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An ounce of protection

A small investment can yield a large benefit


Cooper

By Miles B. Cooper

My phone rang – it was Jane, a client who was severely injured in a car crash. The driver had $100,000 in coverage. Jane had $100,000 in uninsured/underinsured (UIM) coverage. She and I talked about the importance of liability insurance – to protect her should she hurt someone – and UIM policies. Too late for this incident, but a lesson I cover with anyone who sits still for too long around me.

"Miles, I wanted to let you know how much it cost us to get $1 million of umbrella insurance, including adding uninsured motorist coverage." For those of you who don't know, umbrella policies as a rule do not provide uninsured motorist coverage. But for a very low price you can add it as an endorsement – you just need to ask.

"You told us it wouldn't be very expensive," she went on, "but I wanted you to have an actual figure to share with people you talk to. I think they'll be surprised." After hearing the figure I'm sure they will be – I was.

Preaching to the choir

(a choir made up of cobbler's kids[1])

The number, if you are an instant gratification person, is at the end of the column. Most personal-injury practitioners are familiar with this coverage. My goal? First, remind you to talk about these issues with friends and family before they become clients, and second, to remind you to check yourself – I suspect you are likely missing some coverage. I ask that you finish reading the column and then immediately make a call to your broker (my guess: you've been meaning to get disability coverage but just haven't gotten around to it.)

Car insurance: Get the UIM endorsement for umbrella coverage

In California, you have a one-in-three chance that a driver is uninsured or has the $15,000 statutory minimum. This is barely enough to cover an ER visit. And drivers without enough insurance tend to be drivers without personal assets.

The best defense is your uninsured/underinsured coverage. Most people don't give UIM any thought. Typically an insurer will automatically set UIM coverage at the same level as the policy limits. This means a $100,000/$300,000 policy will automatically have $100,000 UIM limits. I recommend carrying a $300,000 UIM policy *and* an umbrella policy that extends UIM coverage. Why $300,000? This is usually the minimum for an umbrella policy.

The other UIM benefit? Under most policies, UIM covers you if a car strikes you even if you are in another car, a pedestrian or on a bicycle.

Remember though, UIM claims are resolved via settlement or binding arbitration. And the maximum UIM settlement or arbitration award payment will be reduced by any proceeds from the driver who caused the accident. For example, if the driver has a $15,000 policy and you have a $100,000 UIM, your UIM maximum would be $85,000 after receiving the $15,000 from the driver.

Homeowner's and renter's policies

Homeowner's and renter's policies provide two types of protection. The first is for damage or loss to items you own. For example, if there is a fire in your apartment building and your rental unit is damaged, your renter's insurance would pay for your loss. This can be important in situations where the landlord's insurance or assets may not be enough to cover a large fire. The second is your personal liability, if say a visitor is injured at your place and sues. This coverage can extend to other personal-liability circumstances. Again, an example: We have a case now where the homeowner's coverage is providing the defense and will pay for any liability (up to the policy limits) for an individual whose negligence on the ski slopes injured a young woman.

This is another area where you should check with your broker and set your liability limits high enough to obtain an umbrella policy to sufficiently protect your assets.

Umbrella or excess policies

The purpose of liability insurance, for vehicles or homes, is to protect your assets from a judgment. There is a tendency to underestimate how much an injury can cost. A bad accident – a trip to the ER and extended stay in the ICU – can easily cost $1 million. Umbrella insurance is there to protect your hard-earned savings, property and future earnings from an adverse judgment.

Be sure to ask about adding UIM coverage to your umbrella policy. It will cost you a little extra and your carrier may have a maximum that it will offer, but it is worth every penny should you be badly injured by a driver with low limits.

Disability insurance

Most cases take a long time to resolve. In the interim, our clients need to make ends meet. Many of them cannot return to work. The clients who have disability insurance experience a much easier time financially while the case proceeds. Disability insurance makes up for a portion of your income when you are injured. There are short-term and long-term policies, each with different nuances. Deciding how much coverage requires consideration of your particular financial and family situation.

The cost

The insurance Jane called about? $140 a year, including the umbrella. That's it. And the difference to her would have meant an

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additional $1.2 million in coverage for her accident. A lesson that we should all take to heart.

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Endnote

[1] A reference to the cobbler's kids having no shoes. I can't tell you how many lawyers fail to follow their own advice. Myself included.

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