

Know Your Limits - An Overview of Liability Limits **by Christopher Pyne, Esq.**

Plain and simple: most people do not carry enough liability insurance on their vehicles. Adequate insurance is especially important for motorcycles where injuries from accidents are usually very serious, medical bills can be staggering, and lost wages may be high. To protect yourself against a negligent driver who does not have enough insurance to compensate you if you are injured, you must carry underinsured motorist coverage (UIM) to cover the gap.

If a negligent operator does not have enough insurance to cover the losses of a person he has injured, the operator is considered to be underinsured. The purpose of carrying underinsured coverage for oneself is to provide you with coverage over and above the inadequate coverage the negligent driver carries. UIM coverage will provide you with compensation that the negligent driver's policy does not. Unlike uninsured coverage (UM), underinsured (UIM) coverage is not required by law and is not automatically included in all vehicle insurance policies. You must ask your insurance agent for it and purchase it in addition to your liability and other coverages.

Insurance laws and policy language are constantly changing. For example, a few years ago I was able to obtain UIM coverage from a client's mother's policy totaling \$500,000 because my client, who only carried \$15,000 in UIM, lived with his mother. That additional policy may no longer be available under today's laws. Insurance policy language is being re-written constantly by insurance companies to limit coverage for its policyholders and reduce the insurance company's exposure. In addition, recent New Jersey Appellate Court cases have further limited the availability of other insurance policies in UIM cases.

The only way to be sure you and your loved ones are protected is to buy substantial UIM coverage on your vehicles. The good news is that compared to the cost of other coverages such as liability and collision, UIM is very inexpensive. As a guideline, you should purchase the highest limits you can afford given your financial constraints. You will not be permitted to purchase UM and UIM greater than the liability limits you carry, but you should always be sure your UM/UIM limits are equal to your liability limits.

As an attorney, I see the reality of underinsured situations every day. Here is one terrible real life example. My client was severely injured in a head on collision. The defendant (negligent operator) had the minimum \$15,000 liability insurance coverage allowed by law. He had no job and no assets. While my client had \$500,000 of liability insurance to cover someone he might injure, he carried only \$35,000 of uninsured (UM) and underinsured (UIM) coverage to cover damages by someone who might injure him and didn't have enough insurance to cover the losses. As a result, he will only collect a total of \$35,000. To make matters worse, he had a combined single limit policy not a split limit policy such as \$25,000/\$50,000 which provides up to \$25,000 for any one person and a maximum of \$50,000 for all persons injured in an accident. Instead, he had to share the \$35,000 with his wife who was even more severely injured than he was.

Unfortunately, when my client purchased his insurance policy, his carrier did not advise him of the benefits of UM and UIM coverage or of the possible consequences of carrying such low UIM liability limits. He should have been advised that since he is carrying \$500,000 in liability limits for injuries and damages he may cause to others, he should also cover his family and himself for \$500,000 for injuries and damages that they may suffer as the result of a negligent driver with inadequate insurance.

Stop now! Pull out your automobile insurance policy before it's too late and review it in detail. Be sure you have sufficient coverage for yourself and your family so that you are covered in the event there is an accident and the responsible party is underinsured. Remember- accidents don't happen only to other people.