there other choices?**

Some companies offer basic medical payments coverage, usually with some level of modest coverage, such as \$5,000 for medical treatment only. This coverage is also available regardless of who is at fault. You can also request higher limits for PIP coverage if you feel you need more protection than the basic limits offer.

## **Preventable Oversights**

Too often homeowners concern themselves with what is covered rather than what is not covered by home insurance. The first step in avoiding a real life nightmare is to take out your homeowner's policy and turn to the section labeled "Exclusions." This is the place where homeowner horror stories are born. Your policy's exclusions spell out in more or less plain English what is not covered. When reviewing your exclusions you will have to make certain value judgments about what risks are worth the expense of adding insurance to cover them and what are not.

Some of the gaps in coverage can't be filled at any price, like the exclusion for intentional loss. This means something you did on purpose to cause a loss. Others may not pose a significant risk for where you live and are just not worth the expense to protect against. These include things like nuclear hazards and acts of war (including undeclared, like terrorism and civil wars).

## **Flood Insurance**

Water is one of the most powerful forces in nature and even a small amount can cause catastrophic damage to a house. Homeowner's insurance companies almost never cover flood insurance at any price. I say almost because they will provide coverage for very high value property (\$10 million or more) as a courtesy to exclusive customers.

In order to protect your home from flood damage resulting from tidal surge, stream and river flooding, groundwater and rain you will have to purchase a separate flood insurance policy from the federal government.

Rain can be a tricky subject with homeowner's coverage because it can be covered in some cases but not others. For example if your roof gets damage in a windstorm and rain gets in you're covered. Unless you live in a hurricane exclusion zone in which case you will not be covered unless you have hurricane coverage.

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## **Speaking of Water**

Moisture can cause mold to grow and mold can be an expensive problem to get rid of. Mold like rain is one of those issues that really depend on the circumstances as to whether or not it is covered. Mold that

results from the house being damp is usually covered. Mold that occurs because of neglected maintenance like a leaky roof or faucet is probably not covered.

Neglecting your home's maintenance is grounds for your insurance provider to deny all sorts of claims. Rain damage may be denied if you neglected to fix a hole in your roof, or if a pipe burst because it froze and your insurance company can show that it froze because you did not heat your house, it won't be covered.

## **That Hurts**

It should go without saying that you are not a guest in your own home but I'll say it anyway. Medical expenses resulting from injuries sustained in or around your home are covered for guests only. If your brother-in-law falls down your front steps and gets hurt, chances are his medical expenses will be covered by your homeowner's insurance.

On the other hand if you try and prevent your brother-in-law from falling down your steps and fall down them yourself your medical expenses are not covered. Although your brother-in-law should show his gratitude for your sacrifice with a few bucks to help out. The same applies to all the members of your family that live in the house.

## **There are Limits**

In the event your home is burglarized or damaged by fire or some other catastrophe your personal possessions are covered...to a point. That point in most cases is about \$10,000 total. This includes jewelry, firearms and cash among other things.

Understanding the limits of the coverage for personal items and the rules for filing substantiating a claim in the event of a loss is vital. Collectors should keep photos and appraisals off site to ensure that you can prove the value of your possessions. Of course additional coverage can be obtained and rates will vary dependent upon factors like home security.

## **Cost Vs Replace**

Many homeowners learn the difference between the purchase price of their home and the replacement cost when it's too late. Homeowners can find themselves on the short end of an insurance claim especially when they have owned their home for a long time because the amount of coverage they have is based on the price they paid for the home years before and not the cost to replace it now.