

DO YOU UNDERSTAND YOUR CAR INSURANCE POLICY?

- What is stacking?
- What do you mean it's not covered—my insurance agent told me I had “full coverage?”
- What is UM/UIM and do I have to buy it?
- What does 30/60 mean?

If you do not know the answers to these questions, you are not alone. Most people rely upon their insurance agent to make sure that their insurance needs are being met. Unfortunately, many insurance agents, in trying to make a sale, recommend the cheapest possible policy, without fully understanding the needs of their clients. It's not until after a loss occurs, and the injured parties attempt to make a claim, that they realize the insurance coverage they have purchased is inadequate. Because automobile insurance policies are “occurrence policies,” the coverage in force at the time of the accident is the coverage that is available to cover a loss. In other words, by the time the loss occurs, it is too late to change the policy for that loss. However, by taking a proactive role in understanding your car insurance policy, you can avoid such unfortunate situations.

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MINNESOTA CAR INSURANCE POLICIES



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OVERVIEW OF THE REQUIRED COVERAGES

Mandatory “full” coverage:

Minnesota is a mandatory automobile insurance state. Thus, in order to be able to legally drive a vehicle, you must maintain certain minimum insurance coverages. These minimums have not been increased in 15 years! When an agent assures you that you have “full coverage,” he or she usually means that you have the minimum statutorily required coverage--not that every possible loss will be covered. The minimum required coverage for automobiles, and explanations of each coverage, are as follows:

Liability Coverage:

Liability coverage is for bodily injury caused by an insured to another. The minimum required limits are \$30,000 per person or \$60,000 per accident (frequently listed as 30/60 on insurance cards and policies.) This “split limit” format means that any one person may collect up to \$30,000 in insurance for his or her bodily injury claim but that the insurance company will pay no more than \$60,000 for any one incident, no matter how many people are injured.

Property Damage Coverage:

Property damage coverage is for damage caused by an insured to another’s property. The minimum required limit is \$10,000 per incident. When considering the high cost of automobile repairs, this amount of money may not go very far.

Underinsured (UIM) and Uninsured (UM) Motorist Coverage:

Underinsured motorist coverage (UIM) is for bodily injury caused to an insured by a person who has insufficient insurance coverage. Uninsured motorist coverage (UM) is for bodily injury caused to an insured by a person who has no insurance. This minimum required limit for both coverages is \$25,000 per person and \$50,000 per accident (25/50). Because this coverage affords benefits directly to the insured, it is wise to carry more than the minimum amount.

No-Fault Insurance:

No-fault insurance (also referred to as Personal Injury Protection or PIP insurance) is for basic economic loss benefits, such as medical expenses and wage losses, sustained by an insured as a result of an automobile accident.

Medical Expense/Rehabilitation Benefits:

This covers almost every type of medical treatment available and you can choose your own doctors. The insurer must also pay your transportation costs or mileage to and from treatment. This also covers rehabilitation expenses if, as a result of the accident, you are required to undergo vocational rehabilitation.

Wage Loss and Replacement Service Benefits:

Your wage losses are covered at a rate of 85% of your weekly wage loss up to a maximum of \$250 per week. Costs you incur to pay for household help (such as housecleaning and yardwork) are covered, dollar for dollar, up to a maximum of \$200 per week.

No-Fault Limits: The minimum required no-fault limits are \$20,000 in medical/rehabilitation expenses and \$20,000 in wage losses/replacement services expenses. You may apply the unused portion of one type of coverage to a different type of coverage.

Stacking: If you own more than one vehicle, you may elect to stack your no-fault coverage on each vehicle. In other words, if you owned two vehicles, you could double your no-fault coverage to \$40,000 in medical/rehabilitation expenses and \$40,000 in wage losses/replacement services expenses. With three vehicles, you could triple your coverage to \$60,000/\$60,000. The cost to add stacking is generally nominal, especially when viewed in light of the added coverage you receive.

Non-required coverages:

In addition to the required coverage, all automobile insurers offer collision and comprehensive, which are intended to cover damage caused to your vehicle. Although these coverages are not required by law, if your vehicle is financed, most lending institutions will require you to carry such coverage throughout the life of the loan.

Motorcycle Insurance:

Unlike automobile owners, motorcycle owners are not required to carry either no-fault or UIM/UM coverage. However, because both types of coverage afford benefits directly to the insured in the event of a loss, it is prudent to investigate the cost of adding one or both to your policy.