

Is State Minimum Coverage Enough?

Directions: Work through the case study to determine if state minimum coverage is enough.

South Carolina state minimum coverage is 25/50/25.

In an accident, the minimum state coverage would pay:

\$25,000 bodily injury **per person** is the maximum pay out for medical expenses and lost wages.

\$50,000 bodily injury **per accident** is the maximum payout for the accident for medical expense and lost wages.

\$25,000 for property damage is the maximum it will pay for repairs to vehicles, buildings, and other property.

Case Study:

Andrew is a college student who has been driving for 4 years no tickets or major accidents. On the way to class, he ran a red light while looking at his phone. He t-boned a brand-new truck, valued at \$44,000, which was declared totaled. This truck then hit a compact car valued at \$14,000. It was also considered totaled. Fortunately, there were only minor injuries. Two passengers were in the truck, and they required no medical attention. The driver of the compact car was checked out at the hospital but left with only minor scrapes and bruises. The medical bills were \$3000.

Damages caused:

1. New Truck: \$44,000
2. Compact Car: \$14,000
3. Medical Bills: \$3000

Does Andrew have enough insurance for the damage caused?

Coverage	Damage Caused	Enough Coverage?
\$25,000 Bodily Injury PER PERSON	Medical Bills for 1 person- \$3000	
\$50,000 Bodily Injury PER ACCIDENT	Medical Bills for 1 person- \$3000	
\$25,000 Property Damage	Totaled Truck: \$44,000 Totaled Compact Car: \$14,000 Total Property Damage: \$60,000	

*Answers on next page.

Answer Sheet

Coverage	Damage Caused	Enough Coverage
\$25,000 Bodily Injury PER PERSON	Medical Bills for 1 person- \$3000	YES
\$50,000 Bodily Injury PER ACCIDENT	Medical Bills for 1 person- \$3000	YES
\$25,000 Property Damage	Totaled Truck: \$44,000 Totaled Compact Car: \$14,000 Total Property Damage: \$60,000	NO: This means that Andrew will need to pay the difference out of pocket. 60,000-25,000= \$35,000

Answer: In this case, Andrew does not have enough coverage with property damage. He will be responsible for paying everything over \$25,000. He does have enough coverage for bodily injury per person and per accident.

Consider how quickly the scenario above could change. What if three people were in the truck and sustained more extensive injuries? The goal of insurance is to transfer the risk to the company. Increasing the limitation amounts would have protected Andrew better.