The Importance of Having Adequate Auto Insurance

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Automobile insurance offers critical financial protection in the event a motorist causes an accident that results in personal injury and/or property damage, or if theft or damage is caused to the policyholder's vehicle. But far too many drivers have inadequate coverage. Rosen Hagood takes a look at why adequate auto insurance is so important.

What is the Minimum Amount of Auto Liability Coverage Required in South Carolina?

South Carolina law requires all motorists to purchase and maintain liability and uninsured motorist coverage to legally drive in the state. Auto insurance is divided into two categories: liability and physical damage.

Liability

Auto liability policies consist of liability coverage for bodily injury, liability coverage for property damage, and uninsured/underinsured motorist coverage.

Bodily injury coverage protects you against the claims of those you injured in a wreck. Claims for bodily injury usually include past and future medical expenses, lost wages, and pain and suffering. Under South Carolina law, a bodily injury policy must cover, at a minimum, $25,000 per person and $50,000 for all persons injured in one accident.

Property damage coverage covers loss and damage to someone else's property. This includes damage done to other vehicles, buildings, walls, fences, and equipment. The minimum amount of coverage in South Carolina is $25,000 for all property damage in one accident.

Finally, uninsured motorist coverage protects the policyholder. This coverage pays for personal and/or property damage caused by a hit-and-run driver or an uninsured driver. You must carry uninsured motorist coverage that equals the minimum amount of liability coverage (25/50/25).

Auto insurance companies are also required to offer you underinsured motorist coverage. Underinsured coverage protects you in the event the at-fault driver's bodily injury or property damage coverage is insufficient to fully compensate you for a loss. Underinsured motorist coverage is optional, but highly recommended.

Medical payments coverage (sometimes referred to as Personal Injury Protection or PIP coverage) is another optional coverage that pays medical expenses up to the policy limit, usually between $1,000 and $10,000, after a wreck for the policyholder, other named drivers

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on the policy, and passengers. It is a "no-fault" coverage, meaning regardless of who caused the collision, you are still entitled to make a claim for it.

Physical damage

Physical damage insurance protects against damage to the driver's own automobile and includes collision coverage (if your vehicle collides with a stationary object, like a tree) and comprehensive coverage (for other causes of physical damage to the vehicle, such as fire, vandalism, and theft). These coverages are also optional, but in some circumstances may be required by a lender.

Why the Minimums Aren't Enough

Although having the minimum limits permits you to drive legally, it is strongly advised that you purchase higher coverages. This is where policy limits matter. Here are the reasons why you need as much coverage as you can afford.

Bodily Injury

$25,000 per person and $50,000 for all persons injured in a single accident are rarely enough to cover a loss, considering the expense of ambulance care, hospitalization, surgery, rehabilitation, physical therapy, and other medical needs.

Property Damage

If you damage or destroy an expensive vehicle, piece of equipment, building, or some other piece of property, the cost of covering that damage can and often does, exceed the minimum limit of $25,000.

Uninsured/Underinsured Coverage

Your medical bills, lost wages, property damage, and other losses may be significant, and if you are injured in a hit-and-run accident or the at-fault driver is uninsured, you may be upside down financially. Similarly, suppose the at-fault driver only has the minimum limits in liability coverage. In that case, the difference between that coverage and your losses, including the losses of your loved ones, maybe staggering, leaving the at-fault party grossly underinsured and you holding the bag.

The General Benefits of Adequate Auto Insurance Coverage

Sufficient auto insurance coverage offers the following benefits:

Financial Protection

Adequate insurance will make sure you are protected financially in the event of an accident or other event. Without it, you could be held personally responsible for any injuries, damages, or losses you cause. Also, for most, the cost to increase coverage is usually nominal when spread out over the course of a yearly premium.

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Legal Requirements

South Carolina law requires at least the above minimum amounts of insurance coverage. Breaking the law may result in fines, suspension of driving privileges, and even jail time.

Peace of Mind

Without adequate insurance, you will likely be worried that any trip to the grocery store or drive to work could leave you and your family financially and legally exposed. Insurance policies are affordable, and many insurers offer discounts and savings programs, so don't neglect the peace of mind that comes with having it in the right amounts.

Ask your insurance agent for recommended amounts of coverage so you can prepare for the unexpected event of a claimed loss involving your vehicle. Regarding auto insurance, it is always better to have more than less. In the words of Benjamin Franklin, "An ounce of prevention is worth a pound of cure."

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