

## Auto - Glossary

Each state determines the minimum amount of coverage allowable on a policy written in the state. Coverage amounts typically vary from \$25,000 or \$30,000 per person up to \$1,000,000 per person depending on the insurance company. Discuss the various options and the costs involved with your agent so you can make the best decision for you.

**Collision Coverage:** Insures for the loss resulting from the striking of another object by a moving vehicle.

**Comprehensive Coverage:** Insures automobiles and other motor vehicles against loss by fire, theft, or other physical damage hazards except for losses caused by collision or upset. Towing and labor coverage is optional on autos with comprehensive coverage.

**Deductible:** The amount that must first be subtracted from the total damage incurred (paid by the insured) before determining the insurance company's liability (payment).

**Full Coverage:** This phrase is commonly used to indicate that a vehicle has liability, uninsured, underinsured and Personal Injury Protection or Medical Payments, as well as comprehensive and collision. It does NOT indicate that all optional coverages are provided or that the amounts of coverage are adequate.

When a car is sold under finance contract, the loss payee (lender) usually requires a copy of the policy showing that collision and comprehensive coverage is provided and that they are listed on the policy according to their legal interest.

**Gap Insurance:** Gap Insurance is a special coverage for autos with a loan or lease. It is an optional coverage to cover the "gap" or difference at the time of loss between the Actual Cash Value of the vehicle and the loan or lease pay-off amount.

**Liability Insurance:** Protection that pays sums the insured is legally obligated to pay, or that the insurer has agreed to pay, as damages to others as a result of the insured's negligence. Usually provides coverage arising from alleged bodily injury or property damage to others.

**Liability Only:** This phrase is commonly used to indicate that a vehicle has liability, uninsured, underinsured motorist and Personal Injury Protection or medical payments, but does NOT have comprehensive or collision coverage.

**Loss Payable Clause:** A condition in a policy whereby the company may be directed by the policyholder to pay any loss due the policyholder to some other party designated in the policy. Usually the payment is made by check or draft payable to both the insured and the designated payee, often referred to as the Loss Payee. The loss payee is the entity that holds the loan on the property.

**Personal Injury Protection (PIP):** Personal Injury Protection (PIP) is also known as no-fault insurance. It is a mandatory coverage in some states, particularly those that do not have Medical Payments. PIP provides insurance for medical costs, loss of earnings, additional living expenses, and funeral costs for occupants of the insured automobile and pedestrians other than those insured under other policies. The options vary by state and insurance company. The amount of insurance you purchase is dependent on several factors, including your health insurance benefits, short-term and long-term disability benefits as well as family composition. Discuss these issues with an agent to determine what is right for your situation.

**Rental Reimbursement Coverage:** An optional personal auto coverage endorsement to provide reimbursement for the expenses incurred by an insured when a temporary replacement vehicle is needed following a covered accident to the insured's vehicle.

**Underinsured Motorists Coverage:** Coverage an insured purchases to protect his or her own self or family members from damage or injury caused by a negligent party with a motor vehicle who does not have adequate limits of insurance to cover the loss.

**Extended Non-Owned Auto Coverage:** Extended non-owned auto coverage is available on vehicles not owned but driven regularly by household members. Company cars are commonly added this way. If you have a company vehicle provided to someone in your household, contact your agent to discuss the coverage issues involved.

Optional coverage is also needed for customized paint or equipment, stereo or other electronic equipment, disks and tapes, joint ownership, trailers and camper body coverages, and for special vehicles like classic autos, antique autos and farm trucks. Contact your agent if you have any of these situations.