



UNDERSTANDING CAR INSURANCE

If you own a car, you know you have to buy car insurance but, like most people, you do not fully understand your insurance coverage. I have been representing victims of car accidents for 25 years. It is the rare client who comes to my office as a result of a car accident who fully understands the terms of his or her car insurance policy.

While it is critical that you understand the nature of the various coverages available from a car insurance company before you buy the insurance, most people buy what they believe is “full coverage” only to learn that it is deficient in some way, after being involved in an accident. This primer on car insurance is intended to eliminate the confusion.

The single most important choice you can make when buying car insurance is between “Full Tort” and “Limited Tort” coverage. This choice directly affects your right to collect compensation for pain and suffering from the insurance company of the other driver whose negligence caused the accident. If you choose “Full Tort” coverage, there is no limitation on your right to be compensated for your pain and suffering by the insurance company for the driver who caused the accident. If you choose “Limited Tort” coverage, you have the right to be compensated for your pain and suffering, provided your injury causes a physical inability to function in some way for an extended period of time – a serious functional impairment. Simple examples of functional impairments are, the inability to raise your arms above your shoulders due to a neck injury which prevents you from doing your job as a painter; the inability to lift boxes of merchandise due to a lower back injury which prevents you from doing your job as a

warehouse worker, or; the inability to use your hand due to a hand injury which prevents you from doing your job as a dentist.

Generally, the functional impairment must last for a minimum of 8 months to be considered “serious”. This is not a hard and fast rule, but a “rule of thumb”. If your functional impairment was for a shorter time, you may not be entitled to compensation for pain and suffering. If you suffer from pain, but are still able to perform all of your daily physical activities, you may not be entitled to compensation for pain and suffering, regardless of how long you suffer with the pain.

What is the incentive to buy “Limited Tort” coverage? Cost! The insurance companies charge several hundred dollars less in premium for “Limited Tort” coverage as compared to “Full Tort” coverage. It is a trade-off. You pay less for your insurance when you select “Limited Tort”, but give up your unlimited right to be compensated for pain and suffering when you are injured in a car accident. Conversely, you pay more for “Full Tort” coverage so that your right to be compensated for pain and suffering has no limitation.

Needless to say, the insurance companies want to “sign up” as many people with “Limited Tort” as possible so as to reduce their risk of having to pay for pain and suffering claims arising from car accidents. Be careful when you speak with insurance agents who encourage you to buy “Limited Tort” coverage because it is less expensive and, at the same time, represent to you that you are buying “full coverage”. The insurance agent is unlikely to explain the pitfalls of “Limited Tort” coverage.

Economically, the trade-off for “Limited Tort” coverage – less expensive insurance with significant limitations on your right to be compensated for your pain and suffering – does not justify the money you are unable to recover after an accident. For example, a person with “Full

Tort” coverage who sustains a back injury in an accident without any functional impairment may be entitled to recover \$10,000 for pain and suffering. That same person with “Limited Tort” coverage, may recover nothing. He or she saved \$300 or \$400 on the insurance premium for “Limited Tort” coverage, but sacrificed a potential \$10,000 pain and suffering recovery because he or she did not buy “Full Tort” coverage. The math speaks for itself. Pay the extra money (assuming you can afford to do so) and select “Full Tort”.

The Declaration Page of your car insurance policy describes the various coverages which you have purchased and the cost of each coverage. It accompanies your premium notice and is usually the first, second or third page as you remove the documents sent to you by the insurance company from the envelope. It is important to understand what each coverage means, as follows:

BODILY INJURY (BI): money which your insurance company will pay on your behalf where you are at fault (negligent) in causing an accident and a person in the other car is injured and makes a pain and suffering claim against you.

UNINSURED MOTORIST (UM): money which your insurance company will pay to you for your pain and suffering as a result of injuries from an accident caused by the negligence of the other driver who is uninsured at the time of the accident.

UNDERINSURED MOTORIST (UIM): money which your insurance company will pay to you for your pain and suffering as a result of injuries from an accident caused by the negligence of the other driver who is insured, but whose insurance is insufficient to compensate you fully. The shortfall is paid to you by your own company.

MEDICAL, FUNERAL, WAGE LOSS: Your own insurance company pays your medical expenses and wage loss regardless of who is at fault in causing the accident. This is referred to as “No-fault” coverage.

COLLISION: covers the cost of repairs to the damage to your car with you paying the deductible out of your pocket

COMPREHENSIVE: coverage for the loss of or damage to contents (personal property)

in the car.

The insurance company will pay up to the maximum limit you purchased for each coverage. For Bodily Injury, Uninsured Motorist and Underinsured Motorist coverages, you typically purchase “split limits”. For example, \$15,000/\$30,000, \$25,000/\$50,000, \$50,000/\$100,000, \$100,000/\$300,000. This means that if one person is making a pain and suffering claim, the insurance company will pay no more than \$15,000 to that person (assuming a \$15,000/\$30,000 limit). If 2 or more people are making pain and suffering claims, the insurance company will pay up to \$30,000 per accident, \$15,000 per person. In other words, the number to the left is the limit payable per person; the number to the right is the limit payable (where there are multiple claims) per accident.

The Commonwealth of Pennsylvania requires that you purchase a minimum of \$15,000/\$30,000 in Bodily Injury coverage and \$5,000 in Medical Payment coverage for your car. Uninsured Motorist and Underinsured Motorist coverages are optional. The more coverage you can afford, the more coverage you should purchase. Operating a car registered in your name without insurance coverage is illegal with harsh consequences in Pennsylvania.

Collision coverage is also optional. The amount of coverage you purchase should be related to the age of your car. Newer cars should carry greater coverage because there is a greater chance that the cost of repairs will not exceed the fair market value of the car at the time of the accident. Older cars require less coverage because there is a greater chance that the cost of repairs will exceed the fair market value of the car at the time of the accident. In other words, older cars are at a greater risk of being declared a total loss. Collision coverage always involves a deductible, typically \$250 or \$500.

RECOMMENDATIONS:

1. Select Full Tort
2. Purchase as much insurance coverage as you can afford for Bodily Injury,

Uninsured Motorist and Underinsured Motorist

3. Do not waive Uninsured Motorist or Underinsured Motorist coverages. These coverages protect you and your family directly and are relatively inexpensive.
4. Your limit of coverage for Uninsured Motorist and Underinsured Motorist should never be less than your Bodily Injury limit.
5. Select “Stacking” for Uninsured Motorist and Underinsured Motorist coverages which allows you to multiply either your UM or UIM coverage limit (depending upon which coverage applies) by the number of cars insured on the policy. For example, having 2 insured cars enables you to double your coverage limit; having 3 insured cars enables you to triple your coverage limit.
6. Purchase as much medical payment coverage as you can afford. Such coverage is primary in Pennsylvania which means the medical providers must submit their bills to your car insurance company for payment until the coverage limit has been exhausted. Only then can the medical providers submit their bills to your private health insurance company.
7. If your car is 10 years old or more, you may not want to purchase collision coverage. Purchase the collision coverage limit which is appropriate for the age of your car.

Understanding car insurance leads to informed decisions when purchasing, renewing or changing your coverage. Do not wait until after a car accident to understand your coverage.

Robert H. Nemeroff, Esquire
FRIEDMAN, SCHUMAN, APPLEBAUM,
NEMEROFF & McCAFFERY, P.C.
101 Greenwood Avenue, Fifth Floor

Jenkintown, PA 19046
(215) 690-3827