

## **Personal Liability Insurance: Do You Have Enough?**

By: Lewis A. Martin, III, Esq.

Email: martin@martinwrenlaw.com

Imagine you are involved in a minor fender bender. You bump the car in front of you while driving approximately ten miles per hour in town. No damage is done to your car, and the person you hit sustains less than \$300 damage to her vehicle. She appears to have no personal injury at the time. Almost two years later, she files a lawsuit demanding one million dollars from you. Five years later, a Charlottesville jury returns a personal injury verdict against you in the amount of \$375,000. This actually occurred. If it happened to you, would your existing automobile insurance have covered the \$1,000,000 demand? ...the \$375,000.00 verdict?

I. Examine your present automobile, homeowner's and personal liability umbrella insurance policies.

- Minimum Virginia auto insurance requirements of \$25,000 per person/\$50,000 per accident are woefully inadequate.
- \$100,000/\$300,000 limits have been carried by many drivers since the 1960s, but are inadequate in the 21st century.

II. If you cause a serious accident or someone is injured on your property and your insurance coverage is insufficient to pay the judgment against you, the injured party may proceed to attach and acquire your other assets, including:

- Bank accounts (savings, checking, certificates of deposit, etc.)
- Income (wages, interest, dividends, etc.)
- Individual retirement accounts.
- Equity in your home and other real estate.
- Investment accounts.
- Household goods and personal effects.
- Cash surrender value of your life insurance.
- Interest in an inheritance.
- Any other asset not protected by law from creditor attachment.

III. If your analysis reveals that your insurance coverage is inadequate, among your options are:

- Make no change and assume the risk of a judgment in excess of your policy limits.
- Increase your policy limits.
- Obtain an umbrella personal liability policy to provide coverage in million dollar increments.

We recommend that you contact your insurance agent about obtaining an umbrella policy.

- Additional coverage is fairly inexpensive.
- Available in million dollar increments.
- Significantly enhances your insurance protection.

Review the umbrella policy carefully with your insurance agent.

- Does the umbrella policy provide coverage if an uninsured or underinsured motorist causes the accident.
- Some insurance companies provide this coverage; others do not.

To minimize costs of increased coverage:

- Consider increasing your policy deductibles (the amount you will pay out of pocket, before the insurance company has to pay).
- You may be surprised at the reduction in premium obtained by increasing the deductibles in your primary coverage by \$500 or \$1,000.

Consider other areas in which you have or may need to obtain insurance coverage, for example:

- Personal liability.
- Professional or business liability.
- Renter's liability.
- Other areas as suggested by your insurance agent.

Review your insurance policies and coverage limits at least every 2 years. Coverage that was adequate in the 1970s is certainly not adequate in 2003, and coverage that is adequate in 2003 will probably not be adequate a few years from now due to:

- Inflation.
- Appreciation or other growth in value of existing property.
- Acquisition of additional property.

The members of our firm look forward to assisting you with your legal needs, including:

- Review of your insurance policies.
- Evaluation of your insurance needs with your insurance agents.
- Asset protection.
- Estate planning.

**About the Author:**     **Lewis A. Martin, III** is a founding partner of MartinWren, P.C. He received his B.A. with distinction from the University of Virginia in 1973 and an M.A. from the University of Virginia in 1974. He received his J.D. from the University of Virginia in 1979 and has been practicing in Charlottesville since that time. Mr. Martin practices in the areas of estate planning and probate and commercial and residential real estate. He also serves as an Assistant Commissioner of Accounts for Albemarle County, Virginia.