

CAR INSURANCE

All About Six Types of Auto Insurance Coverage

Do you know what your auto insurance policy covers? Here's a primer on some coverage categories, along with examples of how each type of coverage works.



Vroom, vroom, vroom! Americans' love for the automobile is engrained in our culture. Going all the way back to Charles Duryea and J. Frank Duryea, two bicycle mechanics who designed the first successful American gasoline automobile in Springfield, Mass., in 1893, the love for all things cars and driving has been with us ever since. Suffice it to say, the likelihood of anyone who's reading this remembering when this occurred is low, but everyone who's reading this knows that if we own or lease a car, we also must purchase auto insurance.

But what are you really getting when you buy an auto insurance policy? Let's go over a few of the types of coverage out there and some real-life examples of when you would need them.

1. Liability insurance and property damage

Liability insurance is designed to cover medical expenses, lost wages, legal fees and the like if you are at fault for an accident that injures, or worse, someone else. Property damage, also known as property damage liability, will pay for the repair or replacement of another person's property, like their car, if you damage it in an accident.

The coverage in play: Say you're driving along, minding your own business, and by accident (always by accident), you run a stop sign and collide with another car. The other driver is hurt, and their car is damaged. Your liability coverage would pay for the person, and the property damage would pay for their car.

2. Uninsured or underinsured motorist

This coverage will protect you if you sustain injuries or damage to your vehicle in an accident and the other person is either not carrying auto insurance or does not have sufficient limits to cover your damages. (You would have uninsured motorist property damage or collision coverage with waiver, not both.)

The coverage in play: On a sunny Sunday afternoon, you're driving along in your brand-new shiny car — what could be better? Unfortunately for you, some turkey (sorry, turkeys) is texting on their phone and doesn't bother to look up and see you stopped at a red light. With a sudden bang, they rear-end you. You are really hurt, and the back half of your car is going to need a lot of work. The other driver apparently has only enough money to spend on the most recent version of their smartphone rather than appropriate insurance coverage. Fortunately, you can go to your underinsured coverage and have your medical bills, pain and suffering and even time you can't work paid for, and your vehicle, too.

3. Medical payments

Sometimes affectionately referred to as MedPay, this coverage will cover medical bills and funeral expenses for you and your passengers regardless of who is at fault. Fun fact: You don't even have to be driving your car for this coverage to come into play. For instance, if you slam your finger in the car door and need a quick ER visit to treat the injured finger, MedPay has ya!

The coverage in play: You can't get enough of your niece. She is just too cute, and you want to gobble her up. (Yes, I know it's another turkey reference — no idea why I have turkey on the brain.) You're taking her out for a playdate with a friend, but in your haste to back out of the driveway, you drive off the curb and send the kid smacking into the ceiling of the car (she was not yet strapped in). She needs a few stitches, and the medical payments coverage pays those bills.

4. Comprehensive coverage

This is nothing like it sounds — it is not “comprehensive” coverage. This coverage will pay for damage to your car when the vehicle is not in motion. Think: theft, vandalism, fire. Fun fact: Running into wildlife can sometimes fall under comprehensive coverage even though the car is in motion. Watch out for the deer!

The coverage in play: Gotta love those WNBA games! You're with your son at a game and loving it! The action is fast, the fans are totally into it, and you're right there with 'em. You hate traffic jams, so instead of parking your car in the lot, which always gets full, you park a few blocks away on a city street. After the game, you head back to that spot only to find one major change since you were there last — your car has been stolen. Comprehensive coverage to the rescue!

5. Collision coverage

This coverage pays for the cost to repair your vehicle if it is damaged in a collision with another vehicle or object. Fun fact: If your car is totaled, meaning it would cost more to fix than the value of your vehicle after an accident, comprehensive coverage would come into play, rather than collision coverage.

The coverage in play: You're out in the middle of a snowstorm, but you're feeling pretty good since your truck has massive tires and special tread for rough weather. Sadly, this weather is rougher than they are designed for, and you find yourself sliding across the street and plowing into another car. The damage to your car would fall under collision coverage.

6. Rental car

Sometimes referred to as rental reimbursement, this will pay for a rental car while your vehicle is being repaired due to a covered loss. Fun fact: This coverage will not pay for a rental car if you simply rent one while on vacation. It will kick in only in conjunction with another auto insurance coverage provision.

The coverage in play: On the road again, with no particular place to go, you end up in a small car accident. Nobody is hurt, but your car is going to be in the shop for a few days. You make arrangements to get a rental car, and the rental car coverage will reimburse you or, if you're really fortunate, pay the rental car company directly. Fun fact: Ask for the insurance rate, and most rental car companies will either upgrade you or give you a better price so you can get a better rental car.

As much as we drive, it is important to know what types of auto insurance coverage are out there and what limits, sublimits and options are offered. Car insurance is not a straightforward commodity, and all policies are absolutely not created equal. A little education on your part can go a long way. Drive safely!

NYSUT NOTE: The right auto insurance is the one that best fits your needs. The Farmers Insurance Choice platform offered by the NYSUT Member Benefits—endorsed [Farmers GroupSelect](#) lets you have your pick from multiple competitively priced and highly-rated insurance carriers. Offering both vehicle and motorcycle coverage, you'll be able to find something that suits you.

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Karl is an insurance agency owner, insurance expert witness in state, federal and criminal courts, and radio talk show host. For more than 30 years, Karl has helped consumers understand the complex world of insurance. He provides actionable advice and distills complex insurance concepts into understandable options. He appears regularly in the media, offering commentary and analysis of insurance industry news, and advises lawmakers on legislation, programs and policies.

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