

Automobile Collision Insurance Coverage

When you purchase car insurance, you have the option to insure your vehicle with collision coverage. Collision insurance can be a very useful coverage option for drivers who want quality insurance protection. What is collision coverage, what does it repair, and when is it most commonly used?

What is collision coverage?

Collision coverage, like comprehensive coverage, is an optional car insurance coverage that protects the insured's vehicle. The "insured" is the person who owns the car insurance policy. In simpler terms, collision insurance will pay for damage to your car if you are the cause of the damage. Perhaps an example will best illustrate this.

Example: You are driving your vehicle on a busy street. You are slightly careless behind the wheel and accidentally rear-end the vehicle in front of you. The police officer deems the accident your fault. The accident caused \$5,000 in damage to the vehicle in front of you and \$7,000 in damage to your vehicle.

In the above scenario, your car insurance will pay for all the damage incurred if you have collision coverage insurance. First, your auto liability insurance will pay \$5,000 to repair the other person's vehicle. Second, your collision coverage will pay \$7,000 (minus your deductible) to repair your vehicle.

As the above example clearly indicates, collision coverage provides insurance protection for the insured's property, not for other property the insured may damage. The law does not require a driver to insure her own personal property with collision insurance. Due to the expensive nature of many automobiles, however, many people choose to purchase collision coverage.

Collision Insurance covers more than just collisions with other vehicles

The most common answer to the question "what is collision coverage?" is that it repairs the insured's vehicle when it collides with another vehicle. The reality, however, is that it actually covers much more. Collision insurance protects the insured against every collision possible. Collision coverage protects the insured's vehicle not only from collisions with other vehicles, but also from collisions with objects like trees, buildings, fences, etc. It also repairs the insured's vehicle if it gets overturned.

Example: You are driving your vehicle in icy conditions. You lose control of the car and crash into a tree, causing \$3,000 in damage to your car. As long as you have collision coverage, your car insurance company should repair your vehicle.

Collision Coverage comes with a deductible

Collision coverage is always subject to a car insurance deductible. The deductible is the amount of money you will first have to pay before your insurance company begins to repair the remaining damage. Deductible amounts for collision insurance can range from \$0 to \$5,000 or more. The higher your deductible, the more you will have to pay before your insurance company will pay for the remaining damage.

Why would anyone choose a high deductible if it means she has to pay more before her insurance company will repair the remaining damage? The higher the deductible, typically the less expensive the car insurance policy. Many drivers like to consider the benefits of raising or lowering their deductible before making the decision of what deductible amount is right for them.

Unlike liability insurance, there is no "maximum" amount that applies to your collision coverage. Instead, your insurance company will pay you the lesser of the amount that it costs to a) repair your vehicle or b) replace your vehicle.

Example: You as the insured get into a serious at-fault accident. A repair shop estimates the cost to repair your vehicle is \$22,000. The

value of your vehicle (including depreciation) is \$19,000. After you pay your deductible, your insurance company has to make the decision to either repair or replace your vehicle. In this scenario your insurance company would most likely opt to replace your vehicle rather than pay \$22,000 to repair your vehicle.