



A Whitepaper by The Czack Law Firm, LLC

‘Full Coverage’ Insurance Can Leave You Fully Exposed

Everyone buys ‘full coverage’ insurance, but read the fine print and you’ll find out that believing that promise could leave you liable for more than you can possibly handle.

Buying insurance today is practically as easy as the click of a button. With online insurance options and the ability to select policies without consulting directly with an experienced agent, drivers purchasing automobile coverage can easily fall for the myth of “full coverage.”

The problem is, full coverage is a misnomer. There’s simply no such thing as an auto insurance policy that will guarantee that a driver, the people riding in the car, and other drivers on the road are “completely covered” should an accident occur. Basically, the term full coverage is used for marketing purposes. It looks good on paper (or online), but “barely covered” is often the reality.

Take 28-year old driver, Dan. He bought an auto insurance policy online that provided “full coverage” and figured he was in good shape. The actual policy includes bodily injury liability limits of \$25,000 per person / \$50,000 per accident, and \$25,000 for property damage. These coverage limits meet the state of Ohio’s minimal liability limit requirement. Is it “full coverage”? Not even close.

What if Dan hit and caused moderate injuries to another motorist? He could potentially be paying for the injured motorists damages out of his own pocket because that “full coverage” policy he bought only protects him up to \$25,000.

Consider another scenario. A professional making \$100,000 per year with a family, including children heading to college, is involved in an automobile accident. He suffers serious injuries and is off work for a lengthy period. Who will pay the mortgage and college tuitions? How will the family replace that income—for life? Assume the driver who hit this husband and father has very low liability limits. Now, both the at-fault driver and injured father may face financial disaster.

“Full coverage means different things to different people,” says Timothy R. Graydon, CPCU, an experienced insurance expert with The Graydon Company, in business since 1939. “Limits of liability are often overlooked when drivers purchase automobile insurance without the professional advice of an insurance agent who understands the industry,” he points out.

Here’s what Graydon suggests you know about insurance coverage so you can protect yourself and actually get closer to the “full coverage” you want.

Limits of Liability. An experienced insurance agent will advise you to carry the highest limits of liability you can afford. (It could be that Dan’s policy was all he could afford, and in that case, he’s being as responsible as he can be.) You have to carefully consider and choose what amounts you set for your coverage limits, especially when it comes to your liability and uninsured motorists coverages.

For all of these reasons, it's a good idea to check that you carry **uninsured and underinsured motorist coverage**. This coverage pays for injuries you (or others riding in your car) sustain as a result of an accident caused by an uninsured driver. If the driver at fault has liability limits lower than those on your policy—and your injuries and damages exceed that amount—your underinsured motorist coverage kicks in to provide you financial protection.

So, you ask: "It's illegal to drive in Ohio without insurance, why do I have to protect myself if other drivers are not properly covered?"

The unfortunate reality is, uninsured and underinsured motorist claims are filed every day because other drivers miss a premium payment or they have just the minimal limits required by Ohio.

The professional in our example above should carry high limits on both his liability and uninsured motorist coverages, along with an umbrella policy for excess protection. If he settles for a "full coverage" policy—whatever that is—it may spell financial ruin for him and his family.

Again, full coverage means different things to different people. Full coverage to an executive with a substantial income is different than full coverage to a person who is working part-time, earning minimum wage and not the sole earner in the house. **RULE OF THUMB:** buy the highest limits you can reasonably afford based on your circumstances.

Gap Insurance. Many "full coverage" policies do not include what we refer to as gap coverage. For instance, say you lease a brand-new car that is valued at \$38,000. A couple years into your 36-month lease, the car is totaled in an accident. The payoff of the lease at that point is \$18,000, but your insurance company will only cover cars on an actual cash value basis. The actual cash value of the vehicle is \$15,000. Without gap coverage, you're responsible for the difference between those values—so, \$3,000 comes out of your pocket. Be sure to find out if your policy includes gap coverage.

Consult with a Pro. The professional opinion of an independent insurance agent who understands the industry and claims processes is critical. Your insurance agent is a valuable partner who can advise you on the types of coverage you need and limits of liability that are appropriate for your lifestyle.

At The Czack Law Firm, we meet clients every week who unfortunately do not carry the proper limits of liability for their auto insurance. They lack proper coverage and do not have important uninsured and underinsured motorist policies that will help them recover costs. We strongly advise you to consult with your insurance professional today. Find out how well you're actually covered and what you can do to protect yourself, your family and your future.

Understanding Umbrella Policies

Umbrella policies provide extra liability coverage "over and above" the limits of your auto insurance and other personal policies. (That's why they're called umbrella policies.) The purpose of an umbrella policy is to protect you from major claims and lawsuits. It can also help you protect your assets and your future. For a minimal premium cost, you can get significant additional coverage—and peace of mind for you and your family.

If you were involved in an accident and the other driver's insurance was inadequate to recover claims, the umbrella policy would kick in so you can avoid exorbitant out-of-pocket expenses. Or, if you were to seriously injure another driver in an accident, the umbrella policy could potentially cover things you are legally liable for that exceed your underlying limits of coverage.

Umbrella policies make good financial and legal sense. We strongly advise speaking to your insurance professional today about how an umbrella policy can provide you with extra protection. Life is unpredictable. Be prepared with coverage "just in case."

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