

Car Insurance in the New Economy

Now more than ever we need to carefully consider the insurance coverage we buy. In the recession more and more drivers are reducing coverage or going without. To protect yourself and your family while at the same time watching your finances it helps to know what coverage to buy.

Your car insurance rates will be based on the types of coverage you get and on other factors such as your age, sex, zip code of residence and driving and claims history. In order to get the best bang for the buck then you need to consider what and how much coverage to buy. The following are types of coverage and the reasons why they are important for you to consider.

Bodily Injury Liability- this coverage pays for injuries that you cause to another based on your negligence. If you are not negligent you do not owe for injuries sustained in your vehicle but if you are negligent this is the coverage that protects you from being personally liable. It also protects you if someone driving your car with your permission is negligent and caused injury to another. State minimum requirements vary tremendously. For example, Florida does not require this coverage at all. One might then be tempted to drop this coverage but it is very important to at least have some coverage to protect you. Most lawyers recommend a minimum of \$100,000.00 in coverage and \$300,000 per accident. This coverage will also pay for a lawyer to defend you if you are sued. Without this coverage, if you have to hire a lawyer on your own you will spend many thousands even if you prove you were not at fault.

Property Damage Liability- like Bodily Injury liability coverage, this coverage pays if through your negligence or that of a permissive user of your vehicle causes property to be damaged. The property could be another vehicle or even a street sign. Again the state minimum requirements vary but with the expensive costs of repairs these days you should have at least \$50,000.00 in property damage coverage per accident.

Umbrella Insurance-
An umbrella policy covers you for damages for bodily injury or property damage from auto accidents and other negligent acts not involving a motor vehicle. This is good comprehensive coverage to consider to protect your assets if you have investments and savings. Since accidents do happen and this coverage, because it only kicks in when your underlying coverage limits are exhausted, is relatively cheap and is a necessity for anyone with investment assets or vacation property.

Uninsured/underinsured motorist protection-
covers injuries to you, resident family members and occupants of your vehicle when they are hurt by the negligence of another. This is very

important but often neglected coverage. It is important because it is the only coverage that protects you in the event of an auto related injury. A common misconception is that it just duplicates health insurance—not true. This coverage provides compensation that equals and exceeds health, disability and even provides protection for your own pain and suffering. This coverage can be stacked so that it can apply to multiple vehicles.

Comprehensive coverage- covers your vehicle for damage caused by theft or other events such as hail damage or animal damage or vandalism. It should not be purchased if you have a paid off vehicle with modest value. Many times the coverage is purchased with high premiums and the vehicle is worth very little to begin with. If you do buy this coverage most consumer experts suggest you get the highest deductible you can to save the most in premiums. Another rule of thumb is that if the cost of the insurance exceeds 10% of the value of your car drop this coverage as the cost does not justify the risk protection.

Collision Insurance- covers you for damage to your vehicle when in a crash with another vehicle. If the other driver was at fault and if he has property damage liability coverage, you would collect from the other driver's insurance. If the vehicle is totaled you will get the pre-crash value of the vehicle. Many times after you purchase a vehicle the value will be less than what is owed, in that event you may want to purchase Gap coverage with the lender to ensure you do not have a totaled car and still have to make a car payment.

Medical Payments or Personal Injury Protection insurance
- This covers you and your vehicle occupants for limited medical benefits without regard to who is at fault in the accident. This coverage is mandatory in many states. This coverage essentially just duplicates health and disability coverage but at much higher rates. If you have good health insurance coverage consider skipping this or buying the minimum possible.