

INSURANCE IN SIMPLE TERMS

AUTOMOBILE INSURANCE

Automobile insurance in Michigan is broken into two parts - the mandatory coverage and the optional coverage.

MANDATORY COVERAGE

Bodily Injury and Property Damage Liability

Covers you in the State of Michigan in case you are sued or found legally liable for damages resulting from a motor vehicle accident. Minimum limits in the State of Michigan are \$20,000 Liability per person/\$40,000 liability per occurrence/ \$10,000 property damage outside the State of Michigan.

If you have liability limits of \$20,000/\$40,000/\$10,000 you would have limits which would pay up to a maximum of \$20,000 for any one person who sued you, \$40,000 for all claims from the accident, and \$10,000 for a property damage claim in outside of the State of Michigan.

Personal Injury Protection consists of four major components:

1. Medical Benefits pays for all reasonably necessary products and services for an injured person's care and recovery.
2. Work Loss Benefits will pay up to 85% of your lost income for up to three years from the date of the accident if you are unable to work as a result of the accident.
3. Survivor's Loss Benefits will pay your family what they would have received from your earnings and fringe benefits for up to three years if you are killed in an accident.
4. Replacement Services Benefits will pay up to \$20 per day for up to three years for services injured persons are no longer able to provide for themselves such as housekeeping or yard work

Property Protection

\$1,000,000 property liability coverage for damage done in the State of Michigan

You hit a building which catches on fire resulting in a \$500,000 fire.

OPTIONAL COVERAGE

- Collision Coverage pays for damages done to your vehicle because of an accident
- Comprehensive Coverage pays for damages to your vehicle by almost anything except an accident.
- Towing and Road Service pays for starting or towing a disabled vehicle
- Uninsured Motorist covers you in case you are hit by an Uninsured Motorist. It pays the amount you would have won in a lawsuit and worried about collecting from the uninsured party.
- Underinsured Motorist covers you in case you are legally liable to collect more than the offending party was insured for. Your insurance company will pay the excess and attempt to collect from the underinsured party.
- Collision Plus or Rent A Car covers the cost of renting a car for you while your car is in a repair shop because of an insured loss.

TIPS

Reducing the Cost

1. Higher deductible on Comprehensive and Collision. Weight the difference in cost with a higher deductible versus the extra amount you are risking with a higher deductible. Most good drivers will save enough in insurance premiums to pay the higher deductible when there is an accident.
2. Good driving record. No explanation needed. Insurance may well cost you more than the ticket.
3. Get older as quick as you can. There are many advantages to being young. Auto Insurance is not one of them.
4. If you are renting a car, your auto insurance follows you onto the rental car. You do not need their coverage as long as you are carrying comprehensive and collision.
5. If you have an auto club membership or coverage from another source, you do not need the Towing and Road Service offered by your insurance company.
6. If you have an extra car, you may not need the Collision Plus coverage.

Have the Proper Coverage

1. \$20,000/\$40,000/\$10,000 liability limits are minimum limits and generally do not adequately cover you in case of a lawsuit. Having \$20,000 liability does you little good if you are found legally liable for a \$300,000 lawsuit.

Most people can not pay the extra \$280,000 without financial ruin. Look at higher liability limits. Many people add an Umbrella to their policy which can give an extra \$1,000,000 liability coverage.

2. Only raise the deductible on Comprehensive and Collision if you can pay the deductible in case of a claim. There is nothing worse than having a car sit in a shop because you can not pay the deductible.



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