

AUTO INSURANCE: AN OVERVIEW

Your auto insurance can include numerous types of coverage. It's important to consider all of them when buying a policy.

LIABILITY INSURANCE

This is required by California law if you want to drive a vehicle. Liability insurance pays for the damage you cause to another person or property if you are at fault in an accident. It covers the injured person's medical bills, lost wages, and pain and suffering; it also pays for repairs to the other person's vehicle and a rental car during the repair.

The minimum amount of liability insurance mandated by California law is \$15,000 per person and \$30,000 per accident (in case more than one person is injured) in bodily injury coverage and \$5,000 for property damage.

Note: it is a good idea to buy more than the minimum amount of liability coverage, because you are personally liable for any damages that exceed the amount of your insurance coverage. Also, if you do not have the minimum liability insurance and are in an accident involving any bodily injury or property damage in excess of \$750, your driver license will be suspended for a year even if you are not at fault in the accident.

COLLISION INSURANCE

Pays for the damage to your car due to a collision with another object (e.g., vehicle, tree, fire hydrant), no matter who is at fault in the accident. Your insurance company will pay to repair your car if you caused the accident; it also will repair your car if the person at fault is uninsured (see Uninsured Motorists Insurance, below).

With collision insurance, you decide how much you want to have as your deductible. The deductible is the amount you have to pay out of pocket before your insurance company will pay. The smaller your deductible, the more expensive your insurance will be. The most typical deductibles are \$500 and \$1,000, but other amounts are available.

Collision insurance generally does not cover the cost of a rental car while your car is being repaired. Rental car coverage is described below. If you finance the purchase of a car with a loan, the lender generally requires you to buy collision and comprehensive insurance; this does not satisfy the legal requirement to have liability insurance.

COMPREHENSIVE INSURANCE

Covers damage to your car that is not caused by a collision, such as vandalism, fire, theft, falling objects, and glass breakage. Like collision insurance, you will have a deductible with your comprehensive coverage. It also generally does not cover rental car costs, and is likely to be required if you have a car loan.

UNINSURED/UNDERINSURED MOTORIST INSURANCE – BODILY INJURY Uninsured/underinsured motorist insurance ("UMI") is used in situations where the person at fault in the accident does not have insurance or the amount of their insurance is not enough to pay for all of your damages. Under UMI coverage,

your own insurance company pays you what the other driver should be paying for your damages. There is both bodily injury and property damage UMI coverage. The bodily injury coverage will pay for all of your medical costs and lost wages due to the injury. It also will cover “pain and suffering” damages. The amount the insurance company will pay for “pain and suffering” varies with each case, but it is based on the severity and duration of the injury as well as the amount of the medical costs.

UNINSURED/UNDERINSURED MOTORIST INSURANCE – PROPERTY DAMAGE

As with UMI for bodily injury, the UMI for property damage pays for the damage to your car where the person at fault in the accident does not have insurance or the amount of their insurance is not sufficient to pay for all of your damages. It often has a deductible. Some insurance companies have an option to waive the deductible on your collision coverage if you are in an accident with an uninsured driver who is at fault. This type of coverage often is called collision damage waiver and takes the place of UMI coverage for property damage.

MEDICAL PAYMENTS COVERAGE

“Med-Pay” coverage pays for your medical bills and those of any passengers in your car if you or your passengers are injured in a collision. Some insurance policies will pay if you or a covered member of your household is injured as a pedestrian. A typical amount of coverage is \$5,000 per injured person, but lower limits are available and are less expensive.

RENTAL CAR COVERAGE

This pays for you to rent a car while your damaged car is being repaired. There is a limit on the daily rental amount covered, as well as a per accident limit. Most collision and comprehensive insurance policies do not include rental car coverage. Thus, you will have to pay for that coverage separately. It typically is not very expensive, however, so it is a good option to consider.

TOWING/EMERGENCY ROAD SERVICE COVERAGE

Insurance policies vary regarding how towing and other emergency road services are handled. Some policies include towing in collision and comprehensive coverage. Others require you to purchase this type of coverage separately. Ask your insurance company whether it is included elsewhere in your policy.

BUYING AUTO INSURANCE

You should shop around, as prices vary significantly. Although you want to get a good rate, be sure you are dealing with a reputable company and one that is licensed to sell insurance in California. Check out companies online and with the California Department of Insurance (<http://www.insurance.ca.gov/>).

Be sure to clarify exactly what kind of coverage you are buying, and how much it will cost. You also will want to know who is covered under your policy, because policies differ in this crucial area. Some cover only you, while others include members of your household and people who drive your car with your permission; sometimes you have to list in the policy the people who you want to have covered.

The information contained in this article is general in nature. If you have questions about related issues, you should consult with an attorney. Currently registered UC Berkeley students can make an appointment with Student Legal Services at sls.berkeley.edu.