

**ARE YOU DRIVING ON THIN ICE :
“FULL COVERAGE” MIGHT NOT BE WHAT YOU THINK IT IS**

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This article focuses on “must knows” for both you and your clients about Kentucky automobile insurance. I have been practicing law about seven years, all with Busald Funk Zevely in Florence, Kentucky. My practice focuses on personal injury cases, including automobile collisions. Every time I talk to someone over the phone or in person about a car wreck they were recently involved in, I always ask them if they have car insurance, what type of coverage, and how much coverage do they have. The majority of people respond by stating, “*Oh, I have full coverage.*” If it appears that I can help this person out, then I schedule an office meeting and tell them to bring me a copy of their insurance policy and a copy of the Declaration Page (which is a sheet showing the types and amounts of coverage for the vehicles insured). “Full coverage” means different things to different people. You may be surprised to learn that there is not an insurance package option that is defined in the law as “full coverage.”

Important Automobile Insurance Terms

1) *Bodily Injury Liability* is mandatory coverage which applies if you are at-fault in causing a collision and someone else is injured – this coverage pays out personal injury claims made against you through your insurance company. It also provides you with a free lawyer to defend any claim filed against you.

2) *Property Damage Liability* is also mandatory coverage which, just like *Bodily Injury Liability* coverage, applies when you are at-fault in causing a collision; however, this pays for property damage to the other car or cars involved in a claim against you.

3) *Collision* is optional coverage which pays for any property damage to your car, whether or not you are at-fault in causing the collision. When you are involved in a collision and are at-fault, the only way for your property damage to be paid is through *Collision* coverage. However, if the other driver is at-fault and you have *Collision* coverage, then you have the option of going through your insurance company to pay your car damage or having the other driver's insurance company pay.

More importantly, if the at-fault driver is uninsured and you don't have *Collision* coverage, then your property damage does not get paid (or you have to pay it out of your own pocket). If your car is totaled, then you are out of a vehicle and have to buy/lease a new vehicle. Take it a step further: you still owe money on the loan for the totaled vehicle - you still have to pay on the loan and somehow finance or purchase a new vehicle if you don't have *Collision* coverage.

4) *No-Fault/Personal Injury Protection (PIP)/Basic Reparation Benefits (BRB)* is mandatory coverage for automobiles (not motorcycles) which goes towards paying any medical bills and/or lost wages incurred as a result of a car wreck. Kentucky law requires your insurance company to pay these expenses under your *No-Fault/PIP* coverage, if you were not at-fault in the collision, then your insurance company will eventually be reimbursed those expenses by the at-fault driver's insurance company. Not to complicate matters, but any passenger involved in an automobile collision is to initially seek payment of the *No-Fault/PIP* coverage from their host driver's insurance company. Additionally, any pedestrian struck by an automobile is to seek *No-Fault/PIP* coverage from the striking car's insurance company. You can also designate or reserve your *No-Fault/PIP* benefits for lost wages only (usually you will do this if you have health insurance or another form of medical payment coverage, such as Medicare or Medicaid).

5) *Uninsured Motorist* is mandatory coverage for all motor vehicles which applies if you are injured in a collision, which is not your fault, and the at-fault vehicle does not have car insurance.

In this situation, you would make a claim through your insurance company for any personal injury you sustained in the collision.

6) *Underinsured Motorist* is optional coverage which applies only if the at-fault driver's *Bodily Injury Liability* coverage is not enough or too small to fully compensate you for the personal injury you sustained in the collision.

Answers to Common Automobile Insurance Questions

1) *What types of insurance does Kentucky law require?* The only mandatory insurance coverage in Kentucky is bodily injury liability coverage, property damage liability coverage, no-fault/PIP coverage (except no-fault/PIP is optional for motorcycles), and uninsured motorist coverage. *Uninsured Motorist* may be rejected by you in writing, but all the other coverages are mandatory.

2) *How much insurance does Kentucky law require?* Pursuant to Kentucky Revised Statute (KRS) 304.39-110(a)(1), Kentucky law mandates that all motor vehicles carry minimum bodily injury liability coverage of \$25,000 per person/\$50,000 per accident and minimum property damage liability coverage of \$10,000 per accident. Also, every automobile policy is to have at least \$10,000 in no-fault/PIP coverage, pursuant to KRS 304.39-110(a)(3) and 304.30-020(2). Finally, the minimum required limits for uninsured motorist coverage is \$25,000 per person/\$50,000 per accident, the same as the minimum requirement for bodily injury liability limits, pursuant to KRS 304.20-202(1).

3) *What is full coverage?* Too many times clients tell me that they have "full coverage." However, this usually means that the person only has the minimum required limits in Kentucky for bodily injury liability, property damage liability, uninsured motorist and no-fault/PIP. In my opinion, "full coverage" means that you have high insurance limits for the six types of coverage defined above. Most insurance companies will allow you to purchase bodily injury liability, uninsured motorist and underinsured motorist coverage of \$100,000 per person/\$300,000 per

accident. Some companies will sell you higher limit policies through an umbrella policy, if you own a home, or they will sell you what's known as a Combined Single Limit policy of \$250,000 or \$300,000. "Full coverage" should also mean purchasing more than the minimum no-fault/PIP limits of \$10,000.

4) *What should I have on my policy/my family's policy?* Assuming it's in your budget, I strongly recommend you to purchase, at a minimum, the following for your policy:

<i>Bodily Injury Liability</i>	\$100,000 per person/\$300,000 per accident
<i>Property Damage Liability</i>	\$50,000 per accident
<i>Collision</i>	\$50,000 per accident
<i>No-Fault/PIP</i>	\$30,000 per vehicle on your policy – don't let them say, you only need it on one vehicle (although true, the reasons are explained below).
<i>Uninsured Motorist</i>	\$100,000 per person/\$300,000 per accident <u>and</u> ask for a premium to be charged for each vehicle on your policy – don't let them say, you only need it on one vehicle (although true, the reasons are explained below).
<i>Underinsured Motorist</i>	\$100,000 per person/\$300,000 per accident <u>and</u> ask for a premium to be charged for each vehicle on your policy – don't let them say, you only need it on one vehicle (although true, the reasons are explained below).

Remember, the above suggested added coverage is very inexpensive in comparison to the additional insurance coverage you gain.

5) *What if my agent says I don't need to purchase additional No-Fault/PIP, Uninsured Motorist and/or Underinsured Motorist coverage?* Most insurance agents/companies charge you one premium for each type of insurance coverage you have on your policy. This saves you money, but also saves them money if a claim is ever made. Example: You are injured in an automobile collision, have two vehicles on your policy and have \$10,000 in *No-Fault/PIP* coverage. However, you have medical

bills of \$30,000, but no health insurance – who pays the additional \$20,000 in medical bills? The answer is they remain unpaid and outstanding until you can resolve your personal injury case (assuming you have one). Also, there's a good chance they will be put into collections.

Had you purchased *Added No-Fault/Added PIP/Additional Reparations Benefits* of \$30,000 per vehicle (as suggested above), then you would have \$50,000 in available *No-Fault/PIP* benefits to cover these expenses as Kentucky law allows you to “stack” the same type of coverage provided you pay separate premiums per vehicle. (\$10,000 basic PIP on your car + \$20,000 added PIP on your car + \$20,000 added PIP on 2nd car listed on the policy = \$50,000 in PIP; you can never “stack” the mandatory \$10,000 in PIP on the 2nd car – only the amount of *Added PIP*).

The same goes for *Uninsured Motorist* and *Underinsured Motorist* coverage. Same scenario above, but this time the at-fault driver only had minimum *Bodily Injury Liability* coverage of \$25,000 per person, and you have a claim worth \$175,000. If you only purchased *Underinsured Motorist* coverage for one vehicle of \$100,000, then you can only recover a total of \$125,000 (\$25,000 from at-fault driver and \$100,000 from your policy). Had you added the same coverage for the 2nd vehicle listed on your policy, and been charged a separate premium for this coverage, then you could have “stacked” these coverages giving you total *Underinsured Motorist* coverage of \$200,000 per person, meaning you would have been able to receive full and fair compensation for your personal injury. The same analysis applies to *Uninsured Motorist* coverage.

Obviously, the amount of coverage you purchase for your automobile policy depends on your family budget and what you can afford. But at the same time, I've had too many clients come see me for a serious personal injury where the at-fault driver only has \$25,000 in coverage and the client decided not to purchase *Underinsured Motorist* coverage for his/her policy in order to save \$20/month. Carrying forward the scenario above, despite that person having a case potentially worth \$175,000, all they can recover is \$25,000 plus \$10,000 in *No-Fault/PIP* coverage to cover your \$30,000 in medical bills.

The bottom line is that it is important to purchase as much insurance as you can, even if it means cutting expenses elsewhere, as there are a lot of uninsured and underinsured automobiles being driven on our roads and highways.