

## **CONSEQUENCES OF INADEQUATE AUTO INSURANCE COVERAGE**

The consequences of inadequate auto insurance coverage can be devastating both for the owner of a given insurance policy and for the individual who has been injured. If the owner of an insurance policy has inadequate coverage, then the injured party can go after the individual who caused the harm for assets above and beyond the insurance limits. Unfortunately for the injured party, if the party causing the injuries does not have sufficient coverage and/or additional assets it can be very difficult to obtain any measure of justice or fair compensation on behalf of the party who sustained the injuries/damages. Inadequate coverage is the most common mistake made by not only consumers who purchase coverage to protect themselves but also by those injured in accident.

Read on to learn more about the consequences of inadequate auto insurance coverage.

1. **Lack of liability coverage or insufficient liability coverage.** If the party who causes an automobile collision has insufficient coverage to compensate someone who has been hurt in the collision, the injured party walks often away from the claim with compensation completely inconsistent with the harms and losses that have been incurred. Considering that almost 60% of the California driving population drives with either no insurance or minimal coverage, the odds are likely that an injured party will be faced with a scenario where there will not be sufficient insurance coverage. Despite all of the talk about someone losing their home or becoming penniless as a result of being on the wrong side of a personal injury lawsuit, if a party who causes an accident that injures another has no significant assets, the odds of getting any compensation directly out of the pocket of that individual are slim. The main reason is that there are quite a few legal protections for debtors in California and unless the individual has significant assets, many of those protections will allow a judgment debtor to keep their home, retirement funds, and a certain amount of personal assets (such as automobiles, clothing, jewelry, etc...) even if they end up filing bankruptcy as a result of a judgment against them.

My firm, Russell & Lazarus, APC, has handled a fair number of claims where we have been able to obtain compensation on behalf of our clients in amounts in excess of the policy limits that the defendant was carrying. However, it is the rare defendant or responsible party who has assets significantly in excess of the policy limits they purchased from an insurance carrier.

When attorneys talk about “being retained on a solid claim” that usually involves a claim where the liability is clear, the injuries are obvious, and there is sufficient insurance coverage. When any of these three variables are absent from a claim, issues arise in regards to an injured victim not being fairly compensated. Again, since only 40% of the driving population is driving either with adequate insurance coverage, every California consumer needs to protect him or herself.



- The easiest way to protect yourself is to make sure that you have your own sufficient coverage. This coverage will come in the form of significant Uninsured/Underinsured motorist coverage that will allow an injured party to obtain sufficient compensation for the injuries sustained.
2. **Inadequate property damage.** If you are involved in an automobile collision and the collision is your fault, if only have the minimal property damage liability limits of \$5,000, you run the significant risk of facing personal liability exposure above and beyond your \$5,000 limits, which means a judgment being obtained against you. The minimal limits of \$5,000 for property damage and \$15,000 for bodily injury coverage has been set at those levels for the past 30 years, despite inflation and the significant amount of money it takes to repair most vehicles. It does not take much damage to a vehicle to come up to \$5,000.
  3. **Inadequate collision or comprehensive coverage.** If you are the victim of an automobile collision and you do not have collision coverage, then your hope is that the party who caused the collision has sufficient coverage to cover your property damage loss. If the damage to your vehicle is in excess of \$5,000, you have a 60% chance of not getting fully compensated for all the property damage that you have incurred. Furthermore, if there are multiple vehicles involved in the collision, the insurance company for the party causing the collision will not pay on any of the claims until all of the damage claims have been asserted. As a result, you could be without transportation for 30, 60, 90 days or longer waiting for the insurance company to a portion the \$5,000 among all of the parties who incurred damage as results of the collision. Accordingly, if you elect to not have collision coverage under your own policy, be forewarned that for a significant percentage of the time not only will you not be fully compensated, but the compensation that you receive will not come close to the damage that was sustained to your vehicle. The same applies to not having comprehensive coverage, except that the end result is even worse in that you will never get reimbursement for the loss of your vehicle to theft or due to the actions of Mother Nature.

As an aside, if you don't have this type of coverage but expect the "other guy's" insurance company to come to your rescue where the accident was their insured's fault, think again. In 1988, via the *Moradi Shalal v. Firemans Fund* case, the Supreme Court of the State of California (with 7 of its then 9 members being nominated to the Court by Governors who had received tremendous Insurance Industry financial support) decided that the insurance company of someone who causes you injuries or property damage is not obligated to treat you, the victim, fairly or even civilly. Prior to that case coming down, if an insurance company did not treat the injured victim "reasonably" during the claims process, a second lawsuit could be filed against the insurance company directly, asking for more compensation. That law gave insurance companies a very strong incentive to resolve claims within a reasonable time frame for a fair amount. Such is not the case after



Moradi Shalal. There are currently no consequences for the bad behavior of an insurance company that is not your own and nowhere is this more evident than in the area of attempting to get a property damage claim resolved in a timely fashion with an insurance company that is not your own.

4. **Inadequate medical payments coverage.** There are 45 million people in the United States who do not have access to health insurance. If you are one of those 45 million people, it is critical that you have medical payments coverage under your auto insurance policy. If you do not have health insurance coverage and you do not have medical payments coverage, there will be no way to pay your medical bills until the other party's insurance company (if they have insurance) decides to pay the medical bills for you. Unfortunately, the law does not obligate the other party's insurance company to pay for your medical bills up front, and therefore your medical bills will not be paid until final resolution of the claim months or even years after the date of the collision. In the meantime, the bills are typically sent to collection and your credit may be severely impacted as a result of Keep in mind, as I discussed above, that the other party's insurance company no longer has any obligation to deal with you fairly or reasonably and if they decide to not pay your medical bills early on, you have no recourse under California law to force the issue other than hiring an attorney and filing a lawsuit.
5. **Lack of rental car reimbursement coverage.** Although some insurance companies will provide rental car reimbursement up-front, most will not. This means that if you do not have rental car coverage then you will be without transportation if your car is not in driving condition as a result of being involved in the collision. In addition, even if the opposing parties insurance company elects to prepay for rental car charges, they will not pay for any additional insurance coverage you place on the rental car contract and nor will they reimburse you for any vehicle that they feel is of a higher caliber of the vehicle that was damaged. This is a favorite area for insurance companies to nickel and dime people involved in collisions and in my practice we see more issues with rental car reimbursement than practically any other issue.
6. **Lack of Uninsured/Underinsured Bodily Injury coverage.** If you are hit and injured by a driver who has no liability coverage and you have no Uninsured/Underinsured Bodily Injury coverage (UUBI), 99% of the time you will not be able to recovery any compensation for your injuries. It is the rare party who causes an accident and who does not have liability coverage that can compensate you for your injuries. That is why UUBI coverage is critical.

Just as important is the 'underinsured' feature of the UUBI policy. Since 60% of the population drives with no coverage or inadequate coverage, 60% of the time the person who caused the accident can't take care of all of your damages. You must protect yourself.



- 7. Lack of Uninsured Motorist Property Damage coverage.** As I addressed above, uninsured motorist property damage coverage is quirky coverage, to say the least. It basically covers two things: 1.) It compensates you for your deductible if you have collision coverage and if you are hit by someone who has no insurance coverage, and 2.) It pays you up to \$3500 for the total loss of your car caused by an uninsured driver. However, in order to successfully pursue an uninsured motorist property damage claim, you must have the license plate number of the vehicle that cause the damage. In other words, if your vehicle is out on the street and you do not have collision coverage and it is struck by a hit-and-run driver and you were not able to get the license plate number of the vehicle that was at fault, your insurance company will not pay under the uninsured motorist property damage feature of your policy. Moreover, even if you do have collision coverage under your auto policy and are struck by a hit-and-run driver, if you were not able to obtain the license plate number of that driver, you will have to pay out of your pocket the amounts of your deductible (although your vehicle will be repaired under the collision feature of your policy).

--

Christopher E. Russell, Attorney at Law

Russell & Lazarus, APC

[www.RussellLazarus.com](http://www.RussellLazarus.com)