

Auto Liability Insurance

Liability insurance is required in all 50 states. It covers medical bills and property of others in the event that you are negligent behind the wheel and cause an accident. It also protects you from paying large amounts to others if you cause an accident. Would you have enough money on hand to pay \$10,000 to fix the back end of someone's car that you just hit? Fortunately, you don't have to answer that question, because liability insurance is required by law. There are two parts to Liability Insurance: are Bodily Injury and Property Damage.

Bodily Injury. Bodily injury is any bodily harm, sickness, disease, and death that is physically manifested and tangible. In other words, it covers others for medical injuries you may cause as result of an accident. In most Automobile Insurance policies, Bodily Injury is listed in two parts. The first number (as seen below) is the amount your insurance will cover "per person" in an accident, and the second number is the total amount your insurance will cover "per accident". Most policies look something like this:

- Bodily Injury: \$30,000/\$60,000

The first number (\$30,000) is the maximum amount your insurance company will pay for one person in an accident you cause.

The second number (\$60,000) is the maximum amount your insurance company will pay for the total amount of bodily injury that results from a single accident.

Example: You are involved in an at-fault accident where two people are injured and need to go to the hospital. Each person sustains injuries amounting to the totals listed below:

- Person One: \$14,000
- Person Two: \$37,000

In this Scenario, Person One would get all of his medical bills paid for, because his total was under the \$30,000 per person limit. Person Two, however, sustained injuries that were above the limit your insurance company is liable to pay (\$30,000). The total amount that your insurance company would pay in this situation is: \$14,000 + \$30,000 (maximum amount for Person Two) = \$44,000. If Person Two wanted to get the rest of the money for their hospital bills, they would probably have to sue you.

Property Damage. Property damage is defined as the destruction or loss of use of tangible property such as the actual car itself. In most automobile insurance policies, Property Damage is listed at the tail end of the Bodily Injury section or in its own section. For example, many times it can look like this:

- Property Damage: \$30,000/\$60,000/\$25,000

Example: You are involved in an at-fault accident where you cause \$19,000 of damage to a another driver's car and \$7,000 damage to your own car. Your automobile insurance will cover the full \$19,000 for the damage to the other car because it is below the \$25,000 limit. As far as coverage for the \$7,000 damage to your car, that depends on whether or not you have Collision Coverage.