

On the Move: Insurance Protection for Your Automobile and Other Vehicles

More than likely, you depend on your car to get to work, shuttle the kids around town, or accomplish life's little tasks on a daily basis. You might also use it to make the most of your leisure time — setting out on weekend road trips to country inns or amusement parks.

But automobiles can be expensive, and the freedom to hit the road comes with certain risks. Crashes and collisions occur regularly, and cars often sustain damage as a result of theft, vandalism or natural disaster. Unfortunately, people are hurt and even killed in auto accidents every day.

Auto insurance policies can help protect you from financial losses related to driving. Most states and lenders require drivers to purchase at least a minimum amount of insurance. You will have to weigh the costs and benefits to decide if you need more than the required minimum. Keep in mind that if you cause an accident, and suffer a significant judgment against you, damages over and above your policy limits will be your responsibility. That means your personal assets and even your future earnings could be at risk.

A Personal Automobile Policy is also a contract that begins with a declarations page containing facts about the insured person and any owned vehicles. A typical policy is broken into sections that discuss the types of coverage, rights and obligations, and exclusions or limitations.

There are generally six different types of auto insurance coverage. Bodily injury and property damage liability coverage are required in most states. It pays for your legal defense costs and judgments against you in cases that involve injuries or damage to other people or property. Medical payments coverage pays for the medical expenses of the insured driver and passengers, regardless of fault. Uninsured/underinsured motorist covers losses caused by a driver who is uninsured or has inadequate insurance. Collision pays for accident damage to your own car, while comprehensive insures your vehicle against all other physical damage — including those that result from theft, vandalism or natural disaster.

Drivers may also purchase endorsements that extend their coverage even further. Rental reimbursement will pay for a rental car while your damaged vehicle is in the shop. Optional towing and labor insurance kicks in whenever your auto breaks down — not just for accidents covered under the basic insurance. Loan gap insurance pays the difference between the amount an insurance company would pay on a totaled car and the amount owed on a lease or loan, which can be substantial.

There are usually some exclusions attached to your policy. Of course, if you cause damage to others or their property intentionally, the insurance company will not pay out benefits.

Policy limits are the maximum dollar amounts that will be paid by your insurance company in the event of a claim. There are separate limits set for each type of coverage, and higher limits will require higher premiums. Consider the value of your vehicle and personal assets, your tolerance for risk, and the amount you can afford to pay out of pocket when you choose your coverage limits.

As for damage to your own car, collision and comprehensive coverages may each include a deductible, which is the amount of money you must pay before your insurance will cover the balance. Deductibles are generally set at \$100, \$250, \$500, or \$1,000.

Your auto insurance rates will depend on your age, driving record, and claims history, the value of your car, and the deductibles and policy limits that you chose. The insurer will consider other factors as well, including the crime rate in your neighborhood.

Riskier drivers who have been cancelled or non-renewed by their insurance companies may face extremely high premiums for the insurance the law requires, or even have difficulty obtaining coverage. Those who are turned down three times can turn to a state's assigned-risk pool, which refers them to a company that will provide only the minimum amount of coverage.

Parents should brace themselves for outrageous premiums if and when they add a teenager to their existing auto policy. Generally, the statistical risks associated with younger drivers make them expensive to insure.

If you and/or your car are involved in an accident, you should notify your insurance company or agent right away. A representative will take an accident report and start the claims process, and should also let you know what documents you'll need to support your claim. You may have to meet with an adjuster who will assess the damage, or be asked to take the car to a particular repair shop for an estimate.

Insurers may make payments for repairs directly to the auto shop, unless the car is "totaled" or costlier to repair than it is worth. Totaled autos are sent to the salvage yard, and you would receive a check for the actual cash or market value of the vehicle — to replace it however you wish. Unless the accident was caused by another driver, be prepared to pay your deductible before the insurance company will foot the rest of the bill.

An addition to auto policies, specialty insurance protection is available for nearly every moving vehicle under the sun. You may want to purchase specific policies to protect your motorhome, motorcycle, boat or jet ski from expensive mishaps. Other toys like golf carts, snowmobiles and ATVs can also be insured.

Whether you purchase regular car insurance or an aviation policy for the family airplane, you should know what you are paying for. Read your policy carefully, and understand the levels of coverage and all limitations, as well as your own rights and responsibilities.

After all, having adequate insurance protection just might take some of the frustration out of your next fender bender.

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