

DO YOU NEED CAR INSURANCE?

By: Ralph Seekins

Question: We just bought an older used pickup for occasional use. It isn't a big dollar item, we paid cash for it, and I don't think we need to insure it. My spouse disagrees. What should we do?

Answer: Your spouse is right. Alaska state law (AS 28.22.101) requires minimum Bodily Injury Liability limits of \$50,000 per injured person up to a total of \$100,000 per accident and Property Damage Liability coverage with a minimum limit of \$25,000. This is often referred to as 50/100/25 coverage and, again, is the MINIMUM coverage the owner must carry if the vehicle is to be registered in and operated in Alaska. Failure to have at least the minimum coverage may end up in a suspension of a person's driver's license. Insurance may not be required in areas where registration is not required (AS 28.22.011(A)&(B)). More detailed information on mandatory insurance can be found at www.state.ak.us/dmv/faq/manins.htm. However, for reasons discussed below, a lot of folks carry more than the minimum coverage.

Regarding your pickup, since there is no lien holder, there is no legal requirement to insure your own vehicle against damage or total loss – called “Collision or Comprehensive” coverage. You simply must decide whether the value of the vehicle is great enough that you wish to cover it. Many folks do not carry collision coverage on their vehicle when its resale value gets below a certain dollar amount. For example, one of my good friends has a 1994 pickup. He only carries a liability policy, accepting the fact that, if he damages the truck, the loss will come out of his own pocket.

The average annual insurance policy premium in Alaska in 2009 is about \$2,300 and varies somewhat depending on where you live. The national average is about \$1,800.

In Alaska, when there is an accident, someone must be found at fault for causing the accident. That person will be held responsible for all damages. If that person has a liability policy, his or her insurance company will pay up to the policy limits. The person responsible for the accident will be liable for all damages that exceed the insurance coverage. In such case, the damaged party can come after your home and/or any other assets you may have.

I'm not an insurance expert and we don't sell automobile insurance. However, when I'm asked what coverage I would carry, I recommend carrying a whole lot more than the statutory minimum. A serious accident can easily exceed the minimum required coverages. According to the Insurance Information Institute, it's a good idea to carry at least \$100,000 per injured person and \$300,000 per accident. I would add a minimum of \$100,000 in property damage coverage – a 100/300/100 policy. Additionally, I recommend a personal umbrella policy that would pick up where the first policy's coverage left off. I know folks who carry from \$1 million to \$5 million umbrella policies.

I also recommend an owner consider Underinsured/Uninsured Motorist Bodily Injury coverage in the same amount of your Bodily Injury Liability coverage. This covers bodily injury caused by a driver who is uninsured or underinsured. Your base insurance policy does not cover any bodily injury you suffer if you are hit by an uninsured driver or that may exceed the limits of the driver who injured you.

In all cases, I recommend taking the time to consult with a local insurance agent representing reputable companies to discuss coverage and premiums. Costs can vary greatly from company to company depending on the coverage you select. The time you take can pay off in premium savings and protect you adequately in case of a catastrophe.