

# JUSTICE FOR ALL

## CAR INSURANCE – WHAT COVERAGE DO YOU HAVE AND IS IT ENOUGH?

**Insurance** policies are difficult to understand -- trying to make heads or tails out of the numerous definitions and exclusions contained in an insurance policy can be confusing. Too often these questions are not asked until someone has already been involved in a wreck.

This issue of *Justice for All* discusses automobile insurance – what is required under Alabama law; what each type of coverage insures against; how it benefits you; and what types of coverage you should maintain on your vehicles. I think it is important that you understand I do not represent any insurance companies. My objective is to help you better understand your automobile insurance policy so that you can decide what types of (and how much) coverage best suit your needs.

### **Liability (Bodily Injury / Property Damage)**

Until a little over 8 years ago, the owner of an automobile was *not* required to maintain *any* type of insurance coverage. Thus, someone could *legally* drive a car, truck, or motorcycle on a public road in Alabama, at speeds of up to 70 mph, without having any insurance at all. When you think about it, that's scary!

That all changed on June 1, 2000, when the Alabama Mandatory Liability Insurance Act went into effect. Beginning in 2000, motor vehicle operators in Alabama were required to maintain *at least* \$20,000.00 (per person) /

\$40,000.00 (per incident) in bodily injury liability insurance coverage and \$10,000.00 in property damage liability insurance coverage. These minimum limits have recently been increased so that all automobile liability policies issued in Alabama, since November 28, 2008, must provide for at least \$25,000.00/\$50,000.00 in bodily injury liability coverage and \$25,000.00 in property damage liability coverage.

Liability insurance coverage only protects others who are injured or their property is damaged as a result of you or someone else negligently operating your vehicle. You cannot make a claim on the liability portion of your policy for injuries that *you* have sustained or for damage to *your* vehicle, regardless who caused the wreck. *This is the only type of automobile insurance required under Alabama law.*

### **Uninsured/Underinsured Motorist (UM/UIM)**

In Alabama, uninsured/underinsured motorist (UM/UIM) coverage is included in all automobiles policies issued in the state, unless it is rejected by each named policy holder, in writing. *In the absence of a signed rejection, you have UM/UIM coverage by default, even if you have not paid any premiums for this additional coverage.*

UM/UIM coverage allows you to make a claim on *your* policy for *injuries* that *you* (or anyone else covered under your policy) sustain

due to someone else's negligence. Basically, UM/UIM coverage is a substitute for another driver's lack of either any bodily injury liability coverage or sufficient bodily injury liability coverage. *Under some automobile insurance policies it is not even necessary that you be in your automobile when you are injured to make a claim for UM/UIM benefits.* For instance, you could be crossing the street or walking down the sidewalk and get hit by a car.

Consider this example: If you had \$100,000.00 in medical bills as the result of a wreck and the other driver (who caused the wreck) only had \$25,000.00 in bodily injury liability coverage, you would be able to make a claim on both the other driver's policy and the UIM coverage under your policy.

One unique characteristic of UM/UIM coverage is that it can be "stacked," meaning that you can actually recover UM/UIM benefits based on insurance that you maintain on vehicles that you own, but you were not driving at the time of the wreck, subject to certain limitations. Thus, if you own 3 cars and have \$25,000.00 in UM/UIM coverage on each of them, you would then have \$75,000.00 in UM/UIM coverage, even if the cars were insured under different policies or with different insurance companies.

UM/UIM coverage does *not* apply to property damage. Therefore, you cannot make a claim for UM/UIM benefits because the other driver had either no insurance or insufficient insurance coverage to repair or replace your automobile as the result of a wreck.

### **Medical Payments**

Medical payments ("med pay") coverage is optional under Alabama law. This coverage is similar to health insurance. It is also relatively inexpensive. Med pay coverage helps pay for medical bills that you (or someone else driving or riding in your vehicle) incur as the result of a wreck. Under most automobile insurance

policies, med pay coverage is *not liability based*. By this, I mean that it makes no difference whether you caused a wreck or someone else was at fault. In either instance, you can still make a claim under the med pay portion of your policy. Med pay is solely for the benefit of you and other drivers/passengers of your vehicle.

If you have health insurance, med pay coverage fills in the gaps to help pay co-pays, deductibles, and other medical bills that are not covered by your health insurance policy. Should you cause a wreck and not have health insurance, med pay is likely the only insurance coverage available to help pay your medical bills.

### **Collision/Comprehensive**

Together, liability, collision, and comprehensive insurance are commonly referred to as "full coverage." Collision coverage protects your vehicle in the event that you are involved in a wreck and your automobile must be repaired or is deemed a total loss, regardless who caused the wreck.

You can always make a claim under the collision portion of your policy, even if the other driver caused the wreck. Beware, however, that a deductible will apply under the collision coverage on your automobile. Therefore, if another insured driver is at fault, it is generally best to make a claim under their policy, thereby avoiding the deductible that you will incur by making a claim on your policy.

Depending upon the value of your vehicle, collision coverage is typically the most expensive type of coverage available. If your automobile is financed, the lien holder will *require* you to maintain collision insurance coverage on it.

Comprehensive or incidental coverage protects your automobile from vandalism, theft, hail damage, and flying objects, such as a rock hitting your windshield. This type of coverage pays for the cost of repairing or replacing the

resulting damage (*i.e.*, your windshield) and normally has a much lower deductible (or none in some instances) than your collision coverage.

### **Towing and Labor**

Towing coverage pays up to a specified amount (typically rather low) for your vehicle to be towed from the scene of a wreck.

### **What coverage do you need and how much?**

The types and limits of coverage that you should maintain on your vehicle vary, depending upon your particular situation.

***Bodily Injury Liability*** -- One familiar insurance company has a commercial in which they imply that, absent sufficient liability coverage, an individual injured due to a wreck that you caused would be able to take your home, personal property, and all other worldly possessions. Although somewhat overstated, in a sense, this is true. For that reason, the amount of bodily injury liability insurance coverage that you maintain should be as much as you can realistically afford. It is not uncommon for individuals with significant assets to have bodily injury coverage of at least \$250,000.00 / \$500,000.00 per accident.

You should consider getting a quote from your insurance agent regarding the cost of increasing your bodily injury liability coverage. Ten times the amount of bodily injury coverage will *not* cause your premiums to increase ten-fold. The increase in cost is typically minimal, when compared to the additional coverage obtained.

***Property Damage Liability*** -- A good goal would be \$100,000.00 in coverage, but, if the premium is too expensive, try to maintain at least \$50,000.00 in coverage. Remember, some vehicles nowadays cost in excess of \$100,000.00 and you don't want to be personally responsible for any resulting damages in excess of your coverage limits.

***UM/UIM*** -- Your limits of UM/UIM coverage

should be about the same as the amount of your bodily injury liability coverage. My thinking is that, if you are going to insure yourself from injuries that you might cause another person, you should equally protect yourself from injuries that might be caused by someone else. Realize, however, that many insurance companies are beginning to cap the amount that they will offer in UM/UIM benefits and may not issue a policy with the same limits of coverage as your bodily injury liability coverage. If this is the case, then you may want to seriously consider shopping around for a different insurance carrier.

***Med Pay*** -- Between \$1,000.00 and \$5,000.00 in med pay coverage should be sufficient, especially if you have health insurance. One exception to this that some clients of mine have encountered is if they are transported by helicopter to the hospital. Depending on the particular emergency helicopter service used and the distance traveled, the cost of this flight could easily be more than \$15,000.00. This is important because, under most health insurance policies, a very small portion of this amount will be paid by your health insurance carrier and you will be responsible for paying the remainder of the bill.

***Collision/Comprehensive*** -- The limits of this coverage will be determined by the value of your vehicle. One thing to consider is the amount of the deductible. Obviously, a lower deductible is better. A deductible of \$250.00 or \$500.00 is advisable. Ask your agent for the resulting difference in cost for a \$250.00, \$500.00, and \$1,000.00 deductible. I think you'll find that the lower deductible is not that much more expensive and, when weighed against the potential risk, worthwhile.

***Additional Coverages*** -- Comprehensive coverage (*i.e.*, broken windshield, vandalism), rental car reimbursement, and towing are normally a set amount, varying from insurance company to insurance company. Again, the deductible is the key consideration. I would recommend that you maintain a very low deductible (*i.e.*, \$50.00) on

comprehensive coverage and 20-30 days of rental car coverage.

### Other Considerations

When choosing an automobile insurance carrier (or reviewing your existing automobile insurance policy), at least two additional and important considerations come to mind. First, see if there is an arbitration provision, which would likely apply to any “dispute” that you might have with your own insurance company (to include a claim for UM/UIM benefits). Second, does the policy exclude punitive or exemplary damages? If so, I strongly encourage you to consider obtaining automobile insurance from another company.

### Conclusion

Because the purpose of insurance is to “insure” that you are not exposing yourself to personal liability, you should review and evaluate the current coverage on each of your automobiles and make an educated decision whether to change the limits or deductibles thereof to better protect yourself from potential financial exposure.

### In Memoriam

On December 6<sup>th</sup>, D.J. Guard, a very good friend of mine, whom I have known for over 20 years, passed away after an extended battle with a terminal illness. D.J. encouraged me to start writing this newsletter and even suggested various names for it. His humility was only surpassed by his honesty, work ethic, and sense of humor. There was only one D.J. and the world will be a different place without him. He will be missed by his family, my entire family, and his many friends.

### Addendum / Closing Thoughts

This is a dangerous time of the year to be out on the road. It’s cold and rainy. At times, some of the streets have patches of ice on them. A lot of people drive during the holidays. Drinking and driving always seem to increase as the holidays approach. Regardless of how much insurance coverage you have, please be careful out there. I hope that you have an enjoyable, but safe, holiday season. **Merry Christmas and Happy New Year!!**



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