

Personal Auto Coverages – Part 1

A driver who's unlucky or careless can maim or kill other persons and severely damage or destroy property. This deadly potential is the biggest reason for auto insurance. Most states have financial responsibility laws. They require you to carry proof that you are able to pay for any damage or injury you may cause while driving. Auto insurance is the way that most people comply with these laws. Typically, drivers are required to carry liability insurance at some minimal limit which varies by state.

Bodily Injury Liability - This covers injury that you may cause to other persons. The key is that it involves you being held financially responsible for injuries to other persons because of your driving. This coverage does not apply to your injuries.

Property-Damage Liability - This handles damage that you may cause to another person's property. Again, the coverage only responds when you are financially responsible for such damage and it has to be related to your driving.

Uninsured Motorist Coverage – This coverage typically pays for damages you suffer from an accident caused by an uninsured driver. Now, be careful with this coverage. An uninsured driver must be responsible for causing the loss. "Uninsured" usually refers to 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 insolvent and other situations (defined by individual state laws).

Important: Payment under this coverage is controlled by the limits mandated by a state's financial responsibility or specific uninsured motorists law that often dictates what limit or limits must be sold. In some states, you may have an option to reject the coverage. Typically, the rejection must be in writing.

Underinsured Motorist Coverage - Similar to uninsured motorist, it pays for injuries caused by a driver who is inadequately insured. Example: You are seriously injured by someone carrying a bodily injury limit of \$25,000, but your injuries are nearly \$50,000. Your Underinsured Motorist Coverage limit is \$100,000. In this instance, your policy would pay the difference between \$25,000 and \$50,000.

Remember that this is merely an introduction to complex policy coverages. Be sure to contact your agent for detailed insurance information. Please see part 2 of this topic for information on other, typical auto policy coverages.

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