**Auto LOB Basic Coverages**

1. **Liability Car Insurance**

When you cause an accident, you will be held accountable for injuries or property damage resulting from that accident. Costs of injuries and property damage can be expensive. In fact, they can be so expensive that they are generally well out of the average person's budget. If you are unable to pay, you risk losing your assets, such as your home, in lawsuits.

The best way to protect yourself from huge financial losses after an accident is by having liability insurance.

Types of Liability Coverage

Liability insurance is the most [commonly required type of car insurance](http://www.dmv.org/car-insurance.php) throughout the various states. Even in the rare state that does not require liability car insurance, you may find that having liability insurance is worth the financial security. Liability insurance is composed of the following coverage types:

**Bodily injury coverage** – pays for injuries suffered by others in an accident you caused.

**Property damage coverage** – pays for damage you cause to another person's property (typically their vehicle) in an accident.

**Example of Minimum Liability Insurance Limits**

While minimums will vary amongst states, you'll often see them listed as follows:

* $15,000 for bodily injury, **per person**.
* $25,000 for **total bodily injury**.
* $10,000 for **property damage**.

In many cases, you'll see the minimum limits written as 15/25/10.

**Does Liability Insurance Cover Personal Damages?**

Liability insurance only pays for bodily injuries or property damage suffered by **others** when you are at fault in an accident.

Your own injuries or property damage are **not covered** through liability insurance.

**Bodily Injury and Property Damage Liability Coverage**

"Liability" means "responsibility," and it refers to **two different types** of financial responsibility in an accident:

* **Bodily injury** – Damage done to people.
* **Property damage** – Damage done to vehicles or other property.

## Liability Insurance Costs

Different factors can go into determining the cost of liability insurance. When comparing car insurance quotes, keep in mind that the following may factor into your rates:

* Your [driving record](http://www.dmv.org/driving-records.php).
* The **limits** you choose for each coverage.
  + You may find that your state's minimum limit requirements do not provide adequate financial protection.
  + Car insurance companies generally offer higher limits at an increased rate.
* Your **gender**.
* Your **marital status**.
* Your **credit score**.
  + This is not applicable in all states, as some states make it illegal for insurance companies to use your credit score when determining premiums.

1. **Medical Payments Coverage**

Often, when people consider the necessary car insurance coverage to buy, they worry most about the financial implications of damage to their vehicle. However, when you take a look at the bigger picture, it is easy to see that your health is far more important than your car.

To ensure you are covered for your medical expenses after an unfortunate accident, you can purchase **medical payments coverage**.

## What Does Medical Payments Cover?

Medical payments coverage generally pays for medical costs after you are hurt in a car accident, **regardless of who is found at fault** for the accident.

Additionally, medical payments insurance may help pay for:

* Funeral expenses.
* Injuries sustained by your passengers.
* Injuries you sustain as a pedestrian or bicyclist after a car hits you.
* Necessary dental care as a result of a car accident.

Benefits and restrictions of medical payments coverage will differ amongst car insurance companies.

Make sure that when you are comparison-shopping for your car insurance, you speak with an insurance agent from the company to fully understand the details of their medical payments coverage.

### Your Health Insurance

One of the biggest factors you should consider when looking into medical payments coverage is your health insurance. If your health insurance provides excellent coverage for injuries you suffer in a car accident, you may have very little need for medical payments coverage.

**Personal Injury Protection**

Those living in **no-fault states** – states that require car insurance that covers injuries no matter who is at fault for a car accident – may notice that medical payments coverage closely resembles personal injury protection (PIP) coverage.

PIP coverage and medical payments coverage are similar in that they mainly cover injuries suffered in a car accident.

**Note, however, that these coverage types do differ in the following ways:**

* In most no-fault states, PIP is a **required coverage** and not an option.
* PIP is only available in **no-fault states** and a select few no-fault optional states.
* PIP offers payments for **loss of income**.
  + Medical payments insurance does not offer this coverage.

In no-fault states, you might find that medical payments coverage is still offered as an optional coverage\*. If you decide to buy this coverage, you can use it to **supplement costs that exceed your personal injury protection limits**.

Contact your car insurance agent to learn more about how medical payments coverage can work with your personal injury protection coverage.

\* Some no-fault states do not allow car insurance companies to sell medical payments coverage.

## The Cost of Coverage

When it comes to car insurance, several factors go into determining your premium rates, including your:

* [Driving record](http://www.dmv.org/driving-records.php).
* **Claims history.**
* **Age.**
* **Sex.**
* **Marital status.**

With all factors considered, medical payments coverage is generally **one of the least expensive** types of car insurance coverage.

1. **Comprehensive and Collision Insurance**

### Collision and Comprehensive Coverages When you cause an accident, your first concern will probably be how you'll pay for the other driver's damage. If you have [liability coverage](http://www.dmv.org/insurance/liability-insurance.php), this will hopefully cover all of those costs. However, if liability is all you have, **you could be left with no way to pay for your own damages**.

While most states only require you to be covered for injuries or damage you cause to another person, not many states have requirements in place for damages you incur.

Insurance coverage for your car is considered optional and comes mainly in the forms of **collision and comprehensive coverages**. Based on the coverage, you'll have protection for damages incurred in a crash or other unforeseen events.

## Collision Insurance Coverage

Collision coverage will help pay for repairs to your car (as well as replacement costs, in the event your car is totaled) after:

* **Crashing into another car.**
* **Crashing into an object.**
* **Rolling over.**

**NOTE:** If your car is damaged in a hit-and-run incident, you will generally be covered through collision coverage. However, **this may not be the case in no-fault states or other states**.

## Comprehensive Insurance Coverage

Comprehensive coverage will help pay for repairs to your car or replacement of your car after it's been damaged by events that **aren't accident-related**.

Typically, with comprehensive coverage you'll be covered for damage from the following:

* Fire.
* Theft.
* Vandalism.
* Falling (missile) objects.
* Hitting or being hit by an animal including deer, cows, bears, moose and birds.
* Natural disasters.

Note that not all policies are the same. Before purchasing comprehensive coverage, make sure you know what your comprehensive policy will cover.

Car insurance companies typically sell collision and comprehensive coverages together. You may find these coverages packaged together as **“physical damage coverage."**

When you're shopping around, remember:

* **Physical damage** **coverage** refers to coverage that **pays your own costs**.
* **Liability coverage** refers to coverage that **pays others' costs**.

Most companies will not allow you to buy collision coverage without buying comprehensive coverage; however, some may offer policies that have comprehensive and not collision coverage.

When shopping for collision and comprehensive coverages, consider whether you need these coverages and how high you want your deductibles to be.

1. **Uninsured Motorist Coverage**

The Insurance Research Council (IRC) estimates that 1 driver out of every 7 drivers in the United States is currently uninsured. This is especially startling considering that an accident with an uninsured or underinsured driver can result in significant costs that aren't covered by a basic liability insurance policy.

To protect law-abiding drivers, many states are now requiring **uninsured motorist coverage** in their car insurance policies to help with costs associated with injuries after being involved in a car accident with an uninsured driver.

Additionally, drivers may have the option to purchase uninsured motorist property damage that covers damages to your vehicle and/or other property caused by an uninsured driver in an accident.

## What is Uninsured Motorist Bodily Injury Coverage?

In the event of an auto accident, **uninsured motorist (UM) coverage** – also called uninsured motorist bodily injury (UMBI) insurance – will cover you and your passengers for:

* Medical expenses.
* Pain and suffering.
* Lost wages.

Under this car insurance policy, you and your passengers will also be covered if you are the victim of a hit-and-run accident.

**NOTE**: In some cases, a driver might have some liability insurance but not enough to cover your injuries and/or damages. Underinsured motorist coverage can be used to offset the costs. Visit our [Underinsured Motorist Coverage](http://www.dmv.org/insurance/underinsured-motorist-coverage.php) page to learn more.

## Uninsured Motorist Coverage Limits

If you decide to purchase UM coverage, you'll need to select the limits that are right for you. In many states, the minimum car insurance coverage amounts are set for you; however, you can always choose higher limits (and it may be wise to do so).

### Bodily Injury

When you consider your desired coverage amounts for **uninsured and underinsured motorist bodily injury coverage**, make sure you understand how these limits work.

**Split Limits**

In most cases, your UM coverage will come in a **split limit**, meaning your insurance coverage will differ if there is **one person** injured versus if there are **multiple people** injured. For example, a split limit might be:

* $15,000 for bodily injury or death, **per person.**
* $30,000 for **total** bodily injury or death, per accident.

**Combined Single Limits**

You may instead be able to purchase a **combined single limit** policy, which is **one amount** that your insurance company will pay out for **all bodily injury** in an accident (e.g., $30,000 for all injuries).

## UM Property Damage Coverage

Many states have laws requiring uninsured motorist bodily injury insurance in order to protect drivers in the state from financial disaster after an accident.

**Uninsured motorist property damage coverage** (UMPD), however, is typically **not required** and sometimes is not offered at all in the state.

If UMPD coverage is offered in your state, consider purchasing it. One accident with an uninsured driver can leave you with **significant bills** to cover your property damage, especially if the accident was serious.

### When It Applies

Uninsured motorist property damage coverage applies when the **other driver** is determined to be **at least partially at fault** for the car crash and:

* Has no insurance.
* Has inadequate insurance coverage.
  + See **our** [**Underinsured Motorist Coverage**](http://www.dmv.org/insurance/underinsured-motorist-coverage.php) **page.**

If your insurance company pays a claim under this policy, they will subrogate against the negligent driver in order to recover their damages. However, because many people who do not have insurance coverage have no collectible assets, recovery may not be possible. This is where your uninsured motorist property damage coverage would step in.

1. **Underinsured Motorist Coverage**

No matter how much attention you pay to the road, there is always a chance you'll be hit by another driver. If that driver is an underinsured driver (i.e., he does not have a sufficient amount of car insurance), the auto accident can prove to be very expensive for you.

Underinsured motorist (UIM) coverage helps alleviate some of the financial burden that can occur when this happens.

Underinsured motorist coverage is usually offered in **two different types**:

* Underinsured motorist **bodily injury coverage**.
  + This is the more common of the two underinsured motorists coverage.
  + Some states require this coverage as part of your car insurance policy.
* Underinsured motorist **property damage coverage**.
  + Not offered everywhere.
  + Not often required by states.

## Underinsured Motorist Bodily Injury Coverage

Most states require a minimum amount of liability car insurance. If you get into an accident with a driver who has elected to purchase **only the minimum insurance amounts**, you may find that your costs aren't adequately covered.

Underinsured motorist bodily injury (UIMBI) coverage will help cover your costs for bodily injury when the other driver's insurance is not sufficient, as long as your UIMBI limit is higher than the at-fault driver's liability limit.

**Example**:

Say your accident-related medical expenses total $200,000.

The driver who was found at fault has bodily injury liability coverage with a limit of $100,000, so you get a check from that driver's insurer for $100,000.

If you have UIM coverage on your insurance policy and a coverage limit of $200,000 per incident, **it will cover the remaining $100,000 difference.**

**NOTE:** You can also be stuck with bills from a driver who has **no insurance** at all. In this case, you'll need **uninsured motorist coverage** to pay your expenses. Visit our [Uninsured Motorist Coverage](http://www.dmv.org/insurance/uninsured-motorist-coverage.php) page to learn more.

### ****Understanding Underinsured Motorist Coverage Limits****

Here's where it gets a bit more complicated. You have to have underinsured motorist coverage limits that are **HIGHER THAN** the limits of the at-fault driver's bodily injury liability coverage, or you may not receive benefits.

**Example**:

Let's say you are in an accident and you are **NOT** at fault, and:

* The at-fault driver has **$50,000** of bodily injury liability coverage.
* Your UIM coverage is **$25,000.**
* Your medical expenses total **$100,000**.

Because your underinsured motorist coverage is **LESS** than the at-fault driver's liability bodily injury coverage, you **would not be able to collect** for the damages.

If your insurance was $100,000, however, you **would be able to collect** for the damages over $50,000 and up to $100,000.

## Underinsured Motorist Property Damage Coverage

Underinsured motorist property damage (UIMPD) coverage applies when **the at-fault driver has inadequate insurance coverage**.

This coverage helps pay for damages to your vehicle when the at-fault driver's limits don't fully cover your expenses.

**Example:**

* Your vehicle sustains **$5,000** worth of damage.
* The motorist who hit you is **only covered for $3,000**.
* You have **$10,000** of uninsured motorist property damage coverage.
* **Your underinsured motorist property damage plan will compensate you for the $2,000 difference.**

Underinsured motorist property damage coverage is not restricted only to vehicle damage. It will, in some instances, also cover valuable items―computers or cell phones―in your vehicle at the time of the accident. Depending on the circumstances and your state, it may also cover you if the underinsured driver destroys your fence, mailbox, or other personal property.

**Reference :**

<http://www.dmv.org/insurance/bodily-injury-and-property-damage-liability-coverage.php>

# Advantages and Disadvantages of Single Limit Liability

**Single limit liability** is a newer approach to auto insurance liability coverage. This method approaches accident claim payouts from a "large pot" concept, and has both advantages and disadvantages for the policy holder.

**What Is Single Limit Liability Coverage?**   
Single limit liability coverage is auto insurance that provides one flat amount for coverage limits. For example, a policy owner may choose total per incident liability coverage of $300,000. This amount would include any and all claims for a single accident for bodily injury and property damage. Also, the limit would be applied for everyone involved in the accident, so that everyone would share in the limit of $300,000 in our example.

**Single Limit Liability vs. Split Limit Liability Coverage**   
While single limit liability [auto insurance coverage](http://www.carsdirect.com/car-insurance/understanding-auto-insurance-coverage) provides one limit cap over an entire accident incident, **split limit liability** coverage divides the coverage limits up over 3 areas--one amount for bodily injury per person, one amount for bodily injury for the accident and one limit for property damage for the incident.

Using the example above, the single limit liability amount is $300,000 for the entire incident. However, with split liability coverage, the liability limit caps might be $100,000/$300,000/$100,000. This breaks down to $100,000 medical bodily injury coverage per person, $300,000 bodily injury coverage for the entire accident and $100,000 total property damage limits.

**Advantages of Single Limit Liability Coverage**   
For individuals with assets such as a home or business, a single limit liability policy can have several distinct advantages. Very often, if you have assets to protect from potential law suits, you will automatically carry an additional [umbrella insurance coverage](http://www.carsdirect.com/car-insurance/umbrella-insurance-money-saving-tips-for-auto-coverage), which is an added expense.

However, a single limit liability coverage policy virtually eliminates the need for an umbrella policy to protect from auto insurance law suits. This is because having a single "pot" for claims for an accident enables an insurance carrier to divide the entire limit amount as needed according to the related claims. For example, if an accident results in a high amount of property damage but very little bodily injury, the bulk of the claims will be dedicated toward property damage claims payouts.

In many cases, carrying a single limit liability coverage policy will actually result in limits that are more than adequate to cover any claims that result from an accident. This is in contrast to split limit liability coverage, which very often results in a gap between actual claims and limits on the coverage. The result of this situation is very often a personal injury law suit against the policy holder in an attempt to recoup any unpaid expenses, placing home and businesses at risk.

Should you be at fault in an accident, you would not be limited by a pre-set damage amount and be left with the burden of making up the difference between what your policy covers and the balance of the claim made by the injured. Having combined single limit coverage can save you in the long run.

**Disadvantages of Single Limit Liability Coverage**   
The primary disadvantage of single limit liability coverage is that it is more expensive than split limit coverage. For individuals with no assets to protect, and who wish to avoid higher [auto insurance premiums](http://www.carsdirect.com/car-insurance/auto-insurance-premiums-vs-auto-insurance-down-payments), the benefits of a single limit liability policy will probably not outweigh the disadvantages enough to justify the higher premiums.

Another disadvantage to a single limit coverage policy is that resolution of claims may take longer, particularly in large accidents or ones that involve several different claimants. Since all of the claims are being pulled from a single limit amount, the insurance company may require that all claims be submitted before settling and closing out the case.