

**ARTICLES**

# Happy Motoring? What Auto Insurance Coverage Do I Need to Protect Myself?

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Excess un-insured/underinsured protection shouldn't be the road less travelled. What happens if you're sideswiped by a driver in another car and you sustain serious injuries? Typically, the other driver's insurance company will pay for your injuries and the damage to your car.

But what if you find out the other guy (or gal) has no insurance?

Well, if you're fortunate, you'll have uninsured and underinsured motorist coverage on your auto policy; and your broker will have encouraged you to purchase an additional \$5 million in coverage on your umbrella policy.



Your auto policy will also cover your medical injuries and damaged car. The umbrella will come into play when your underlying auto policy is exhausted. If you're out of work for a month or more, the umbrella policy will even compensate you for the wages you lost while recovering.

Uninsured and underinsured motorist coverage, then, is an important feature of your auto and umbrella policies, but the coverage for excess liability is available only from high net worth insurance companies as an optional add-on. Limits on these types of coverage start at \$1 million and can go up to \$5 million, and even \$10 million. At its basic level, uninsured motorist coverage will cover your bodily injuries if you are hit by a driver with no insurance. Underinsured motorist coverage, on the other hand, will cover your injuries if you are hit by a driver carrying inadequate limits of liability—which can be your state's minimum limits. California's bodily injury minimum limit, to cite our home state, is \$15,000 per person, \$30,000 per accident. The property damage minimum is \$5,000. Exceed those and your own auto policy has to cover costs.

Above its limits, your excess coverage matters. Nationwide, 12.6 percent of drivers are uninsured, with 12.5 percent of accidents caused by uninsured motorists! In some states this percentage is even more, reaching as high as 25.9 percent.

In a not-untypical case, a client's 17-year old daughter was driving home from college in her Mini when she was hit by an uninsured driver on the freeway; she was left severely injured and in a coma for two months. An uninsured/underinsured endorsement on her parents' umbrella policy covered all her medical expenses when the underlying uninsured and underinsured motorist coverage on the auto policy was exhausted.

Even if you're not behind the wheel, uninsured/ underinsured coverage can still apply. This was illustrated

when a New York City. TV personality, riding unbelted in a cab, suffered multiple injuries to his face that required months of surgeries after his driver slammed on the brakes, throwing him into the payment box.

While the cab company's coverage limits weren't sufficient, the underinsured motorist endorsement on the passenger's umbrella insurance was; it covered the medical expenses as well as the victim's loss of wages during recovery.

How about if you're not in a car? Several years ago, a client was crossing an intersection when a driver, blinded by the sun, hit her, crushing her leg. She went through a yearlong rehabilitation to regain use of the leg. Although the driver had insufficient liability limits, our client's expenses were covered under the excess underinsured section of a \$1 million personal excess liability policy, after her primary limits were exhausted. For a high-earning individual out of work for a period of time from an accident, income lost can easily exceed the limits of a typical underlying auto policy. Companies that specialize in protecting high net worth clients have provisions in their uninsured/ underinsured endorsement appropriate to these levels of lost wages.

So, the message here is that, even when a car is not involved, the underinsured liability coverage high net worth carriers offer is a good idea.

As already stated, this coverage is offered through high net worth-focused carriers as an optional add-on. The increasing number of uninsured and underinsured drivers on the medical care, the potential for substantial income loss and the relatively inexpensive cost of the coverage all make a good case for excess umbrella policies being a must-have.

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