

How much car insurance do I need?

Learn about coverage limits, collision and comprehensive, deductibles and other important terms to help decide on how much is right for you and how you can save.

When you are getting a vehicle, it's common to consider what the recommended auto insurance coverages are. After all, required coverage varies from state to state and sometimes there are **state minimums** which are typically very low. Unfortunately, there's no black and white answer. It depends a lot on what **coverages you need and the amount of deductible you feel comfortable** with. The State Farm® **Personal Price Plan®** helps you create an affordable price (just for you).¹

Here's a helpful breakdown to use while looking to purchase auto insurance:

How much liability insurance do I need?

Liability insurance covers expenses when you're at fault in a crash. The coverages extend to the other vehicle(s) and people who sustain damages in the crash, as a result of your negligence. Most states require you to carry a minimum amount of liability coverage on your vehicle.

No one can predict exactly how much you'd have to pay if you cause a crash. But the key question to ask is: Can you afford to cover any damages exceeding your coverage limits? The higher your liability coverage limits, the more damages your policy might cover. To get an idea of how much **liability coverage** you might need, add up the value of your home, cars, savings and investments. Then subtract your debts (what you owe). For example, if the total "net worth" was \$220,000, you could consider \$250,000 liability for injuries per accident. If you feel you need additional coverage, you can increase it typically in \$50,000 increments up to \$500,000. If you feel you need coverage beyond that, consider an **umbrella policy**.

Keep in mind that liability insurance is usually shown as a series of 3 numbers, for example 100/300/100. Each number in this series represents a dollar amount — read in thousands — of coverage in different categories.

1. **100:** The first number represents the maximum amount of coverage for each individual bodily injury claim. In this example, up to \$100,000 is available for each injured person.
2. **300:** The second number represents the maximum amount of liability insurance coverage for bodily injury claims for the entire accident. In this case, up to

\$300,000 is available for all injured persons. It is worth noting that, even though the policy may have \$300,000 in total coverage, the insured could have personal exposure beyond their policy limits if the damages of any one individual exceeds \$100,000.

3. **100:** The third and final number represents the maximum amount of property damage liability coverage. In this example, there is \$100,000 available to pay for property damage for which an insured is liable.

Do I need comprehensive and/or collision insurance?

It depends. **Collision coverage** covers **repairs to your car** if you're in an accident. **Comprehensive coverage** covers your **car if it's stolen** or damaged by something other than a collision or rolling over. You might not have a choice to not carry this coverage if your car is leased or financed; most lenders will require you to carry enough coverage to cover the cost of repairs to your car.

If you own the vehicle, you could consider whether the savings from dropping collision and/or comprehensive coverage is enough to offset the risk of having to pay the entire cost of repairing or replacing your car. For example, if your **car is totaled** from an accident in which the other driver is at fault and has no insurance, hit in a parking lot while you were in the store shopping or stolen from while you were hiking at a park, do you have the means to replace it without any help from the insurance company?

If your car is older and not an **antique**, it might be time to drop the collision and comprehensive coverage and put that money into savings. You can take the cost of collision and comprehensive coverage and see if the insurance policy cost more or the same as the worth of your vehicle. If so, it might be time to drop the coverage. For example, if your car is worth \$1,000 and your coverage costs \$500 a year plus a \$500 deductible, you're not really getting anything for your money.

How much should my collision and comprehensive deductibles be?

This is a balancing act. **Higher deductibles** typically lower your premium, but will increase your out-of-pocket costs if a loss occurs. Ask yourself how much you're willing and able to pay directly, often on short notice, to potentially save on your premium. If you want to lower the amount you have to pay when a crash occurs, you might want to opt for a lower deductible.

If saving money on your insurance is your motivating factor behind removing your collision and raising your deductible, consider these other car insurance money savings tips.

- **Bundling:** Check with your insurance company about choosing to combine the purchase of your **home insurance** or **renters insurance** with your **auto insurance**.

- **Insurance ratings:** When purchasing your vehicle, consider how the insurance company will rate them. Some cars cost more to insure than others.
- **Consider sharing your driving information:** Programs like **Drive Safe & Save™** from State Farm put you in control of your discount.

What other coverages should I consider?

Here are some other types of coverage that you might want to consider. Your insurance company can provide you more specific information on requirements and limits available where you live, since these coverages might be mandatory in some states.

- **Uninsured motorist coverage** pays for damages if you or another covered person are injured in an auto accident or struck as a pedestrian caused by a driver who does not have liability insurance. In some states, it may also pay for property damage. The coverage varies by state and depends upon policy provisions. Uninsured motorist coverage is subject to a policy limit chosen by the insured.
- **Underinsured motorist coverage** pays for damages if you or another covered person are injured in an auto accident or struck as a pedestrian caused by another driver who is considered to be underinsured as defined by the policy. It varies by state and depends upon policy provisions. Underinsured motorist coverage is subject to policy limits chosen by the insured.
- **Personal injury protection (PIP)** pays your — or another covered party's — reasonable and necessary medical expenses for treatment resulting from an auto accident or being struck as a pedestrian. It may also pay for rehabilitation, lost earnings, replacement of services, and funeral expenses. The coverage varies by state and specific policy.
- **Medical payments coverage** is available in many states. It pays for necessary medical and funeral expenses for those covered when the expenses are caused by an auto accident or being struck as a pedestrian. Medical payments coverage varies by state and specific policy.
- **Roadside assistance** pays for covered services when your vehicle is disabled. These services could include towing, locksmith, jumpstart and tire changes.

There are also some coverages that are optional and might be useful like **rental car** or **ridesharing**. At any time, if you have questions about what your vehicle coverage should be or **what affects car insurance premiums**, you can **contact an agent** or **get an auto insurance quote online**.