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NEWSALERT

2025 Changes

Auto Insurance Minimum Liability Levels to Double

STARTING JAN. 1, 2025, California is increasing the minimum liability coverage levels that drivers in the state will be required to have on their auto insurance policies.

The new minimums, double current levels, are meant to keep up with inflation, particularly the cost of car repairs and medical costs. While the minimums have long needed to be increased (they've been in place since 1967, amazingly), they may still not be enough if a driver is found at fault in an accident with a modern vehicle.

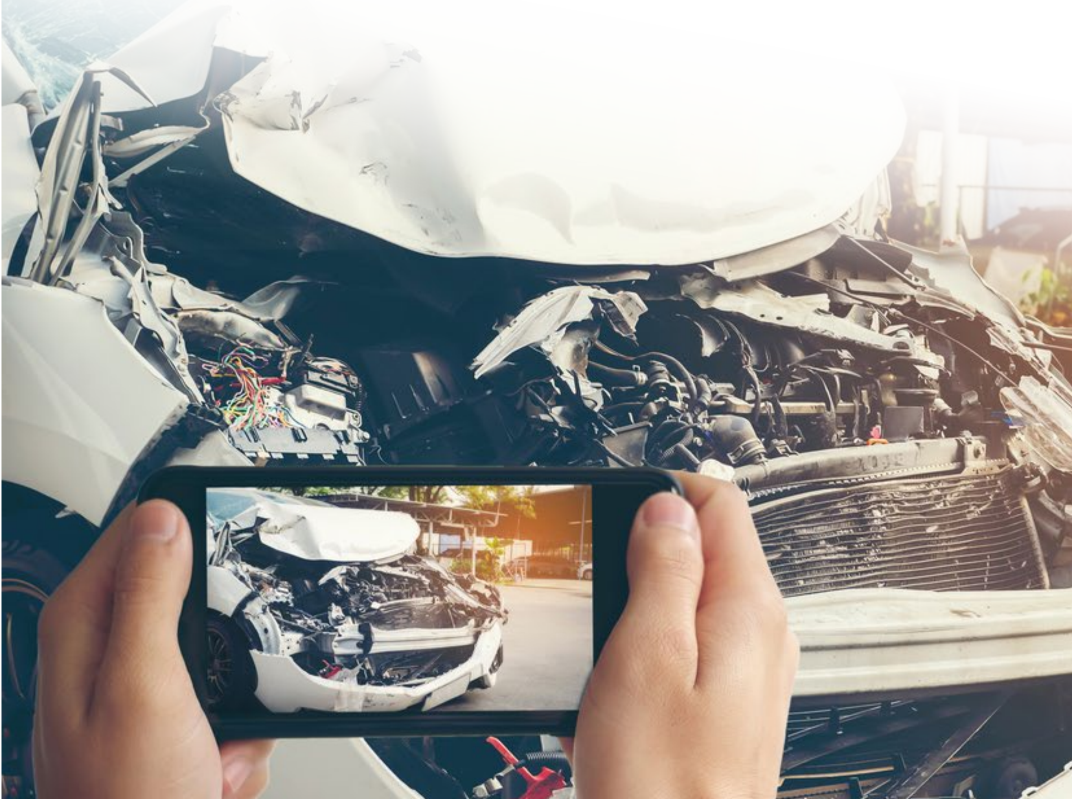
New Minimum Liability Coverages for 2025

- $30,000 for injury/death to one person, up from $15,000.
- $60,000 for injury/death to more than one person, up from $30,000.
- $15,000 for damage to property, up from $5,000.

Why the change?

The new statutory limits are designed to ensure that individuals involved in accidents have sufficient coverage to meet the cost of vehicle repairs, medical expenses and other accident-related costs if they are at fault in an accident. All of these costs have skyrocketed in the last four years.

The new limits also reflect the fact that even minor accidents can result in significant repair costs, particularly in vehicles loaded with new technology.



The takeaway

If you are currently insured for the minimum levels required by the state, you should consider increasing your liability beyond the new 2025 minimums, which also may not be enough in case of an accident.

If you are found at fault in an accident and the claim costs breach your policy limits, you will be responsible for the rest, which you'd have to pay out of pocket.

You could be in a sticky situation if you crash into a luxury vehicle or if the victims need significant medical care as a result of the accident.

But if you do want to keep with the legal minimums, you'll likely see your premiums increase along with the new levels.

We can work with you to compare rates with other insurers to see if there is better pricing out there.

If you are seeing higher rates, you can also consider increasing your comprehensive and collision deductibles, or even eliminating these coverages altogether on any older vehicles that you have paid off.

These strategies can help offset the premium increases associated with higher liability limits. ❖

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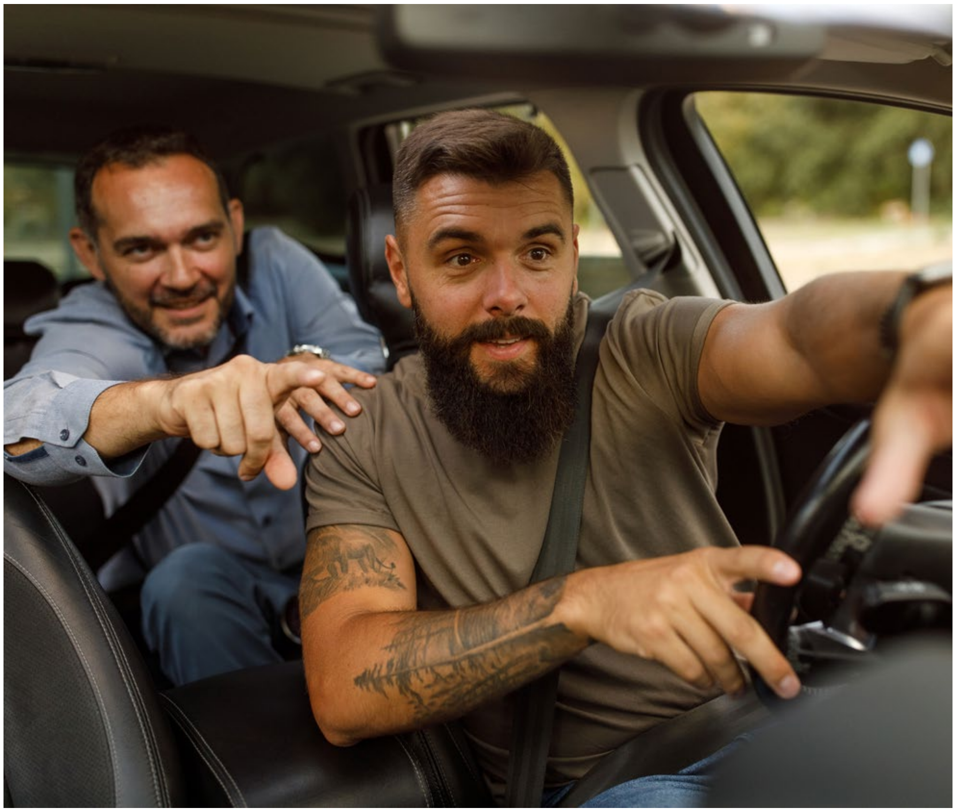
Hidden Liability Risk

The Insurance Gaps While Driving for Uber, DoorDash



Apps and insurance

DoorDash – Up to $1 million in bodily injury or property damage in "active delivery" mode. During waiting periods, up to $100,000 for third party bodily injuries and $25,000 for property damage. It will not cover damage to your car.

GrubHub – GrubHub doesn't offer insurance coverage. You must have your own insurance that meets your state's minimum liability standards.

Instacart – Instacart does not offer insurance for its drivers. You're responsible for having your own personal or commercial liability car insurance that meets your state's requirements.

Uber and UberEats – Insurance that covers at least $1 million for property damage and injuries to riders and third parties.

Insurance that covers the cost to repair your car, up to the actual cash value, with a $2,500 deductible, contingent on your personal insurance including comprehensive and collision coverage.

TO MAKE ends meet, or to build up their nest eggs, many people have turned to moonlighting driving for ride-hailing app Uber or delivery apps like DoorDash or Instacart.

The money can be good, but it's important to understand the insurance implications of using your own vehicle to shuttle passengers or food to earn income.

Uber, Uber Eats and DoorDash carry their own insurance that will cover drivers for damage they cause to a third party's property, or injuries to passengers or other individuals. But other companies' coverage varies and puts the insurance responsibility on the drivers.

Ride and food delivery apps that do offer insurance have policies that are specific about the times during which they will cover passengers or drivers. Many companies will cover you from the time you've accepted a job to the time the food is delivered, or the passengers reach their destination and exit the vehicle.

For all those times you are not covered, you would likely not be able to count on your personal auto policy to cover an accident for which you are found at fault.

The coverage gap

Most insurers use the standard personal auto insurance policy created by the Insurance Services Office, which excludes coverage if the vehicle is used for business purposes, including accepting passengers and making deliveries for income.

Policies preclude coverage for any liability, medical payments and physical damage arising from this type of activity. Even insurers that don't use the ISO forms and instead have their own will typically exclude coverage for business purposes.

This creates a coverage gap. If you drive for an app that requires your insurance to cover damages of an accident, they would likely decline the claim, leaving you paying out of pocket. As well, if their insurance limits are insufficient, you'd be left holding the bag, which could be a hefty tab in case of a destructive accident.

The takeaway

As you can see from the above examples, insurance issues are largely your responsibility with some apps. Your personal auto policy will not provide coverage, meaning you would be on the hook for any damage or injuries you cause while driving for them.

While some apps provide coverage, the limits may be far below real-world costs, particularly if someone is injured or if you damage a luxury car. For example, a property damage limit of $25,000 would not be enough if you total a BMW 7 series sedan.

If you are planning to drive for one of these apps or already are, you should call us and ask about your options to avoid the coverage gap or lack of coverage.

It's recommended that you secure additional coverage by purchasing rideshare or delivery service insurance either as a stand-alone policy or a rider on your current policy. This may provide a coverage for the gap you face when driving for one of these companies.

You should also exceed California's liability coverage limits on your personal plan, as they are woefully low. ❖

When Remodeling, Transfer Risk to the Contractor

IF YOU are considering home renovations or a remodel, you need to be aware of the biggest pitfall: liability if the contractors you hire don't carry the necessary insurance.

If a contractor lacks workers' compensation coverage, for example, the homeowner could be on the hook for the cost of medical care and lost wages. The key to avoiding this scenario is to ensure that the contractor is the one bearing the risk and that they have the proper insurance to do so.

You can ensure this through a well-worded contract, which transfers the majority of the construction risk to the contractor.

Essential Contract Elements

- Scope of the work and price of the project.
- Legal names of both homeowner and the general contractor, and their addresses (no P.O. boxes).
- The contractor's license and tax ID number.
- Requiring the general contractor to carry workers' compensation and commercial general liability insurance, and that they provide certificates for both policies.
- The contractor should list the homeowner as an additional insured under their general liability policy.
- A hold harmless agreement or indemnification clause that outlines the contractor's responsibilities if their work results in injury or damage.
- Warranty details.
- Project time frame, including start and end date.
- Homeowner responsibilities.
- Clearly outline the payment structure, including the total project cost, deposit requirements, progress payments, and the final payment due upon completion.
- A detailed description of the work to be performed, including all aspects of the project, including labor (man hours), materials, finishes, dimensions and any other relevant details.

Contractor's insurance

When checking a contractor's certificates of insurance, homeowners should look for the following:

Current dates – Check to see that the coverage is current. If it's past the policy expiration date, you should ask for their new policy certificate. Do not proceed if they can't provide an in-effect policy.

General liability coverage – The contractor should have this insurance, which covers bodily injury to you or third parties and property damage arising out of their operations.

Check also to see if their coverage includes "products and completed operations," which covers damage that may arise out of their finished work. If this is not included, then the contractor's liability ends when they finish the job.

Workers' compensation – This coverage is mandatory for all employers, except under very rare circumstances. It covers medical expenses and lost wages if an employee is injured on the job. If the contractor doesn't have workers' comp, you could be on the hook for these costs.

Sometimes small contractors will tell you that they don't need to have it, but that is typically true only if they have no employees and it's a sole proprietorship.

Your insurance

The final backstop for you is your own homeowner's insurance policy and any umbrella insurance coverage that you have.

These policies can ensure that any contested claims are paid and that your insurer may step up to fight claims against you and push the liability to the contractor or their subcontractors.

If you have an ironclad contract to protect yourself, you won't suddenly find yourself out of pocket for damage that you were not responsible for. ❖

Crucial Coverage

High-Net-Worth Families Are Lawsuit Targets

BECAUSE HIGH-NET worth people have a lot to lose, they make attractive lawsuit targets for attorneys who represent injured parties.

This is why it is extremely important to consider additional liability insurance seriously. Nobody wants to lose their entire net worth and future wages because of a very bad incident or a lapse in judgment. However, this risk must be addressed before an incident happens and before it is too late to get coverage.

There is no legal way to pre-date a coverage change, and dealing with a shortfall of insurance is very unpleasant and a life-changing experience.

What can happen?

Although the most common incident is an auto accident, lawsuits can arise from a myriad of circumstances ranging from swimming pool drownings to social-media libel accusations, and everything in between.

Whether incidents are legitimate or not, people know that affluent people have money, and, because of this, they are good targets.

Is bankruptcy a way out?

Bankruptcy is not for everyone. It is harder for affluent people to be discharged in bankruptcy, because courts do not grant bankruptcy to those whose assets exceed their debts. Asset movements can be traced, and hiding money is not a solution.

Even if a high-net worth individual qualifies for bankruptcy due to a very large judgement, they would still lose much of their assets, and their credit would be damaged for at least seven years.

Bankruptcy can also affect business owners, because it hinders their ability to get loans or reasonable interest rates. For such people, if bankruptcy is even an option, it is a very bad option.

Attorneys

When there is more at stake, attorneys will spend more time on a case. Plaintiffs' attorneys in these cases often work for a contingency of about 30%.

They have a lot to go after, which includes your assets and your wages. They can wear you down until they get what they want or what they think the case is worth. They can emotionally drain you through this process.

If they do not get what they want, they will file a lawsuit against you, which can put you in a difficult situation.

Insurance protection

Most liability claims against you would fall under your auto insurance policy or the liability portion of your homeowner's insurance. However, the liability limits of those policies would not be near enough to cover the costs of a multi-million judgment.

The solution is an umbrella policy that covers you above and beyond the amounts of coverage provided by your underlying policies. The more coverage you have, the more protection you have against losing your assets and having your wages garnished.

It will cover the costs of litigation, other legal fees, awards and settlements.

Coverage is typically purchased in $1 million increments. You should have at least enough to cover your net worth, including stock holdings, retirement funds and assets like homes and income properties.

The takeaway

There are no rules about how much umbrella coverage you should get, and getting only the amount of your net worth may not be enough.

Also, if your wealth grows, you may want to revisit the limits you have on your umbrella polices. Call us to help you settle on a sum that is adequate for your needs. ❖