

# Pitfalls Of Selecting Insurance

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NJ auto insurance coverage can be quite complex and very confusing. Navigating through options, policies and buyers' guides leads to frustration and headaches. Many times we meet with clients who believe they have "full coverage" auto insurance. However after looking at their policy, it turns out they've made some mistakes in selecting insurance which could cost them a lot of money. Below we've outlined of the pitfalls to be wary of and look out for when selecting car insurance.

## LIMITATION ON LAWSUIT

When you obtain insurance, NJ insurers ask you whether you would like the limitation on lawsuit (sometimes called the limited tort option). They explain to you that you will save money on your car insurance- sounds like a pretty good option, right?

However, many times they don't explain what you are giving up in order to save a little money (oftentimes it is very little money!) When you select that limitation on lawsuit option, you are giving up your right to bring a lawsuit for pain and suffering if you are injured in an accident even if the accident is not your fault, unless you meet one of six exceptions, which can often be very difficult to prove. Unless you suffer a catastrophic injury, like death, dismemberment significant disfigurement or significant scarring, displaced fracture, loss of a fetus or permanent injury proven by objective, credible medical evidence, you may not be successful in a lawsuit.

Oftentimes, when you are involved in an accident, the pain and suffering is the most difficult aspect. It is important to protect yourself and allow yourself the legal ability to seek compensation for your pain and suffering. The limitation on lawsuit option does exactly what it says it does—limits you and your rights. It is a mistaken impression that full tort coverage is not worth the extra expense.

But, suppose you already got into an accident and you've selected the limitation on lawsuit provision- is it too late? Can you still bring a lawsuit? The short answer is yes- but you face an uphill climb. It is important to hire a skilled trial attorney who specializes in personal injury law. You need someone who is familiar with the nuances of personal injury law. At Einhorn Barbarito, we have a department dedicated solely to achieving the best possible results for injured clients.

## **PERSONAL INJURY PROTECTION**

In NJ, we have a "no fault" automobile insurance system. That means, regardless of who caused the accident, your own automobile insurance will pay for your medical bills. This is called **personal injury protection**. That is why it is important to have a minimum of \$250,000 to cover your medical bills. \$250,000 is considered a "standard plan" in NJ.

Additionally, NJ insurers offer you the option to use your personal health insurance as a primary source for payment of treatment for injuries sustained in a motor vehicle accident. Once again, you may see that a great cost saving option because you already pay for your health insurance. However, many health insurance plans will not pay for treatment sustained in an auto accident, leaving you with a monetary penalty for choosing that option.

Additionally, federal law may mandate you reimburse your health insurance carrier for the cost of your treatment out of any settlement or judgment entered in your favor. If you had used your personal injury protection through your automobile insurance, the insurance is not able to seek reimbursement for money expended for your treatment.

## **CO-PAYS AND DEDUCTIBLES FOR MEDICAL TREATMENT**

Although your automobile insurance pays your medical insurance, you must pay certain co-pays and deductibles for any medical treatment rendered in connection with an accident, even if that accident was not your fault. A deductible is the amount of money you must pay out-of-your pocket for medical treatment **before** the insurance will pay any amount. Co-pays are the portion of a claim you must pay; the rest of the claim would be covered by your insurance. In NJ, by law, you must pay 20% of the first

\$5,000 of treatment, after you satisfy your deductible. Your insurance will pay the remaining 80% of the \$5,000, minus your deductible.

So for instance, in order to save money, you might choose the highest deductible offered (\$2,500). If you need medical treatment, before your insurer pays any amount, you would have to pay your deductible, \$2,500, out of your own pocket for medical treatment (whether or not the accident was your fault). You would then be responsible for a 20% co-pay of the remaining \$2,500 (\$5,000 minus the \$2,500 deductible), which amounts to \$500. In that scenario, you would owe \$3,000 for medical treatment even if the accident was not your fault! In order to minimize any money owed, it is best to select the lowest deductible available, which is \$250.

### **UNINSURED AND UNDERINSURED MOTORIST CLAIMS**

What if someone hits your vehicle and they are either uninsured or do not have enough insurance to cover your medical bills? The answer is simple: you can protect yourself by purchasing insurance from your own insurance carrier to address those types of situations. You can select an option which would provide coverage either in place of an uninsured vehicle or in excess of someone's policy which is far too small to adequately compensate you for your pain and suffering. These policies are called uninsured or underinsured motor vehicle insurance and are crucial to possess. You cannot control if someone who causes an accident is insured; nor how much coverage they possess, but you can contract with your insurance company to provide coverage if someone is uninsured or underinsured. It is our recommendation to possess at least \$250,000 of uninsured and underinsured motorist coverage.

If you have any questions or would like to discuss your current coverage or options, please contact our firm and we will provide a consultation at no cost to you.