

AUTO INSURANCE POLICY COVERAGE ISSUES

[An outline of a talk given to Doctors at a recent seminar, given by Neal H. Sobol, Esq.]

In the past we have talked about certain portions of Automobile Policies. In talking to some of you I found that there many questions that continued to come up regarding personal injury cases that lead me to believe that going over an entire policy with you, explaining each section of the policy would be beneficial for you in understanding what we are doing in personal injury claims both to protect your interests and the interests of your patients.

I know that many of you have a complete understanding of most of these portions if not all of the portions of these policies but I still think it will be beneficial for all of you if I cover each section.

To start, there has been a great deal of misunderstanding about what constitutes “full coverage.” That is a term we often hear from clients who are confident that they have purchased all available coverage to protect them in the case of an accident. However, on closer questioning, it is more often than not the case that the particular client does not, in fact, have as much insurance coverage as they think they have.

“FULL COVERAGE” in case of an automobile accident would include all of the following separate coverages:

Liability Insurance;

Property Damage Liability Coverage;

Uninsured and Under-insured Motorist Bodily Injury;

Medical Payments Coverage for Automobile Accidents;

Comprehensive Coverage;

Collision Coverage;

Waiver of Collision Deductible (often called UMPD Waiver);

Rental Coverage;

Towing Coverage;

Additional Personal Property Protection Coverage.

If you thought you were fully covered for any losses in an automobile accident by having Liability, Comprehensive Insurance, and Collision Insurance, you will see from the above that you fell a little short!

Believe it or not a large number of consumers are being sold these three sections of a policy and are being told that this is “Full Coverage.” They are often outraged later to learn that they are missing one or all of the other key elements of auto insurance.

Let’s go through each one briefly.

Liability Insurance: The law requires every driver to carry a minimum of \$15,000.00 (per person) and \$30,000.00 (total) regardless of how many people are injured in the personal injury accident. This coverage

is for when you are at fault in an accident and cause personal injury to one or more persons. The amount of liability insurance you carry is directly related to your income, your assets, and your ability and desire to assume risk.

Note: The other injured person(s) could be passengers in your own car. There are exclusions that come into play but, for example, if you and I are driving together and you cause an accident, I have a claim against the liability section of your insurance. The amount of protection you should purchase is a very personal decision but should be made after understanding and weighing your options. In most instances this decision is based on your income, assets, liabilities, and your willingness to assume risk.

Property Damage Liability: Very similar to liability insurance coverage, except that it is for damage to other vehicles, not other people. Once again this is applicable when you are at fault in an accident and it is required under California law. The minimum amount required is \$5,000. And once again, the decision to carry more than this minimum amount should be based on your income, assets, liabilities, and your willingness to assume risk.

Uninsured/Underinsurance Coverage: This is not required under California law, however, although The State of California stopped short of making this a legal requirement, it requires an insured to give a written waiver saying that they knowingly are deciding not to carry this type of insurance.

The latest research I have seen states that there is at last 20% of the population not in compliance with California Law by driving without even the minimum liability coverage for personal injury accidents. It is estimated that this number is considerably higher in major metropolitan areas such as Los Angeles.

Uninsured Motorist Coverage: protects you and anyone in your car when you are involved in a motor vehicle accident with someone who did not carry insurance. We are assuming that the uninsured motorist, and not you, was at fault in the accident. If you carry this type of insurance and you are hit by an at-fault uninsured motorist and are injured in the process, you will be covered up to the amount of your uninsured motorist coverage. Like liability insurance this is usually sold either as "15/30" (in thousands - with \$ 15,000.00 per person and \$30,000.00 total) or "25/50" or "50/100," etc.

If you are involved in an accident with an uninsured motorist and fail to carry this type of insurance it is very likely that there will be no one to pay all of the compensation to which you would normally be entitled, including your medical bills, loss of earnings, or loss

of quality of life, inconvenience, pain and suffering. Your liability insurance will not pay for it because that is not what it is intended for (see above). You would then be left with covering your medical bills through your private health insurance (if you carry such), but this of course would not compensate you for the other losses described above.

Under Insurance Coverage: Under the law in California your Uninsured Motorist Coverage becomes Underinsurance in some cases. If you are injured by another party and their liability insurance is not sufficient to cover your injuries, then you may be entitled to use your own Uninsured Motorist Coverage (even though the other party had some liability coverage) to compensate you for losses, because your uninsured motorist coverage converts to under-insurance coverage (because the other driver didn't have enough liability coverage to adequately compensate you). For example, the driver that injured you had a liability policy that was limited to \$ 15,000.00 per person. And let's say that your medical bills and loss of earnings, as well as your overall inconvenience and trauma are \$25,000.00. We would then examine your Uninsured Motorist coverage and if that coverage was, let's say, \$ 25,000.00, per person, then we would then be able to collect

\$ 15,000.00 from the at-fault party (the other driver) and we could also collect another \$10,000.00 from your own uninsured motorist policy to fully compensate you for your losses. There is an offset for whatever was paid by the - at-fault party (\$ 15,000.00), but that still leaves \$ 10,000.00 available to you on your own uninsured motorist policy. It is important to remember that such an offset exists when purchasing your insured motorist policy.

Some people also have the misconception that if you make an uninsured motorist claim (or claim for under-insurance, based on the above), that you are somehow endangering your relationship with your own insurance carrier “won’t they raise my rates?” This is not the case. You have paid for this added protection, and the right to make such a claim, by paying your premium.

Medical Payments Coverage: I have given an entire portion of a seminar to Medical Payments in the past and this can be found elsewhere in our newsletter section for more complete explanation of how this applies to personal injury accidents.

Medical Payments (often called “med-pay,” is a type of insurance that will cover an individual (and their passengers) if they are injured in an automobile accident. For the treating doctor, in conjunction with working with an ethical attorney in the handling of the personal injury claim, medical payments coverage is the best way to insure there is payment of medical bills. Remember that payment of Med-Pay is not based on who is at fault in the automobile accident.

Such coverage is therefore very helpful even when it happens that your patient was the cause of an accident in which he/she, or passengers, were injured. It is relatively inexpensive and I would strongly urge you to carry at least \$ 5,000.00 of such coverage for automobile accidents. It’s also essential that you buy the right kind of “med-pay”. The best kind is that which is “non-excess”

(meaning that you do not have to first use your private health insurance with the med-pay coverage picking up any portion left unpaid), and “non-reimbursable” (meaning that you do not have to pay it back to your insurance company if you obtain a settlement or recovery from the person at-fault for your accident. Please feel free to contact our office for further information on this topic.

Comprehensive Coverage: This insurance protects you from theft or vandalism to your vehicle. It almost always has a deductible, sometimes as low as \$100.00 or as high as \$2,000. This is not required by law, but will be required by your bank or finance company if you don’t own the vehicle outright.

Collision Coverage: This is insurance protects you regardless of fault for damages to your vehicle sustained in a motor vehicle collision. Like comprehensive coverage, it almost always has a deductible and although it is not required by law it will be required if you don’t own the vehicle outright.

Waiver of Deductible when hit by an uninsured motorist: Usually called “UMPD Waiver”. If you are hit by an at-fault uninsured motorist your normal collision deductible will be waived. The premium paid to have this type of insurance is usually very small. Of course the lower your deductible the less interest you would have in this coverage. Since most people carry \$500 to \$1000 deductible it’s certainly reasonable to spend a few dollars to not pay the deductible if hit by an uninsured motorist.

Rental: This insurance allows you to rent a car regardless of fault. In fact most policies allow you to rent a car even if your car is just in the shop for reasons not related to an automobile accident or personal injury claim. The main thing about rental coverage is to note the amount

It provides. About the best one I have seen offers \$30.00 a day for 30 days of car rental coverage. If you drive a newer, more expensive or larger vehicle, there may not be enough coverage here to fully cover you.

Towing: This is usually provided to you by your insurance carrier, but if it’s not you should look into having this coverage. If you are on a long trip when your car breaks down, this coverage can save you several hundred dollars. Many people have other towing coverage such as AAA Road- Side Assistance. There are usually much stricter limitations on distances towed under such policies (AAA) than under regular towing coverage.