

Auto

C H E C K F O R C O M M O N C O V E R A G E G A P S

What's covered under your policy – and what's not – often is spelled out in the first few pages. But unless you read your policy, many uncovered items can go unnoticed until it's too late.

Coverage gaps, like the examples below, lead to frustration and claim denials. It's a good idea to check your policy for similar overlooked items, and call your agent or a PEMCO representative if you have questions:

- 1. Total-loss pay outs on a car that fall short of the amount due on a loan.** New cars drop drastically in value the moment they're driven off the dealer's lot – so much that the actual-cash value of a new car that's totaled may be less than the amount needed to pay off its outstanding loan balance. Since insurance companies can pay only the fair-market value of a car (not the amount due on the loan), drivers are left to pay the difference out of pocket. Most insurers have an endorsement (available for an additional charge) that covers the difference between the car's value and its loan-balance due.
- 2. Accident victims must pay for their own rental cars unless they carry rental-reimbursement coverage.** While the driver deemed at fault in an accident ultimately must pay for the other driver's rental, determining fault can be a slow and messy process. Until then, it's "every man for himself" in finding – and paying for – a new set of wheels. For an additional charge, you can add rental-reimbursement coverage to your policy. Generally, coverage is sold as an "amount per day" – so decide up-front if you can get by with a compact or if you really need a family-size van.
- 3. No medical-payments coverage for passengers injured in an accident that's not your fault.** This is a little like the rental-car quandary. Assuming he has insurance or assets, the at-fault driver has to pay eventually – but until the liability dust settles, who will pick up the tab for doctor bills and hospital stays when the injured passengers have no medical insurance of their own to fall back on?

Medical coverage is one of the auto-insurance basics that most people buy. However, some opt out of it to save on premiums. That's when the problem occurs.

