

INSURANCE BASICS FOR THE DRIVER AND HOMEOWNER

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At Cubbon and Associates, we represent people who are injured in automobile accidents and other types of negligence, including wrongful death claims. Because almost all of our cases involve dealing with insurance carriers, we understand the importance of maintaining adequate protection through insurance.

Everyone needs some basic understanding of automobile and homeowner's insurance and the purpose of this paper is to highlight topics of importance to all. At a very minimum this should give you a foundation for discussions with your agent.

AUTO POLICIES should include the following types of coverages:

- Bodily Injury Liability—this pays for injuries to *other* people caused by your negligence.
- Property Damage Liability—this pays for damage to other people's cars and property caused by your negligence.
- Collision/Comprehensive—often referred to as “deductible” coverage—this pays for damage to *your* car regardless of who is at fault or damage caused by acts of nature such as a flood or falling tree.
- Loss of Use/Rental—this pays for a rental car if your car is damaged and in for repair.
- GAP—if your car is totaled in an accident, this pays the difference between what it is worth and what you owe on it—it will pay off your loan or lease.
- Medical Payments—this pays for medical expense you (or your passengers) incur after an accident regardless of who is at fault, and regardless of whether you have other medical insurance. It can cover co-pays, deductibles, and non-covered services.
- Uninsured/Underinsured—this pays for your personal injuries or property damage caused by someone who has no or too little insurance.

HOMEOWNER OR RENTER POLICIES should include the following types of coverages:

- Homeowners—this protects your home and contents from fire, theft and other losses.
- Medical payments—this pays visitors for medical expenses incurred on your property in a fall or accident regardless of fault or whether they have medical insurance.
- Scheduled personal property—this insures specifically scheduled jewelry or other valuable items for theft or loss beyond what is included in your standard homeowner's coverage.

UMBRELLA COVERAGE

- Umbrella coverage increases liability and uninsured/underinsured motorists contained in both auto and homeowner/renter's coverages and is usually in increments of one million dollars. Although it increases coverage amounts very substantially, the cost of umbrella coverage is minimal and **no one should be without it!**

COVERAGE RECOMMENDATIONS

State minimum insurance coverages are completely inadequate! They are the minimum amounts necessary to drive legally but they do not provide anyone with adequate protection! Accidents can and do happen and everyone can and should be prepared for the financial ramifications of an accident.

We recommend the following coverages:

AUTO

- Bodily Injury Liability—at a minimum you should have \$100,000/300,000 which means your insurance could pay an individual up to \$100,000 per accident and a group of individuals a total up to \$300,000. We recommend, however, that you carry at least \$500,000/\$1,000,000. Again, this is a substantial amount of coverage but the increase in cost is not substantially greater.
- Property Damage Liability—at a minimum \$50,000—there are lots of \$50,000 cars out there today and if you total one, your insurance needs to be high enough to cover it or you'll pay the difference.
- Collision/Comprehensive—this is based upon the value of your car. You can reduce your premium cost by choosing a deductible up to \$1000 or more, but remember if you have a loss, you may have to pay the deductible amount before your car is repaired.
- Loss of Use/Rental—this costs very little but is very handy if your car is in for repairs due to an accident, regardless of who caused it.
- GAP—again this is inexpensive but saves you a great deal of grief if your car is totaled and you have a loan or a lease.
- Medical Payments—\$50,000 in med pay is dirt cheap and an absolute lifesaver if you have an accident and incur bills. Even with health insurance, many things are not covered and this allows you to get all the treatment you need.
- Uninsured/Underinsured—Get this in the same amounts as your liability coverage—at a minimum you should have \$100,000/300,000 which means your insurance could pay you up to \$100,000 per accident and a group of individuals injured in your car up to \$300,000, but again, we recommend that you carry at least \$500,000/\$1,000,000.

HOMEOWNERS

- You agent should assist you in selecting coverage limits that will replace your home and everything in it in the event of a catastrophe such as a fire. Jewelry, furs, art or especially valuable items totaling over \$1000 in value should be separately scheduled or they won't be replaced.

UMBRELLA—YOUR MOST IMPORTANT COVERAGE

- At a minimum, you should have a million dollars of umbrella coverage. This could extend your liability and uninsured/underinsured motorist coverage from \$100,000 to \$1,100,000 and you can purchase as much as a five million dollar umbrella. The cost is very minimal but in a catastrophic claim, this is a lifesaver. *There is absolutely no excuse for anyone not to carry at least ONE MILLION IN UMBRELLA COVERAGE! Imagine a situation involving death or paralysis—a million dollars doesn't seem like very much at all.*

MULTIPLE POLICY DISCOUNT

- Buy your Auto, Homeowners and Umbrella insurance from the same company and enjoy a significant discount in premiums. Review these recommendations with your agent and have your agent shop several companies for the best coverage and rates.

A NOTE ABOUT CARRIERS

Because we deal with so many different companies, we can make recommendations on which carriers provide good service both to their customers and to claimants. You want your company to treat you fairly if you have a claim, and you want your company to treat someone that you might injure fairly as well. Otherwise you are going to end up in court.

- Independent Agents—these are insurance agents who represent a number of companies and therefore can compare and shop around for the best price and coverage for you. We always recommend that you use an independent agent.
- Captive Agents—these are agents who only sell for one company, such as State Farm, Allstate, and Nationwide. Since their agents can only sell one product they have no ability to shop around. Even though the agent might be a great person, we recommend that you deal with an agent that can shop around for you..
- Purchasing insurance online means you have no guidance and no personal follow up. Unless you are very sophisticated, you are making a mistake. It is easy to deal with a company online when you are sending them your money—it's very difficult when you are trying to get them to take care of your problems. You need to be able to obtain counseling and guidance in purchasing insurance—talk to an agent in person and make sure you are covering all bases!

Please do not hesitate to contact me directly with any insurance questions.

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