

Purchasing Automobile Insurance

MAKE SMART DECISIONS

by David Lefkowitz

You can't watch television these days without seeing a commercial for an insurance company. Would you rather buy your insurance from a gecko or a caveman? It matters not, because they both shill for Geico (which, incidentally, is a subsidiary of Warren Buffett's investment vehicle, Berkshire Hathaway). Insurance is a huge business, which is, of course, another way of saying that insurance companies have the potential to earn huge profits. Their profits are earned by charging premiums and then (a) investing the money collected as premiums until such time as the money must be paid as benefits, and (b) keeping (and investing) the difference between the amount of money collected as premiums and the amount paid out as benefits.

You should always keep in mind that insurance companies can increase their profits by reducing the amount they pay for claims. Some insurers have a reputation for being particularly stingy when it comes to compensating people for injuries. When you are deciding which company to use for your insurance, please consider the type of coverage you need and the customer service you expect.

Anyone who drives in Georgia must have automobile insurance. In order to be "legal," you must have a minimum of \$25,000 of li-

ability coverage. Liability coverage is what will be used to compensate someone who is injured because you drove unsafely and caused a crash. As part of the insurance coverage, the insurer also will provide you with a lawyer if you are sued by someone who contends he was injured as a result of your carelessness. While \$25,000 is the absolute minimum amount of insurance coverage you can have and still be "legal," I highly recommend that you purchase insurance that provides higher coverage limits. Keep in mind that if you hurt someone in a crash, and you are sued, your assets are at risk for any amount above your liability limits. So, for instance, if you have \$25,000 of liability coverage, and a jury awards \$100,000 to the person you injured, you will be on the hook for the \$75,000 which is in excess of your minimum coverage.

There are people who have bad driving records and cannot purchase coverage that is higher than the legal minimum (because insurance companies are not willing to take the [higher] risk that the bad driver will cause a crash and cause the insurer to pay a large judgment). If you are not one of those bad drivers, you should buy an insurance policy that provides considerably more coverage than the legal minimum so that your personal assets will not be at risk if you cause a crash.

It is easy, and tempting, to say, "I don't need a lot of insurance coverage." The truth is that we all hope we never need our insurance coverage. It protects us from risks that we hope we never face. If you have paid for lots of insurance over the years, and you have never actually needed to use it, then consider yourself lucky. To have paid a lot of money for unused insurance is far better than actually needing the insurance coverage.

When you are buying automobile insurance, you will be offered "UM insurance." Most people (heck, most lawyers) have no idea what UM insurance covers. It covers YOU! UM insurance is an abbreviation for two terms: "Uninsured" and "Under Insured." If you are involved in a crash that is caused by someone who has no insurance, they are uninsured. If they cause you to suffer injuries and damages, your UM insurance will cover the claim, up to the UM policy limits you have purchased. Therefore, it is in your best interests to purchase a lot of UM coverage. It is not very expensive, and it is money well spent. If you don't treat UM insurance as important, and you only buy \$25,000 of coverage, you will be regretting it when an uninsured driver significantly injures you, and there is inadequate insurance available to pay your bills.

Under Insured insurance kicks in when the person who caused the

crash does have insurance, but not enough. Suppose that the person who hit you has \$25,000 insurance, but you have \$100,000 of UM coverage. If that happens, you will have at least \$100,000 available to compensate you for your losses. Ironically, most people have higher liability limits (to cover injuries to other people) than UM limits (to cover themselves). Show yourself some love: Purchase adequate UM coverage.

There is one important item regarding UM insurance that I want to mention: Until recently, Under Insured insurance filled the gap between the at-fault driver's coverage and yours. For instance, if the at-fault driver had \$25,000 of liability coverage, and you had \$100,000 of UM coverage, the maximum you could recover was \$100,000 (\$25,000 from the other driver's insurance, and \$75,000 from your own UM insurer). A couple of years ago, the law was changed, and now you can choose (when you purchase/renew your policy) whether you want your UM insurance to fill the gap or be added onto the at-fault driver's limits. If you chose the "add-on" coverage, then under the above example, you would be entitled to recover the at-fault driver's \$25,000 coverage, plus your entire \$100,000 coverage.

You should always choose the "add-on" UM coverage. Otherwise, your UM coverage may provide no coverage at all. If you have \$100,000 of UM coverage, and the at-fault driver has \$100,000 of liability coverage, you will be entitled to none of your UM coverage unless you have purchased "add on"

UM coverage. If you have not purchased "add on" coverage, you cannot recover any of your own UM coverage, because there is no gap to fill between the \$100,000 coverage that the at-fault driver has and the UM coverage that you have. The bottom line is that you should maximize your UM coverage by purchasing the "add on" UM coverage. This is how you protect yourself.

Your insurer will offer you the option of purchasing Collision Coverage. This coverage pays for damage to your car from a collision with another car, an object such as a pothole, or flipping over. Collision insurance is not required, so if you have a car that is old, and you likely would not repair a dent anyway (or do not want to pay a lot of money to insure the body of a car that is not valuable), then you do not need to buy collision coverage. This is a true business decision: Do I pay for the coverage, or do I take the financial risk that my car will be damaged, and regret later that I did not pay for the coverage? Keep in mind that collision coverage will pay for damage that you cause to your car. If someone else damages your car, then their insurance should cover the claim, and you do not need your own collision coverage. Also consider, however, that if you have purchased collision insurance, and someone else dents your car, you can ask your insurer to repair your car, and then the insurer will seek reimbursement from the at-fault driver's insurance company.

Once you decide what level of coverage you want, price becomes a consideration. (Don't let price cause you to purchase inadequate

coverage. Rather, decide what you want, and then seek a good price.) Always remember the obvious: You get what you pay for. If you purchase insurance from a low-quality provider, you may regret it if you are sued (and want a good insurer and a good lawyer to protect your interests) or if you are injured and want your insurer to pay the claim. While all insurers are in business to make a profit (a noble goal), you want an insurer who makes its money by investing well and making smart underwriting decisions. You do not want an insurer that makes its money by accepting premiums with an open hand, but being tight fisted when it comes to paying claims.



David Lefkowitz is the founder of the Lefkowitz Firm, LLC, which has offices in Atlanta and Athens. The Lefkowitz Firm, LLC, represents individuals and corporations in their claims for legal malpractice (legal negligence) and similar claims such as breach of fiduciary duty, trustee misconduct and executor misconduct. The firm also represents attorneys with regard to law firm management issues, including conflicts and bar discipline matters. Mr. Lefkowitz frequently is an invited speaker at continuing legal education seminars on the topics of legal malpractice, ethics and professionalism. For more information, visit the firm's website at: www.LefkowitzFirm.com.