

MONEY WISE

VALUING PEOPLE. VALUING MONEY.
MANAGING IN TOUGH TIMES INITIATIVE



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THIS MONTH'S TOPIC: VEHICLE INSURANCE

Most states require vehicle insurance in order to operate a motor vehicle on public roads. However, car insurance is not one-size-fits-all. It is important to understand different types of coverage, the minimum requirements for your state, and the ins and outs of an auto insurance policy to ensure that you are getting the best value for your dollar.

What is Vehicle Insurance? Vehicle insurance is essentially a safety net. It protects drivers against financial loss in the event of an auto related accident, theft, or injury. Although paying a monthly premium may sometimes seem like wasted dollars, car insurance can save you from financial disaster in the event that an accident occurs.

Types of Coverage. Typically, insurance companies offer a number of options which vary by coverage type and price. Most of these packages will provide some combination of the following coverage types: Collision insurance, liability insurance, comprehensive insurance, personal injury protection, uninsured and underinsured motorist protection, and gap insurance.

- **Collision Insurance:** This type of coverage pays for damages incurred to your vehicle as of a car accident. Collision will pay for either the repairs to your vehicle or, in the event that your vehicle is totaled (the damages incurred exceed the value of the car), then the insurance company will pay the value of your vehicle. In either case, the damages will be covered once you have paid your out-of-pocket deductible.
- **Liability Insurance:** If someone or something is damaged in an accident and it is deemed to be your fault, liability insurance will cover the





damages. This can include property damage (such as a fencepost or mailbox) as well as medical bills resulting from the accident.

- **Comprehensive Insurance:** This type of insurance covers miscellaneous damages that your vehicle may incur. Depending upon your insurance company, this may include things like hail damage or having your car stolen.
- **Personal Injury Protection:** Medical bills associated with an auto accident can be devastating. Regardless of who is at fault, personal injury protection will cover the costs of your medical expenses and your passengers as well.
- **Uninsured/Underinsured Motorist Protection:** Although the law requires vehicle insurance in the state of Kentucky, not all drivers will be compliant. If an uninsured motorist hits you on the road, you will want this kind of coverage. This policy will cover the cost of your damages incurred by an uninsured driver, including medical bills.
- **Gap Insurance:** Gap insurance may be a smart investment for drivers who still owe a substantial amount of money on their car. Gap insurance will cover the total cost of a vehicle if it is totaled in an accident. As a rule of thumb, gap insurance is a good policy if you owe more on a vehicle than you can reasonably sell it for today.

Minimum Requirements in Kentucky

Most forms of auto policies are optional in the state of Kentucky, including: Collision insurance, comprehensive insurance, uninsured motorist protection, and gap insurance. However, liability insurance is required for bodily injury and property damage. In fact, the state requires motorists to carry minimum coverage for bodily injury liability per person, total bodily injury per accident, and property damage at 25/50/10 policy limits. But what does that mean?

This is where vehicle insurance can begin to get complicated. Basically, these numbers refer to the policy limits for different damages resulting from an accident that you caused. The first number, 25 in this example, refers to \$25,000 coverage for an individual injury in an accident you caused. The middle number, 50, refers to \$50,000 coverage for the total number of persons injured in an accident you caused. And finally, the last number, 10, refers to \$10,000 coverage for property damage you caused. Although state law requires 25/50/10 coverage limits, these are considered a minimum. You will want to review your personal situation, you may considering increasing the policy limits to provide you with additional coverage in case of an accident.

It is a good practice to review all of your insurance policies at least once per year to ensure your coverage and policy limits still meet your needs.

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