



Auto

AUTO COVERAGES AND WHAT THEY MEAN

Insurance policies are made up of “coverages” that protect you against different hazards. Before you get a rate quotation on insurance, you should know how each type of coverage protects you and approximately how much coverage you need. Most auto policies include these coverages:

- Liability
- Collision
- Comprehensive
- Medical Payments/Personal Injury Protection (PIP)
- Uninsured or Underinsured Motorist
- “Convenience” coverages.

Liability. If you’re found even partially at fault in an accident, this coverage pays if you damage another driver’s car, injure, or (heaven forbid) kill someone. Think of it as protection from your mistakes. If you’re sued for more than your policy limits and you lose, you’ll have to pay the difference – even if it means wage garnishment or bankruptcy. Liability coverage can run out quickly, particularly if you damage an expensive car – let alone a passenger bus or a truck full of cargo.

In Washington, drivers legally must carry minimum limits of 25/50/10 – \$25,000 for bodily injury suffered by one person in an accident, \$50,000 for all people hurt in the same accident, and \$10,000 for property damage (cars, trailers, etc.) resulting from that accident. In Oregon, those minimum liability limits are 25/50/20. Besides fixed medical costs, liability also pays any pain-and-suffering judgments that a court may award to an injured person.

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Don't use the state minimums as a guide. They're too low! Many insurance experts recommend liability limits of at least 100/300/50 regardless of what you earn.

There's no set formula for deciding how much coverage you need. Some insurance-industry websites offer worksheets that ask about a dozen questions (ranging from your marital status to your income) and generate amount suggestions for major coverages.

The worksheets are very general. They don't factor in other drivers on your policy, miles driven, where you live, or – perhaps most important – your personal tolerance for risk. If you have substantial assets or potential earning power to protect, you may want to consider an umbrella policy that adds at least \$1 million in liability protection to your auto policy's limits.

The key is making sure your coverage limits are reasonable given your economic station in life. Unless you're clearly underinsured yourself or could be viewed as a "deep pocket," most attorneys will settle for your policy limits in a lawsuit and leave your assets alone.

Once you buy a certain amount of liability (say, \$100,000 per person in an accident), it doesn't cost too much to add more. For example, let's say a single PEMCO driver who lives in Washington and owns one car pays \$842 for liability limits of 100/300/50. The same driver could increase coverage to 500/500/250 for only an additional \$93 a year.

When getting price quotes, make sure you understand the numbers. For example, instead of giving the breakouts like 100/300/50, some companies just give combined limits.

Collision. This pays for damage to your car. If you're financing your car, your bank or credit union will require you to get it. Otherwise, it's optional.

Why consider skipping it? An insurance company can pay only for repairs up to the car's fair market value – less your deductible and your car's salvage value. Since it doesn't take much to rack up thousands in repairs, you might be better off to play the odds, pocket the premium, and cover repairs yourself.

Hang onto collision coverage (even on low-value cars) if you couldn't easily come up with cash for repairs. It also can save hassles if there's a dispute over who's at fault in an accident. You can use your collision coverage to have your car fixed right away, then allow your insurance company to negotiate with the other driver's insurance company (a process called "subrogation") to get your deductible back and recoup its costs.

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Comprehensive. Think of it like collision coverage for everything *except* an accident – vandalism, theft, and acts of nature like fire, flood, windstorms, hail, or even hitting a deer.

Like collision, it has the same considerations for older cars.

Medical Payments/Personal Injury Protection (PIP). This pays for you and your passengers' medical expenses – regardless of fault – from an accident or if you're injured as a pedestrian or bicyclist.

In Oregon, drivers are required to carry minimum PIP limits of \$15,000. In Washington, the coverage is optional.

Washingtonians with good medical coverage through their employers might consider skipping this coverage, but doing so carries some risk. You could be out of luck if you're injured between jobs or when you're just starting a new job and your benefits haven't kicked in. Another consideration: While you might have medical coverage, your passengers may not – putting you in an awkward spot if someone riding with you is injured in an accident. You also could open yourself to a lawsuit if you hit a "dart out" child (not your fault), but the uninsured family – desperate to cover medical expenses – sues you anyway.

Medical Payments/PIP isn't subject to the same "preferred provider" rules as a lot of health plans and it may cover things like prosthetics that your regular health policy excludes.

Uninsured or Underinsured Motorist. Oregon drivers are required to carry Uninsured Motorist coverage of at least \$25,000 per person and \$50,000 per crash for bodily injury. The coverage is not mandated in Washington; however, uninsured or underinsured motorist coverage can save you from financial ruin. It pays what you are entitled to recover for bodily injury (including pain and suffering and death) or property damage in an accident if the responsible party isn't insured, doesn't have enough insurance and can't fully compensate you out of pocket, or in the case of a hit-and-run driver, can't be found.

Uninsured or underinsured motorist coverage pays regardless of medical insurance you have through your employer and skirts many of the conditions (providers, facilities, etc.) typical of employer health plans.

"Convenience" coverages. Liability, collision, comprehensive, medical payments/PIP, and uninsured/underinsured motorist coverages take care of the big hits. But insurers also offer convenience coverages that might be worth your premium dollar.

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Towing, for example, might make sense if you don't have an automobile club membership that already includes it among its services. Rental reimbursement can save you money if you need a car while yours is in the shop under a covered collision or comprehensive claim. (If someone else was at fault in an accident that damages your car, his or her insurance should spring for your rental.)

Before you buy these coverages, decide if you could afford them yourself. Insurance really is intended to cover the large expenses there's no way you could handle on your own.

Still not sure how much to buy? Your agent or customer service representative can help you determine your own tolerance for risk.

A rule of thumb: If you feel pressured, move on. A responsible company won't try to oversell you, whether you deal with an agent in your community or the company directly.