

What Automobile Insurance Coverages Should I have in California?

By Scott Bradley Dormer, Esq.

February 1, 2012

All too often I am contacted by auto accident victims who either don't understand their automobile insurance coverage, have inadequate coverage types or amounts, or both. Too many times I am told by my clients that they have "full coverage", only to find out that their coverages are either inadequate or that they lacked coverage for certain situations. The purpose of this article is to clarify the various types of coverages generally available.

Types of Coverages Typically Available:

1. **Liability Coverage** - In California, drivers and owners of motor vehicles are required by law to carry liability insurance coverage (or provide evidence of self-insured status, which is beyond the scope of this article). Liability coverage applies when you are at fault for an accident. In other words, if you cause an accident your insurance company will pay, on your behalf, the bodily injury or property damage of people who were damaged by your negligence, up to the policy limits that you have purchased.

The liability limits required by California law are \$15,000/\$30,000/\$5,000. That means that your insurance company will pay up to \$15,000 per person, but no more than \$30,000 per accident, for the bodily injury damages you caused to others, and up to \$5,000 per accident for the property damages you caused. This coverage does not apply to any injuries that you suffer in the accident, or any damage sustained to your vehicle or property.

2. **Comprehensive and Collision Coverage** - These are optional coverages, and pay for damage sustained to your insured vehicle, either by way of a collision or some other insured reason (i.e. vandalism, hit and run, etc.), and typically irregardless of who is at fault for causing the damage. There are typically deductibles associated with this coverage, which often range from \$250.00 to \$1,000.00. This means that you must pay the amount of the deductible towards the cost of repair, and your insurance company will pay the rest of the damage, up to the coverage limit.

3. **Uninsured Motorist Bodily Injury Coverage** - This is an optional coverage, which covers any bodily injury damages sustained by you or anyone riding in your vehicle, caused by another driver's negligence, up to the coverage amount. For this coverage to apply, the other driver must: (1) be at fault for the accident; and (2) either not have any insurance, or have inadequate insurance to cover the sustained injury damages.

4. **Uninsured Motorist Property Damage Coverage** - Also an optional coverage, and similar to the Uninsured Motorist Bodily Injury Coverage, but instead of paying for bodily injury damages sustained by you or your passengers, it covers claimed property damage, up to the coverage amount. Once again, for this coverage to apply, the other driver must: (1) be at fault for the accident; and (2) either not have any insurance, or have inadequate insurance to cover the property damage caused.

5. Medical Expense Coverage - This is an optional coverage which pays for the reasonable medical bills of you or anyone in your car that were injured in an accident up to the coverage amount. This coverage typically applies regardless of who caused the collision.

This coverage can either be “Excess Only” or “No Excess”. If “Excess Only”, your automobile insurer will only pay for the medical bills not covered by your health insurance. If “No Excess”, your auto insurer will pay for medical bills whether or not covered by your health insurance. There are typically restrictions that the medical bills must be reasonable and customary charges and, of course, caused by the automobile collision.

This coverage can also be either “Reimbursable” or “Not Reimbursable”. If the coverage is “reimbursable”, it means that payments made by your insurance company must generally be repaid to them if you collect damages from the “at fault” driver. “Not Reimbursable” means just that- the amount paid out does not have to be paid back to the carrier. There are certain situations where reimbursement does not have to be made even if the policy is “reimbursable”, but that exceeds the scope of this article.

6. Miscellaneous Coverages - There are other miscellaneous, optional coverages that are typically available, depending on insurance carrier. These include Rental Car Coverage (pays the cost of a rental car which your car is being repaired), Roadside Assistance Coverage (tow truck), Lease / Loan Gap Coverage (pays for the difference between the value of your car and the amount you owe on its loan or lease if the car is a total loss), and others. These coverages are fairly self explanatory.

What Type of Coverage Should I Have?

As mentioned above, liability coverage is required by law, and therefore is mandatory. Deciding what optional coverages you should have in addition to liability coverage is, to some degree, a business decision you must make. The same can be said about deciding what dollar amounts of coverage you should purchase.

Having practiced personal injury law for over 20 years, it is my opinion that every automobile driver should have at least: (1) Liability Coverage; (2) Uninsured Motorist Bodily Injury Coverage; (3) Medical Expense Coverage, and (3) Rental Car Coverage. If your automobile is worth more than a few thousand dollars (of which can afford to pay for any damage caused to that car under any circumstance), then you should also have Comprehensive and Collision Coverage. The other miscellaneous coverages mentioned above are also recommended, including Lease / Loan Gap Coverage.

What Amounts of Coverage Should I Have?

Insurance is a business decision, and it is up to each of us to decide how much we want to protect ourselves should an automobile collision occur. Beyond the minimum required

liability limits discussed above (\$15,000/\$30,000/\$5,000), the dollar amount of the coverages that you obtain is up to you. However, I recommend obtaining the highest dollar limits that you can afford. In my opinion, having the bare minimum required by law (liability only with limits of \$15,000/\$30,000/\$5,000) is inadequate and the wrong decision.

Remember that the higher the liability coverage you purchase, the less personal exposure you have for any injuries and damages you cause in an accident. Everyone makes mistakes, and it is highly likely that at some point in your life you will cause an automobile accident. You should protect your hard earned assets and job income from injury and damage claims against you by having the highest liability limits you can afford.

The same can be said about automobile accidents caused by others. Over the years I have had hundreds of clients who were injured in auto accidents cause by uninsured drivers. Or by drivers who had inadequate insurance to cover my client's injury claims. Without uninsured motorist coverage, the clients are often unable to obtain any recovery for their injuries and damages, since many "uninsured" or "under-insured" motorists have no income or assets to satisfy the client's claims. Those clients that had the foresight to purchase uninsured motorist coverage are able to collect from their own insurance carrier payment for their injuries.

Also, what many people do not realize is that the incremental cost of a higher coverage limit is typically minimal. In other words, it will cost you a certain amount to obtain liability limits of \$15,000. To obtain the next level up in coverage however, (say \$25,000 or \$30,000), is typically not that much more money. Consequently, a better level of protection is generally not that much more expensive that the lower limits.

In conclusion, automobile insurance is a very important part of protecting yourself against loss. That includes the losses you may cause through your own mistake, as well as the losses you or your passengers might sustain due to the fault of others. I highly recommend that everyone review their automobile insurance policies and make sure they truly have "full coverage", with coverage in the areas discussed and with coverage amounts of as much as they can afford.

If you have questions, do not hesitate to speak with your insurance agent or broker for further clarification on costs, coverage types and limits or call me for a consultation.