

What Is Liability Coverage?

On any automobile insurance policy declarations page there is a section that for most people says something like \$25,000.00/\$50,000.00. The first number (\$25,000.00) is the minimum liability limit per person in Kentucky. Liability coverage is insurance that covers other people if you are in an accident that is your fault. This coverage is required by Kentucky law. That is, if you cause an accident and injure a person in that accident, your liability coverage will pay for that person's pain and suffering and out of pocket expenses, up to the maximum of \$25,000.00 per person and \$50,000.00 per accident if more than one person is injured. This means that he only had \$25,000.00 per person in coverage, which is available for damages he caused to others, not for damages caused to him or his family.

This does not mean that you have insurance that covers you. You do not receive any money from this coverage if you are injured. Your insurance company will pay for damages you cause to another person if that person is injured in the automobile accident. Liability coverage only pays for the damage you cause to other people up to the amount of insurance you have purchased.

If your assets (such as your house, car, 401K, etc.) are greater than \$25,000.00 you should consider purchasing additional liability coverage. You can go as high as the underwriting guidelines your company will allow. Some insurance companies will limit your coverage to \$250,000/\$500,000 and suggest an umbrella policy. A policy with limits of \$500,000.00/\$1,000,000.00 is the highest I have seen. You will be surprised at

how little the additional coverage will cost you. The chart below illustrates raising your limits will affect your liability insurance rates, but ask your insurance agent how much it will cost for you to raise these limits to get the exact figures for you..

INCREASED LIABILITY LIMITS

The following tables contain the factors to be applied to the basic \$60,000.00 Single Limit Liability or 25/50 Bodily Injury Liability rate, and the \$10,000.00 Property Damage Liability rate in the state of Kentucky.

For vehicles subject to the Kentucky No-Fault Law

Single Limit Liability		Split Limit Bodily Injury Liability	
Total Limits	Factor	Total Limits	Factor
\$60,000.00	1.00	\$25/50	1.00
\$100,000.00	1.12	\$50/100	1.35
\$200,000.00	1.24	\$100/300	1.64
\$300,000.00	1.29	\$250/500	1.86
\$500,000.00	1.34	\$500/500	1.93
\$1,000,000.00	1.37	\$500/1,000	1.95
		\$1,000/1,000	1.98

The second number, the \$50,000, means that if there is more than one individual in the car you hit or you hit more than one car, the maximum that your insurance carrier will have to pay is \$50,000.00. This is all the insurance company has to pay out on that accident claim. If there are two people that are injured it is \$25,000.00 for each person. If there are three or more people that are injured it is \$50,000.00 to cover all of these individuals.

You can also carry a single limit, with the lowest amount being \$60,000.00. This is the total of all of the minimum liability coverage. That is the \$50,000.00 per accident

and the \$10,000.00 for property damage. The difference is that the coverage can be paid out for the entire accident without being limited by the category.