How Much Car Insurance Do I Need?

Not sure how much car insurance you need? Get advice from our car insurance experts on how much coverage you should have to be sure you are financially protected.

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✓ EXPERT REVIEWED
by Ashlee Tilford

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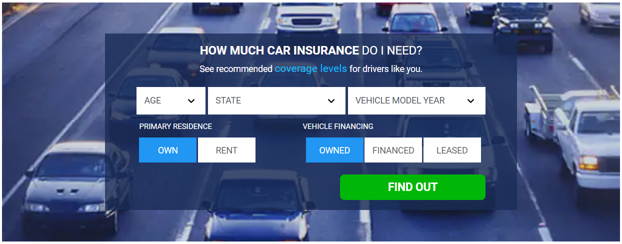
If you're wondering how much car insurance you need, the short answer is that you *need* the minimum amount of car insurance required by your state to drive legally, but you *should* buy a policy that pays:

- up to $100,000 for the medical bills of those you injure
- with a $300,000 cap per accident
- and up to $100,000 to repair other drivers' cars and property that you damage.

If you're not sure what that means, this is explained in detail below by CarInsurance.com's editorial director, Michelle Megna, and Consumer Analyst Penny Gusner.

You can also use the tool to see auto insurance coverage recommendations based on what drivers like you have purchased.



HOW MUCH CAR INSURANCE DO I NEED?
See recommended coverage levels for drivers like you.

Key Highlights

- Most states require you to have liability coverage to drive legally. But it may not be enough to cover serious injuries or replace a newer car.
- If your state requires uninsured motorist coverage, you'll need to buy it in order to pay for medical treatment if you're hit by an underinsured or uninsured driver.
- According to a Carinsurance.com's rate analysis, uninsured motorist coverage costs an average of $83 a year.
- Medical payments coverage is required by a few states but only optional in most, providing people with the option to pay medical expenses up to their limits.

How much auto insurance do I need?

There are two correct answers to this question:

First, you need enough insurance to drive legally. Find out your state car insurance minimum requirements.

Second, you need enough car insurance to protect your life from financial ruin if you have a car accident. That can be as easy as buying the minimum coverage, in some cases, though rarely. Or it can be much more complicated.

We'll walk you through our guide on figuring this out. You can also use our Car Insurance Estimator tool to determine how much car insurance you need for your particular situation.

What are the types of car insurance coverage?

There are five basic types of car insurance coverages: liability, collision, comprehensive, uninsured/underinsured motorist protection and medical payments.

Let's learn in detail about them:

Liability Coverage

Liability coverage insures you against loss in case your car causes injury or damage to other person's property. Most states require you to have liability coverage to legally drive on the road.

Collision Coverage

Collision coverage pays for damages to your car caused by collision, whether or not the accident was your fault. This coverage helps pay for repairs or replacement of damaged parts.

Comprehensive Coverage

Comprehensive insurance covers damages caused to your car due to factors other than collision, such as weather, fire or theft. Adding this coverage may increase the cost of your insurance premium, but it can protect you in case something unfortunate happens to your vehicle.

Uninsured motorist coverage (UM/UIM)

Uninsured/underinsured motorist coverage pays for damages to your vehicle in case the other party does not have enough insurance or no insurance at all to cover the damages.

Personal injury protection (PIP)

Personal injury protection (PIP), is an insurance coverage that pays your medical bills. It also covers lost wages and other expenses for you or your passengers regardless of who is at fault in the auto accident.

Medical payments coverage (MedPay)

MedPay or Medical payments coverage is similar to personal injury protection. It covers your medical expenses related to injuries resulting from an accident, regardless of who was at fault.

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Other optional types of coverage

Auto insurance companies also offer a variety of optional coverages. Some may be more useful than others, so it's important to review your policy and determine which are most beneficial for you.

Gap insurance

If your car is a total loss due to an accident, this coverage option will cover the difference between what you owe on your loan or lease and the actual cash value of the vehicle.

Roadside assistance coverage

This coverage may be a good choice for people who drive frequently. It covers any service calls if your car breaks down and towing expenses, but it does not pay for vehicle repairs.

Rental car coverage

Rental car coverage covers the cost of rental cars if you don't have another vehicle to drive. Adding this endorsement could come in handy if your car is not drivable due to a covered incident.

Non-owner car insurance

Non-owner car insurance is a form of liability coverage that provides protection for people who don't own a vehicle but still need to drive someone else's on occasion. It pays out if you cause injury or property damage in a mishap with another person.

Mechanical breakdown insurance

If your car runs into trouble for reasons that are not related to an accident, mechanical breakdown insurance (MBI) is there to cover the costs of getting it fixed. For instance, if you have a busted engine then MBI will pay out for the repairs.

Rideshare insurance

Rideshare insurance fills the gap between your personal car insurance and commercial coverage provided by your employer to make sure you're protected no matter who is at fault in an accident.

Who should buy minimum levels of liability car insurance?

- Minimum liability is rarely advisable, but if you can't afford more, it's better than no insurance.
- If you have no savings or assets, minimum liability coverage may suffice.

In most states, the minimum liability required by your state is not enough to pay for serious injuries or to replace a newer car. It is only enough to drive legally.

If you own only the clothes on your back and a very old car, you may be able to get by with just the minimum levels of liability mandated by your state. That's because you're probably what is known as "judgment-proof." You may lose if someone decides to take you to court to pay for an accident you cause, but you have no real assets to take.

Auto insurance coverage recommendations from the experts

If you have savings or a home or even expensive jewelry and valuable collectibles, you are not judgment-proof. And you need more coverage.

To help you decide how much liability insurance you need, we've created three liability insurance levels as a rough guide. Levels of coverage offered vary by state and by insurer. Liability insurance does not cover repairs to your own car.

In the levels below:

- The first two numbers refer to bodily injury liability, which pays the hospital bills of anyone you injure.
- The first number is the per-person limit.
- The second is the per-accident limit.
- The third number is the property damage liability limit, which would repair or replace the car of anyone you hit.

50/100/50

This level of coverage is recommended for those who have an older car, few assets, don't drive much and are on a tight budget-for instance, college students or retirees who are downsizing.

100/300/100

This is the level most financial experts say is appropriate for middle-income earners with a typical level of savings, adequate in most circumstances. The cost of liability insurance, once you have bought the basic levels, does increase, but does not increase exponentially.

- The average rate for state minimum coverage is $574.
- The average rate for 50/100/50 is $644.
- The average rate for 100/300/100, with comprehensive and collision and a $500 deductible is $1,758.
- Bumping state minimum up to 50/100/50 costs just $70, so it's just about $6 a month -- which is super cheap.
- Going to 100/300/100 from 50/100/50 costs $1,114, so about $93 a month, to double your liability protection.

To see what the average driver pays for liability coverage in each state, and how much more you pay to boost your coverage, refer to the table below.

Search Table

Average driver pays for liability coverage in each state

State	State minimum	50/100/50	$ Increased	% Increased

South Dakota	$323	$362	$39	12%
Iowa	$326	$354	$28	9%
Wyoming	$328	$354	$26	8%
Maine	$355	$359	$4	1%
Idaho	$377	$415	$38	10%
Virginia	$380	$424	$44	12%

Enter your state in the table below to see how little rates rise when you double your liability protection.

Search Table

Average rates when doubling liability protection

State	50/100/50	100/300/100	$ Increase	% Increase
Alaska	$420	$1,713	$1,293	308%
Alabama	$545	$1,560	$1,015	186%
Arkansas	$479	$1,783	$1,304	272%
Arizona	$707	$1,763	$1,056	149%
California	$752	$2,125	$1,373	183%
Colorado	$604	$1,948	$1,344	223%

250/500/100

If you own an expensive home or have saved diligently, you may be worth millions even though you do not consider yourself rich. We would suggest supplementing even this high level of coverage with an umbrella liability policy that extends your protection by $1 million or more.

It's relatively cheap – **a $1 million umbrella policy costs $150 to $300 yearly, on average,** according to the Insurance Information Institute.

Who should buy uninsured motorist car insurance?

- If you have your own health insurance and you have purchased collision coverage, you may be able to skip uninsured motorist coverages if your state allows.
- It is a good idea to keep uninsured motorist coverages if you can afford to, because they can minimize your financial losses from deductibles and coverage caps.

Your state may require that you buy uninsured motorist bodily injury coverage, which pays your hospital bills if you are hit by an uninsured driver. Your state may require only that you be offered this coverage but allow you to turn it down.

If you buy this coverage, it typically will come in the same amounts as your own liability coverage.

Uninsured motorist coverage costs an average of $83 a year, according to a CarInsurance rates analysis.

A few states also require uninsured motorist property damage, which usually pays for some -- but not all -- of the damage to your own car. It doesn't cover hit-and-run accidents in most states though.

Do you need comprehensive and collision coverage?

- Yes, if your car is less than 10 years old.
- Yes, if you can't afford to repair or replace your car.
- Yes, if you live in an area prone to flooding, hail, tornadoes or animal strikes.

Comprehensive insurance pays for damage to your car from severe weather, fire, collisions with animals and theft. Collision coverage pays to repair your car if you have an accident, regardless of fault.

This is where car insurance for a 10-year-old car comes into play. If your car is less than 10 years old, you should consider buying comprehensive and collision coverage.

You should also carry comprehensive and collision insurance if your car is 10 or more years older, but worth more than $3,000, or if you can't afford to repair or replace it.

If you owe money on your car, your lender requires you to have collision and comprehensive coverage, which would repair or replace your car. Liability insurance pays only for others' cars.

You must choose a deductible amount for collision and comprehensive coverages. Damage below this amount is your responsibility to fix.

We recommend that you keep deductibles low while you are still making payments on a car. Once the car is paid off, build an emergency fund and raise your deductible to match it.

Comprehensive costs an average of $192 a year, collision costs an average of $526 annually, according to CarInsurance.com's rate analysis.

Do you need medical payments or personal injury protection?

- Yes, if you don't have health insurance.
- Yes, if you can't afford or don't have the savings to live without a loss of income due to injury.

Your state, especially if it is a no-fault state, may require that you buy personal injury protection so that your injuries in a car accident are always covered up to your limits, no matter whose fault the accident was. It usually includes coverage for lost wages as well.

Medical payments coverage is required by a few states but is optional in most, paying medical expenses up to your limits. If you don't have your own health insurance coverage, you should consider this coverage. If you have a high-deductible health plan, medical payments may help pay the deductible.

Personal injury protection costs an average of $198 yearly. Medical payments costs an average of $22 a year, according to CarInsurance.com's rate analysis.

How should I save money on car insurance?

In order of impact and potential savings, we suggest the following steps for drivers trying to save money on their car insurance bills:

- Shop around: You will see that the rates major insurers charge the same driver in the same car can vary by hundreds, sometimes thousands, of dollars. See how much average car insurance rates can differ in your neighborhood by entering your ZIP code into our comparison tool.
- Look for car insurance discounts.
- Consider a named driver exclusion if a member of your household has a high-risk driver history.
- Raise your deductibles.

If you know what coverage you want to buy, start comparing quotes from multiple insurance companies

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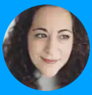

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Michelle is a writer, editor and expert on car insurance and personal finance. Prior to joining CarInsurance.com, she reported and edited articles on technology, lifestyle, education and government for magazines, websites and major newspapers, including the New York Daily News.

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