

The Basics: **Your Guide to Auto-Insurance Terminology**

Can't tell Med Pay from UM or UIM coverage? Here's a quick guide to some common car insurance terms and what they mean for your Arizona automobile insurance policy.

An auto insurance policy is actually a package of different types of coverage. Arizona law requires you to purchase a minimum amount of liability coverage, but does not require any other coverage be purchased. But if you're interested in protecting yourself from a lawsuit or from significant repair and or medical bills, it makes sense to buy more than what's required.

Liability Insurance

Liability coverage is the foundation of any auto insurance policy, and is required in most states. If you are at fault in an accident, your liability insurance will pay for the bodily injury and property damage expenses caused to third parties in the accident, including legal bills. Bodily injury expenses include medical bills and lost wages. Property damage expenses pay for the repair or replacement of things you wrecked.

Remember, if you cause a serious accident, minimum insurance probably will not adequately protect you. That's why it is often a good idea to buy more than what the state requires.

Collision and Comprehensive Coverage

Collision: If you cause an accident, collision coverage will pay to repair your vehicle. You cannot collect more than the actual cash value of your car, which is not the same as the car's replacement cost. Collision coverage is normally the most expensive component of auto insurance. By choosing a higher deductible, say \$250 or even \$500, you can keep your premium costs down. However, keep in mind that you must pay the amount of your deductible before the insurance company kicks in any money after an accident. Insurance companies often will "total" your car if the repair costs exceed the car's value.

Because insurance companies normally will not pay you more than your car's book value, it's helpful if you have a rough idea of this amount. Many insurance companies use a publication like the Kelley Blue Book or the National Automobile Dealers Association "Official Used Car Guide". They may also use a computerized evaluation service which claims to use actual sales of comparable vehicles in the area. If your car is worth less than what you're paying for collision coverage, you're better off not purchasing it.

Comprehensive: Comprehensive coverage will pay for damages to your car that weren't caused by an auto accident; damages from theft, fire, vandalism, natural disasters, or hitting an animal on the roadway all qualify. Comprehensive coverage also comes with a deductible and your insurer will only pay as much as the car was worth when it was damaged.

Medical Payments Coverage

Medical payments coverage will pay for your and your passengers' medical expenses after an accident. These expenses can arise from accidents while you're driving your car or someone else's car (with their permission) and injuries you or your family members incur when you're pedestrians. This coverage will pay regardless of who is at fault, but if someone else is liable, your insurer may seek to recoup the expenses from them. Medical payments coverage may include payment for lost income.

Uninsured and Underinsured Motorists

Uninsured Motorists (UM) coverage pays for any bodily injuries if you're struck by a hit-and-run driver or someone who doesn't have auto insurance. It will NOT pay for damage to your car, collision coverage is necessary to cover any property damage.

Underinsured Motorists (UIM) coverage will pay out if the driver who hit you causes more damage than his or her liability coverage can cover. Again, it does not cover property damages.

Add-on Features

Several supplemental types of coverage are available, either as separate premium items or included in augmented policies. Rental reimbursement, a common add-on, covers vehicle rentals required because your car is damaged or stolen. Coverage for towing and labor charges in case of a breakdown is also common. Auto replacement coverage guarantees your car will be completely repaired or replaced, even if these costs exceed its depreciated value.