

Last year I set a New Year's resolution to send 1,000 informative insurance letters to individuals in my community. Since then I have met my goal and received a strong positive response from the recipients. The information is as true today as when I first started sending out the letter, so I am continuing to send the letter as an on going commitment to my community and the new residents of Loudoun County.

It is my hope that you and your loved ones will be adequately covered should you ever be in an accident. For only a slight increase in insurance premium cost, most of the clients that got short changed could have been fully compensated. All of them told me they really did not fully understand what coverage they were buying and why. I am sorry to say that some insurance agents do not fully explain what they are selling and, as agents of the company, may be discouraged to sell you coverage that you should have.

Part of the problem is the current level of mandatory minimum liability limits. In Virginia, an automobile must have coverage in the minimum amount of \$25,000 per person and \$50,000 per accident for bodily injury and \$10,000 for property damage. These limits have not changed since 1976. Had the limits increased to keep up with inflation over the years, equivalent coverage would be \$85,000 per person and \$170,000 per accident in today's dollars. This equivalent coverage amount is based on general cost of living inflation since 1976. Inflation of medical costs increased at about twice the rate of the general cost of living during the same period. As medical expenses are a major component of almost every personal injury claim, even more coverage is needed to keep up with inflation in that sector.

Interestingly, the insurance industry **OPPOSES** increasing mandatory minimum limits. This is so because the great majority of the annual premium they collect is for the minimum level coverage. Higher coverage levels do not generate that much more income for the insurance companies, but they do expose them to higher potential payments for damages.

There are six basic categories of automobile insurance coverage:

Liability

As the name suggests, this coverage pays damages to injured persons when the accident is your fault. The insurance carrier is required to do two things for you: hire a lawyer to represent you if necessary and pay up to the policy limit either in settlement or as a result of verdict at trial. Because you are personally responsible for the payment of any judgement in excess of your liability coverage limits, you should buy coverage with limits that are high enough to cover claims arising from a serious accident. It is usually sold with two coverage limits for an accident: per person and per accident. It is also sold in a form called single limit coverage, which I believe is a far better bargain.

Collision

This coverage pays for the damage to your car when the accident is your fault. Premiums are based on the value of your car, the cost of repairing that particular make and model, and your driving record. If your vehicle is financed, the bank will almost always require collision coverage.

Comprehensive

This coverage pays for theft, vandalism, and other damage that your car may sustain as a result of fire, hailstorms and other natural disasters. It too is usually required by any lender that finances the purchase of your car.

Medical Payments

This is optional coverage that all insurers in Virginia are required to offer. It covers the usual and customary cost of all accident related medical treatment for any occupant of the car injured in an accident for a period of three years after the date of the accident. It is paid up to the coverage amount without regard to who was at fault and without regard to any health insurance or other coverage you may have. It can be purchased in varying amounts. Most folks have coverage between \$2,000 and \$5,000.

Uninsured / Underinsured Motorist

This coverage is mandatory in Virginia and every insurance company is required by law to offer it to you in amounts equal to your liability coverage. It covers you in the event the person at fault has no insurance (uninsured coverage) or does not have enough insurance to cover your damages (underinsured coverage). You can appreciate how important this coverage is when you consider the number of people who are carrying only minimum limit coverage.

Umbrella

As the name suggests, this coverage is in addition to your other coverages and is only used when they have been exhausted. It is surprisingly inexpensive and provides protection for automobile liability claims as well as other non-automobile related claims.

If you have read this far, you are probably wondering what you should do. Here is what I recommend. Review your policy for each of the above coverages. Most people have \$100,000/\$300,000 bodily injury liability coverage and the same amount of Uninsured / Underinsured (UIM) coverage. This level of coverage is adequate for most small and medium claims, but for a very few more dollars you can dramatically increase your protection against liability and against your not being compensated for life altering injuries if you are injured by a driver with inadequate coverage. Ask your agent to give you a quote on single limit coverage. This coverage eliminates the per person per accident distinction. For someone with a 100/300 policy the per person coverage is tripled from \$100,000 to \$300,000. The same single limit also applies to the UIM coverage. If you are seriously injured by a driver with no coverage or minimum coverage, you will have your own policy coverage to pay up to the \$300,000. That may sound like a lot of money, but stop for a moment and ask yourself how you would make it if you were seriously injured and out of work for six months or a year. Would a policy limit

payment of \$25,000 be satisfactory? Even \$100,000 probably would not be adequate. A very few additional dollars could change that and provide peace of mind. If you want maximum protection, consider a \$1,000,000 umbrella. For most drivers, it costs \$200 to \$300 per year.

Until October of last year, I carried \$500,000 single limit liability and UIM coverage along with \$5,000 medical payments coverage. With four vehicles covered and three drivers in my family (one a teenager) my annual premium was about \$3,000. With the renewal of my policy I requested \$1,000,000 coverage and was astonished to find that the additional cost was only \$20 per car per year. I take comfort in knowing that if I get seriously injured by a driver with a 25/50 policy, I have an additional \$975,000 available to cover the loss.

No letter from a lawyer would be complete without disclaimers. The above information is not intended to be legal advice. I am not selling anything. I am a personal injury lawyer, not an insurance agent. The only way your buying higher coverage limits might benefit me would be through your getting hurt and becoming my client. We both hope that will not happen.

Should you have questions or concerns about the information I have provided, please feel free to call me or send an e-mail to peterb@burnettwilliams.com. Likewise, if you would like to discuss any personal injury matter, I would be delighted to discuss it with you.