

Auto insurance basics

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As an automobile owner and driver, most states require you to purchase car insurance. When buying a car insurance policy you are purchasing a package of coverage based on a variety of factors, including what kind of car you drive and the amount of protection you are interested in. While the law only requires minimum protection, it may be in your best interest to purchase more coverage than required. This may help protect you from a lawsuit or hefty repair bills.

To understand an auto insurance policy, it is beneficial to learn the various types of coverage that can be provided for you. Listed below is a breakdown of each type of insurance coverage.

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 others in the accident, including your legal bills. **Bodily-injury coverage** pays for medical bills and lost wages. **Property-damage coverage** pays for the repair or replacement of property that may have been damaged aside from your own car. The other party may also decide to sue you to collect "pain and suffering" damages.

Liability insurance is the groundwork of your auto insurance puzzle. Your insurance minimum will depend on where you live. For example, in Ohio, drivers must purchase at least \$12,500 in bodily injury coverage per person, \$25,000 in bodily injury coverage per accident, and \$7,500 in property damage coverage (also indicated as 12.5/25/7.5).

Liability lingo

Liability coverage limits (the damage you do to others) is usually presented as a series of three numbers. For example, your agent might say that your policy carries liability limits of 100/300/50. That stands for \$100,000 in bodily injury coverage per person, \$300,000 in bodily injury coverage per accident, and \$50,000 in property-damage coverage per accident.

It is important to remember that if you cause a serious accident, minimum insurance may not cover you adequately. For this reason, it is a good idea to buy more coverage than what your state requires. If you are a homeowner or have a savings account, retirement fund or other nest egg, you should consider more than the minimum amount of liability insurance. In most states, drivers who are injured are allowed to sue the driver who is at fault in a car accident. If you are sued and your liability insurance does not pay for all of the damages, you are still accountable and your personal finances will be at stake to compensate for the remainder of the damages.

Comprehensive and Comprehensive Coverage

Comprehensive coverage will pay for damage to your car that was not caused by an auto accident. Damage caused by theft, fire, vandalism, natural disasters, or hitting a deer 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.

Because insurance companies normally will not pay you more than your car's book value, it's helpful to have a rough idea of how much your car is worth. You can find this information at these websites: Kelley Blue Book (<http://www.kbb.com/>) or the National Automobile Dealers Association (<http://www.nadaguides.com/>). If you find that your car is worth less than what you're paying for the coverage, you're better off not purchasing this addition to your policy.

If you are at fault in an accident, collision coverage is a beneficial asset because it will cover repairs to your vehicle. **Collision coverage** is normally the most expensive component of auto insurance and can bring your premium costs up. You can keep your premium costs down by choosing a higher deductible, or the portion of the claim that is not covered by the insurance provider. However, keep in mind that you must pay the amount of your deductible before the insurance company's coverage plan begins after an accident. Also, it is important to note that usually you will not be able to collect any more than the actual cash value of your car, which is not the same as the car's *replacement* cost.

Replacement cost vs. actual cash value

Replacement cost is the amount it would take to replace your vehicle or repair damages with materials of similar kind and quality, without deducting for depreciation. Depreciation is the decrease in vehicle value because of age or wear and tear.

Actual cash value (ACV) is the value of your property when it is damaged or destroyed. Claims adjusters usually figure ACV by taking the replacement cost and subtracting depreciation.

Insurance companies will often render your car "totaled" if the repair costs of the vehicle exceed a certain percentage of the car's worth. The critical damage point varies from company to company, usually from 55 percent to 90 percent.

Another way to determine if you should purchase collision and comprehensive coverage is to ascertain how much your car is worth. Then compare how much your car is worth to the annual cost of comprehensive and collision coverage plus your deductible. If the annual cost of comprehensive and collision plus your deductible equals the value of your car, you may not want to purchase these additions to your policy but you still need to ask yourself the following question(s):

1. Can you replace the vehicle if it is totaled?
2. Do you want to pay "x" amount of dollars to insure a vehicle with "y" value?

Medical payments

Medical payments (MedPay) coverage will pay for you and your passengers' medical expenses in the event of an accident. MedPay will cover expenses from accidents whether

you are driving your car, someone else's car (with their permission), or if you or a family member incurred injuries as a pedestrian. The coverage will pay regardless of who is at fault; however, your insurer may seek to recoup the expenses if someone else is liable.

With a good health insurance plan, there may be little need to buy more than the minimum required MedPay coverage. However, MedPay coverage only adds a nominal fee to your policy dependant on the amount of coverage needed. In the event of an accident, this coverage could be of great value to you and your family and should be considered when purchasing a policy.

To protect your credit, Attorney Michael Dobronos recommends you “buy at least \$5,000 and probably \$25,000 of medical payment (MedPay) coverage.” He further goes on to state that “this is one of the best values of insurance. I have great health insurance and I still have \$100,000 of MedPay coverage due to the high cost of medical bills.”

Uninsured/Underinsured motorists coverage

Uninsured motorists (UM) bodily injury coverage pays for your injuries if you are involved in an accident with a driver who is legally liable and does not have auto insurance. Many states require drivers to hold this coverage.

Underinsured motorists (UIM) bodily injury coverage will pay for your injuries if you are involved in an accident with a driver who is legally liable and causes more damage than his or her liability coverage can cover.

Uninsured motorist property damage (UMPD) coverage, available to you for any vehicle on your policy that does not have collision coverage, pays for damage to your vehicle caused by a driver who is legally liable and doesn't have auto insurance.

“Motor vehicle accidents (MVAs) are the number one most common cause of death of people under 45 years of age. You should protect your family and yourself by making sure that you purchase uninsured/underinsured motorist coverage,” states Attorney Michael Dobronos. “My best legal advice is to buy as much uninsured/underinsured coverage that you can afford. I recommend at least \$100,000 coverage. I personally have \$2,000,000 coverage. You would be surprised that such a high limit is not as expensive as you may think.

Without this coverage, you are taking a big chance that a serious MVA could bankrupt you. For example, if you are involved in a MVA that is not your fault with a UM/UIM motorist, you will not collect what you are entitled to, such as medical bills, lost wages, permanent disability, and/or pain and suffering. Given these economic times, it is extremely important coverage to have, because many people drive without insurance,” adds Dobronos.

People who think they don't have to buy auto insurance in Ohio.

Some drivers feel that they can be careful about driving and not get any kind of coverage at all, thus "saving money" on insurance, but as Attorney Oleh Mahlay points out "Regrettably, we still have drivers in Ohio that believe that insurance is not needed at all. If you are an uninsured driver in Ohio, you may lose your driving privileges between 90 days and up to 2 years, have your license plate and vehicle registration suspended, and incur fees upon trying to reinstate your privileges. The Bureau of Motor Vehicles does random inspections even if one is not in an automobile accident. Not only does the law require this insurance, but your failure to have insurance and proof of financial responsibility can be very costly in the future."

Add-on features

Several supplemental auto coverage policies 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 road breakdown is also common.

Gap coverage for your new car will pay the difference between the actual cash value you receive for the car and the amount left on your car loan if your vehicle is totaled in an accident.

What to do when involved in an accident

Attorney Oleh Mahlay feels that "No matter the situation, if you do get into an accident, make sure to do the following things. First, call the police and get a copy of the accident report. Look for any witnesses that may have seen the accident, and get their contact information. If you have a camera-phone or digital camera, take a picture of your vehicle and the other vehicle. Also, try to write down any information you can right away since our memories are not reliable even 24 hours after an event. If you have any physical injury at all, seek medical attention immediately. Contact your insurance company in order to notify them of the motor vehicle accident."

Buy Umbrella coverage for your home and car.

If you own a home, Attorney Michael Dobronos strongly recommends you purchase an umbrella policy that covers (like an umbrella) your home and cars. He further goes on to explain that this insurance also covers other unique situations, like sports related injuries, and items on your property, such as trampolines, dirt bikes, all terrain vehicles (ATVs), hot tubs, and swimming pools. Again, an umbrella policy is maximum amount of coverage to protect your personal assets from being exposed to litigation. More

important, this coverage would pay your attorney fees and court costs, if you are sued. If you own a home, you should not be without this coverage.

The above article is meant to give a general overview of insurance policies; exact coverage and terminology could vary by insurance company. **Please refer to your policy for exact coverage details and terminology.**

In order to provide an accurate quote you should be prepared to provide your agent with the following basic information:

- Full name(s), dates of birth, social security number(s) and drivers license number(s) of all drivers in the household
- Year, make, model & vehicle identification number(s) for all vehicles
- Your auto insurance policy / declarations page listing your different coverage

About the Author

Nicholas Schidowka began his work in the insurance and financial services industry in 1997. In 2001 he obtained Ohio licenses in Property and Casualty insurance and Life and Health insurance. Since then, he has worked hard to provide various insurance services to his customers including auto, business, health, home, and life. His professional and courteous approach to the insurance field has cultivated a diverse and loyal clientele in the Cleveland (Parma), Ohio area.

In 2007, Insurance Cleveland Agency LLC was formed. As an independent agency, Insurance Cleveland Agency has access to several different insurance carriers including Encompass (owned by Allstate), The Hartford, Ohio Casualty, Progressive Drive, Safeco, Travelers, Victoria (owned by Nationwide), Dairyland / Viking etc.

Insurance Cleveland Agency is pleased to announce the addition of Ivan Voytovych to their team! Mr. Voytovych is a highly qualified and valuable addition to the ICA team and helps the agency cater to the company's English, Ukrainian and Russian speaking customers.

Insurance Cleveland Agency is conveniently located off of Pearl Road and Highway 71 in the Islander Office complex. Office hours are Monday – Friday 9:00 am to 12:30 pm and 1:30 pm to 5:00 pm. Please call ahead for an appointment. We look forward to hearing from you in the near future!

Please give us a call, your free quote is waiting for you without any obligations. Many insurance policies are needlessly expensive and often out of date. We will work hard to give you the best service and there is a very good chance you can save money and improve your insurance at the same time.

Call Insurance Cleveland Agency, LLC at 440.866.0155 or visit our website www.insurancecleveland.com to help you find the best policy for your needs. At Insurance Cleveland Agency LLC, we are committed to serving you - our valued customer.