



AUTO INSURANCE

IT IS SO IMPORTANT TO SPEND TIME SETTING UP A SOLID AUTO INSURANCE PLAN THAT WILL KEEP YOU FROM SUFFERING SIGNIFICANT FINANCIAL LOSSES FOLLOWING A SERIOUS CAR ACCIDENT.



Your automobile is the greatest possible source of catastrophic lawsuits and legal judgments for major injuries, death and property damage. That's why it is so important to spend time setting up a solid auto insurance plan that will keep you from suffering significant financial losses following a serious car accident.

Most cases that result in a large claim don't involve you flat out hitting someone. More likely, it's the situations that you get caught up in and are found liable for that cause financial loss.

The following are very important areas of the auto policy that you must understand.

Liability for Bodily Injury. Liability Insurance provides defense for you and pays legal judgments on your behalf. The single biggest mistake people make when selecting liability limits is that they buy far too little. How much is enough? It depends on who the victim is, and how suable you are.

Your Suability Factor is the probability of an injured party suing you for large sums greater than the amount of insurance you decided to buy. In order for this to happen you must be worth something now or are expected to be worth something in the future. Everything you have and make now or can make in the future is at risk. Why? Because if there is nothing to go after, most attorneys won't take the case to help an injured party sue you.

Your Suability Factor is influenced by several elements:

- **Your Current Income:** The more you make, the more your wages can be garnished.
- **Your Current Assets:** If you have expensive cars and homes, savings and investments, and other assets, there is more to go after. The courts can force liquidation to pay a judgment for which you're found liable.
- **Your Future Income:** If you're a medical intern, law-school student, MBA student, or in training for any other high-income potential training, your suability is higher. They'll go after what you potentially can make in the future, even if you're currently living in a studio apartment and eating ramen noodles every night.
- **Your Future Assets:** If your parents are wealthy or you stand to inherit a chunk of money, they'll go after it and wait for you to receive it to collect.

People with high current income or assets usually are aware of their suability, but people with little income or assets often overlook their future income or asset potential and the effect it has on their current stability.

If you have one or more of these elements contributing to a high suability factor, the more you're open to be sued for amounts greater than your insurance limits, and you need higher liability limits to protect you. An added advantage of higher liability limits is that the closer your liability limits come to the economic value of the injury you cause, the greater the likelihood that the injured party will settle for your insurance policy limit and not pursue you – personally and beyond.

The Cost of Higher Liability Limits. It actually costs very little to raise your liability limits – you'll be amazed. When you look at what you're paying for the first \$100,000 in coverage, it's only about \$100 more per year to raise your limits to \$250,000. Typically coverage more than \$250,000 is sold in \$1 million increments in a separate policy referred to as an umbrella policy. Consult with your insurance professional to make sure you have adequate liability limits for your specific situation.

Here are some examples of claims that Auto Liability Insurance will cover that our clients have experienced:

- A client was merging onto a freeway, and a motorcycle driver came into his blind spot causing the motorcycle driver to fall off the bike. The motorcycle driver had significant lifestyle-changing injuries. The result was an \$850,000 claim. Thankfully our client had a \$2 million umbrella policy and was fully covered.
- A client's foot slid off their brake while stopped at a stoplight, causing him to bump into the car in front of him. The driver in front of him had a prior neck injury, and it led to a \$130,000 liability claim.
- A client was backing out of a parking lot and hit an elderly pedestrian, resulting in a small but expensive accident. The result was an \$110,000 liability claim.
- A client was involved in heavy traffic on the freeway that came to a quick halt, causing him to rear end the auto in front of him. There were three people in the car. The passenger had \$180,000 in injuries, the driver had \$100,000 in injuries, and the other passenger had \$55,000 in injuries.

Underinsured and Uninsured Motorist Coverage. When you're injured in a car accident caused by another driver, you can legally sue that driver in most states to collect the fair value of your injury. If that driver has auto liability insurance, his policy pays you on his behalf up to the policy limits he purchased. The economic value of your injury equals your out-of-pocket expenses plus compensation for your pain and suffering.

What happens if the other driver has no insurance at all? Or what if the insurance limit they have is less than the costs of your injury? You can get a legal judgment against them and try to collect from them personally, but that can be an expensive, long, drawn-out process. Plus, if they're not worth very much and have limited income, you may not collect much at all.

Fortunately, your own car insurance policy can solve the problem if you buy adequate limits of Underinsured Motorists and Uninsured Motorists Coverage.

- **Uninsured Motorists** are drivers who have no insurance at all.
- **Underinsured Motorists** are other drivers who have some auto liability insurance coverage but the economic value of your injury exceeds their policy limit.

See this coverage as reverse liability in that you collect some of all of the economic value of your injuries caused by the other driver from your own insurance company, almost as if they're the other driver's insurance company. In short, your policy would make up the gap between the other driver's liability coverage that he would have needed to pay your claim in full. Of course this assumes that you purchased adequate limits on underinsured or underinsured liability limits for yourself.

How does this work?

Say you're injured in a non-fault accident by a driver that runs a stoplight. The economic value of your accident is \$450,000. Now assume you bought \$500,000 of Uninsured and Underinsured Motorists coverage on your own auto policy. For an underinsured, you would collect the other driver's liability limit (typically \$100,000). Then you collect the balance of \$350,000 from your own insurance company under your Underinsured Motorists coverage. If the other driver had been without any insurance at all, you would have collected the entire \$450,000 under your Uninsured Motorists coverage.

Underinsured and Uninsured Motorists coverage is one of the cheapest parts of an auto policy. Buy as much protection for your own injuries (caused by another person) as you buy to cover the injuries you yourself cause unto someone else. Why? Because you're worth every bit as much as a complete stranger whom you might injure, and other people may not carry enough coverage to adequately take care of you.

Here are some examples of Underinsured and Uninsured Motorists claims that our clients have experienced:

- Our client was rear-ended by another driver carrying state minimum limits of \$15,000 in liability coverage, resulting in \$480,000 in injuries. The driver who caused the accident had very little economic value. Our client carried \$500,000 of Underinsured Motorists coverage, resulting in his own insurance company paying the difference of \$465,000.
- Our client was rear-ended by an uninsured driver resulting in \$55,000 in medical bills. Our client's own insurance company paid under their Uninsured Motorists coverage. Other Important Auto Policy Coverage. In addition to making sure you're adequately protected with Auto Liability coverage and Uninsured and Underinsured Motorists coverage.

Here are several other coverages in the auto policy to discuss with your insurance professional:

- Comprehensive
- Deductible(s)
- Collision Deductible(s)
- Rental Car Reimbursement
- Medical Payments
- Towing and Labor

