

More than the minimum

The case against purchasing only your state's mandatory minimum liability insurance limits:

Starting in the 1920s, all but one state in the United States (New Hampshire) have passed laws requiring that vehicle owners maintain automobile liability insurance to cover their liabilities for personal injuries or property damage. A core component of those laws were the mandatory minimum liability limits.

For example, when California's compulsory insurance law was adopted in 1974, it required that vehicle owners purchase coverage with liability limits of no less than \$15,000 for injury to one person and \$30,000 for injuries to all persons. Often these limits are expressed as "15/30." Often a third number is included, representing the limits of liability for damage to property (e.g., cars and buildings).

While the price of gas has risen about eight-fold from the 50 cents a gallon that drivers paid in 1975, and the cost of a day in the hospital has risen more than ten-fold, the minimum liability limits remain the same in some states, particularly California. Mandatory minimums should reflect cost of living and probable jury verdicts in personal injury or wrongful death cases. California, for example, has not adjusted its mandatory minimums since 1974. However, Minnesota's minimum limits are twice those of California - 30/60/10. Alaska and Maine's minimum limits are 50/100/25.

Most (if not all) auto insurers offer policies with a broad selection of limits above the minimums, such as 25/50, 100/300, and 250/500. Some high-end policies offer a "single limit" of \$1 million, and umbrella policies are available that will enhance coverage even further. The most important question for consumers is: what limits should I pick? The answer will depend on a number of factors, but in most cases, it is not a good idea to choose the lowest limits available.

Legislators are often reluctant to adjust mandatory minimums for fear of burdening vulnerable groups; yet existing limits bear no relation to the kinds of verdicts that could be rendered against you in this day and age, should you be found to have caused an accident. Conversely, some states, including Alaska, California, Iowa, Kansas, Louisiana, Michigan, New Jersey, North Dakota, Oklahoma and Oregon, have

enacted laws that prevent or limit an uninsured driver from suing for personal injury even when you as the injured motorist did not cause the accident.

For illustrative purposes, here are some examples of jury verdicts rendered against drivers in car accident cases in just the few months prior to this writing (September 2014):

- \$3.1 million for back injuries suffered in a rear-end collision (California);
- \$1.1 million for a motorcyclist who suffered knee and finger fractures when an automobile pulled out in front of him, causing him to fall to the ground (California);
- \$77,000 for a father and daughter struck by a red light runner. The father suffered a fractured tooth and a torn shoulder ligament. Both suffered soft tissue injuries (California);
- \$57 million was awarded by a jury to a 25 year old man who suffered brain injuries and paralysis after being struck by an elderly driver (California); and
- \$4.78 million awarded in a car accident resulting in a wrongful death suit (Texas).

If you are a person with assets to protect from creditors, such as cash, stocks, equity in a home, or other substantial, unprotected assets, going without ample auto insurance coverage is foolhardy. A seriously injured plaintiff has no obligation to content him or herself with the policy limits available from your auto insurer, and will demand that you contribute your personal assets to any settlement. If the case goes to trial and judgment, the courts and county Sheriffs can assist in seizing your assets, including bank accounts, vehicles, jewelry and the like, to satisfy a judgment. Trying to hide your assets by transferring them to others is unlikely to succeed.

Even if you do not have substantial assets, there is a good reason for you to carry higher liability insurance limits. According to one insurance industry research group, over four million motorists – about one in every seven – are driving without insurance. The vast majority of these people have little or no assets to compensate others for harm that they cause.

In most states, auto insurers are also required to at least offer another kind of insurance called uninsured/underinsured motorist coverage (UM/UIM). This UM/UIM coverage will fill the gaps pay you

what that uninsured or underinsured driver should have paid you if they had been properly insured. In most cases, unless you expressly decline it, your auto policy will include UM/UIM coverage. However, you cannot purchase UM/UIM coverage with greater limits than those you select for your liability to others. Thus, in order to obtain adequate UM/UIM coverage for yourself, you'll need to carry adequate limits for your liability to others.

In light of the many concerns highlighted in this post, it is advisable to take a close look at your auto insurance declarations page, consult with your broker or insurer, and make sure you have realistic limits for both liability and UM/UIM coverages.

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