

Understanding Insurance Terms

Actuary. A person professionally trained to apply probability and statistics to the practical problems of insurance and related fields.

Bodily Injury Liability. Insurance coverage that applies when you are legally liable for injuring other people in an auto accident. Bodily injury liability provides payments to those injured individuals and pays your legal defense costs as well. Such coverage can be combined with property damage liability, as it often is, and be called "liability insurance."

Collision Insurance. Coverage under a policy that pays for damage to, or loss of, your own automobile from collision with another object or vehicle. Collision insurance does not cover bodily or personal injury, and it may not cover other property damage liability arising out of the collision.

Comprehensive Insurance. Insurance coverage that reimburses you for damage to your own car from causes other than a collision, or general wear and tear. Comprehensive insurance may provide coverage for hail, flood, theft, mischief, damage from animals, falling objects, explosions, earthquakes, and many other events.

Deductible. The amount of the loss that you must pay before the insurance company begins to pay under the policy. For example, if you have a \$500 deductible and have been in an accident in which \$3,500 in damage to your car occurred, you must pay the first \$500 before the insurance company pays the remaining \$3,000.

No-Fault Protection. Coverage available in many states that pays you, or those people covered under your policy, for medical expenses or injuries that occur as the result of an accident, regardless of who was at fault in causing the accident.

Personal Liability Coverage. Personal Liability Coverage. This applies if someone is injured or property is damaged and you are to blame. The coverage applies anywhere in the world. When choosing liability coverage, consider things like how much money you make and the assets you own. Your liability coverage should be high enough to protect your assets if you are sued.

Umbrella liability policy. A special liability insurance policy that provides further payment for liability claims after the liability coverage from other policies is used.

Uninsured motorist insurance. Insurance to protect one's own bodily injury losses if ever hit by an uninsured motorist or a hit and run driver.

