

Auto insurance basics

Moderate · 20 min to read and compare · Free to compare

YOU'LL NEED

- ☐ Your car's year, make and model, or VIN
- ☐ Your driver's license
- ☐ Your current policy's declarations page, if you have one
- ☐ Your driving record: tickets and crashes

WHAT TO KNOW

- 1 Start with liability.** Nearly every state requires bodily injury and property damage liability, which covers injuries and damage that you, or another driver using your car, cause to others. Bodily injury claims can include medical bills, lost wages, and pain and suffering; property damage includes other cars, walls and fences.
- 2 Read the limits.** In "25/50/25," the first two numbers are bodily injury limits and the third is property damage. For example, 20/40/10 means up to \$40,000 for everyone hurt in a crash, no more than \$20,000 per person, and \$10,000 for property. Your state insurance department lists your state's minimums.
- 3 Buy more than the minimum if you can.** State minimums may not cover a serious accident. Your insurer provides a lawyer if you're sued, but if a judgment or settlement is more than your limits, you pay the difference.
- 4 Add uninsured motorist coverage.** It pays if you're hurt by a hit-and-run driver or someone with no insurance. An estimated close to 13% of U.S. drivers are uninsured. Medical payments or personal injury protection (PIP) covers your and your passengers' medical bills; many states require one of these.
- 5 Decide on coverage for your own car.** Collision pays for crash damage when you're at fault, including potholes and rollovers. Comprehensive covers theft, fire, flood, vandalism, hail and falling trees. Neither is required by law, but lenders usually require both if you finance or lease.
- 6 Get quotes from several companies with matching coverage and limits.** A higher deductible generally lowers the premium, so pick one you could actually pay. Fill out the application accurately and keep a copy; most misquotes come from mistakes on the application.
- 7 Ask about discounts: multiple vehicles, driver education, good student, safety and anti-theft devices, low mileage, and bundling with renters insurance.** Not every state offers every discount.

Watch out Collision and comprehensive pay the car's market value, not what you paid or still owe. If you finance a newer car, ask about gap insurance. And your personal policy generally won't cover delivery driving or rideshare work for Uber or Lyft unless you add coverage.

DAD NOTE Buy enough liability to cover a bad day, not just a legal one.

Full lesson: aptkeys.com/money/insurance/auto-insurance-basics/

Checked October 2, 2026. Sources: Insurance Information Institute; National Association of Insurance Commissioners.