

Important Points To Remember When Buying Auto Insurance

What Does My Policy Cover?

Liability Protection

This is the part of the policy that pays for the damages that you do to someone, or their car, if you are involved in an accident that is your fault. Most people select *split limit* coverage; coverage which pays a specific amount of money for bodily injuries and another amount for property damage. For example, a policy with limits of \$100,000/\$300,000/\$100,000 pays up to \$100,000 for the injuries to any one individual with a maximum of \$300,000 paid for any one accident. It also pays up to \$100,000 for the damage done to the other person's vehicle or other property. While some companies provide *single limit* coverage, most people select *split limit* coverage.

What this coverage means to you is that, if you are in an accident that is your fault, you don't have to worry about how to pay for the damage you have done. Generally speaking, liability coverage is fairly inexpensive, so it is a good idea to purchase as much as you possibly can.

Personal Injury Protection (PIP)

A number of states have adopted a form of "no-fault" medical protection called Personal Injury Protection (PIP). Generally speaking, this is the coverage that pays the policyholder's medical bills, up to policy limits, regardless of who is at fault in an auto accident. If the medical bills are higher than the policy limits, and you are at fault, the remaining medical bills are yours to pay. If the medical bills are higher than the policy limits and the accident was the fault of someone else, the "at fault" driver's bodily injury liability coverage is designed to pay the remaining amount up to that policy's limit. PIP also provides for the payment of a percentage of wages lost as a result of the accident. What this coverage means to you is that your medical bills, up to a specified amount, will be paid regardless of who is at fault in an accident.

Collision

When your car is damaged in an accident, repairs can be very costly. If the other driver is the "at fault" driver, his/her property damage liability pays to repair your car. But, what happens if the accident was your fault; or, if no other vehicles were involved? Where does the money come from to pay for the damage done to your car? When you add collision coverage to your auto policy, you ensure that money will be available to repair your car.

Collision coverage usually includes a deductible; a share of the repair bill that is your responsibility. For example, if you have a \$250 deductible, you will pay the first \$250 of any repair bill resulting from an accident. Generally speaking, the lower the deductible you select, the higher your premium will be. One way to save money on this coverage is to select a higher

deductible and keep money in your emergency fund to pay your share of the repair bill.

Comprehensive

Your car window has been broken and sound system has been stolen. Or, your windshield was cracked by a rock thrown up by the tire on the vehicle ahead of you. Perhaps your car was struck by lightning or was damaged by fire. No matter what it is, you now have a repair bill to pay or you want to replace that which was lost. Where does the money come from? Comprehensive coverage, if you have added it to your policy, protects you from these types of loss.

Generally, this coverage also includes a deductible; and, like your collision coverage deductible, you can save premium dollars by selecting a higher deductible and keeping money in your emergency fund to meet this expense.

Uninsured Motorist

If you've been in an accident and the "at fault" driver has no insurance, you may have medical bills that exceed your PIP limits. But, if the "at fault" driver has no insurance, who pays the remaining medical bills? When you add uninsured motorist coverage to your policy, your insurance company pays these bills, up to policy limits. Typically, you select uninsured motorist coverage that is equal to the bodily injury liability limits your own policy provides.

If you have more than one car and "stacking" is permitted in your state, "stacked uninsured motorist" coverage raises the total protection of this rider to the combined total of uninsured motorist coverage on each of your vehicles.

What, you may ask, about the damage to your car? Who pays for that when the "at fault" driver has no insurance? As a general rule, your insurance company will pay for repairs from your collision coverage. Then, your insurance company will attempt to recover that money from the "at fault" driver through "subrogation" or legal actions.

Towing & Labor

Another rider that can be added to your policy is towing and labor coverage. This pays the expense of towing your car to a repair shop within a specified distance if your car becomes disabled on the road.

An important point to remember is that, when you use this coverage, it represents a claim against the policy and claims can affect the premium you pay in the future.

Loss of Use/Rental Car Coverage

If your car is damaged in an accident and must spend time in the repair shop, you may need to rent a car that you can drive while yours is being repaired. This rider will pay a specified amount per day for a rental car, up to policy limits. What this means to you is no additional money out of your pocket when you can least afford it.



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Premium Calculations

Many factors determine the rate you will pay for auto insurance; the policy limits or amounts of coverage you select; the deductibles you choose where applicable; the number and type of tickets you've received within the past three to five years; the number of claims you've submitted and their cost to the insurance company; your credit score. To save money, be a careful driver; wear your seatbelt, avoid frivolous claims, and be a good steward of your credit. The money you save will be yours!

Consumer Debt Counselors does not sell, nor does it offer to sell, Property & Casualty Insurance. We strongly recommend that you discuss any changes you may be considering with an agent who is licensed to sell Property & Casualty Insurance.