



# Insuring a leased car

## Understand your car insurance obligations for a leased vehicle

### Auto Insurance

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- Your leasing company will require collision and comprehensive auto coverage
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If you lease a car, you'll still need to purchase your own state-mandated basic auto insuranceâ€”and you'll very likely need additional coverages:

## Your leasing company will require collision and comprehensive auto coverage

The bank, leasing company or other entity that is financing your leased car has a monetary stake in the vehicle. They want to make sure there are sufficient funds available to repair the car in the case of an accident. For that reason, you'll need to buy:

- **Collision insurance** to cover the damage to your leased car from an accident with another automobile or object.
- **Comprehensive insurance** to cover a loss to your leased auto caused by something other than a collision, such as a fire or theft.

## You'll likely be paying for gap coverage (though you may not know it)

After a new car comes off the lot, its value depreciates quickly. If your leased car is damaged beyond repair or totaled in an accident, there likely will be a difference between the amount that you still owe the auto dealer and the check you'll get from your insurance company for your depreciated car. The difference between the two amounts is known as the "gap."

On a leased car, the cost of gap insurance is generally rolled into the lease payments. Generally, the auto dealer buys a master policy from an insurance company to cover all the cars it leases and charges you for a "gap waiver." This means that if your leased car is totaled, you won't have to pay the dealer the gap amount. Check with the auto dealer when leasing your car for specifics that apply to your leasing contract.

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**Next steps:** Learn how to determine your car's value and the cost of repair.

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