



Do not shop for insurance until you are clear on what you are looking for. A basic understanding of the components of an insurance policy will help you to make sure you are getting a good deal on your automobile insurance policy. Here is a list of features that you should look for and ask questions about when speaking to agents and insurance companies.

## Liability limits

This may be one of the most important components of your auto insurance policy, because the wrong choice here could lead to financial devastation. The liability part of your policy protects you in case you cause an injury or damage to someone else. This part pays others on your behalf if you cause an accident. If you do not choose adequate limits, you will be held personally responsible to pay for damages if they exceed your policy limit. Your insurance company will only pay up to the limit, and you would be responsible for the balance. This could be a significant amount of money so be sure to carefully consider this aspect of your automobile insurance policy.

## Personal Injury Protection (PIP)

Personal Injury Protection (PIP) is a facet of your policy that is designed to pay the driver of your vehicle and any passengers for medical bills incurred in an accident. This part of the policy pays regardless of who caused the accident, and in some states this coverage is mandatory, or compulsory. This coverage is often referred to as “no-fault” coverage, because it pays regardless of fault. In many states, the Personal Injury Protection coverage will also pay for lost wages and extra expenses incurred as a result of injuries sustained in the accident.

## Collision/Comprehensive Coverage

When your car is damaged in an accident, your own insurance company will only pay to repair your vehicle if you have collision coverage. This section will pay to repair your car, up to the book value of the car. If the damage exceeds 80% of the book value, the car is deemed a total loss and the insurance company will pay the book value to you and take possession of the car to sell the salvage. You may wish to keep the car, which is permitted, but the insurance company will reduce the claim payment by the value of the salvage. Comprehensive coverage also pays you for damage to your vehicle, but this section only covers damage caused by something other than collision. Fire, theft and hail damage are three examples of things that might be covered under comprehensive coverage.

## Deductible

You should carefully consider the size of your deductible, as it will have an impact on how much you pay for insurance. A lower deductible means a higher rate because you are requiring the insurance company to pay more towards a loss than if you had a larger deductible. If saving money on insurance costs is your goal, move to a higher deductible and maintain a small “rainy day” fund to cover the larger deductible in case of an accident.

## Glass coverage

Windshields are often damaged by road debris and full glass coverage is a good way to handle this cost. Be sure to ask if it is available and what the cost will be.

## Rental coverage

If you are involved in an accident and need repairs, rental coverage will come in handy, as it will pay for a replacement vehicle while yours is repaired. There are sometimes different levels of this coverage, so be sure to ask for specifics. You may find that the coverage will only pay a portion of the rental bill, and that you have to pay the balance on your own.