

# Son's paltry car insurance puts father's assets at risk

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Tribune Content Agency

**Q:** My brother and I have owned a rental property together for more than 15 years. There is a current mortgage, and both of our names are on the mortgage and on title.

My adult son, 22 years old, was involved in an auto accident where he was at fault, and bodily injury claims may be in the \$1 million to \$2 million dollar range. Both my son's name and my name are on the title to the vehicle he was driving. His mom, my ex-wife, may have been carrying minimal liability insurance (\$15,000/\$30,000) on the vehicle.

She and I never talk, so I don't know exactly what the limits are, but she did call me and said, "You better protect yourself." There is no lawsuit pending nor judgement rendered.

What are my personal tax consequences if I simply remove my name from my co-owned rental property? Also, I do own a condo (\$600,000) on which I have a mortgage (\$300,000). Any advice you can give me would be appreciated.

**A:** Whether you own one piece of real estate or many, it is wise to have good homeowner's insurance coverage to cover the unexpected calamities of life.

While your homeowner's insurance can cover you for most perils, it won't cover you for floods, earthquakes and some other events unless you buy additional coverage or obtain a different policy. Specific disaster policies can be expensive, but in a world with unpredictable climate variability, it may be well worth considering.

Most homeowner's insurance policies include some coverage for liability issues. Those liabilities only relate in some way with the home. For broader issues that cover cars, homes and other properties, insurance companies sell umbrella insurance policies.

Because the world is increasingly litigious, we recommend that you buy an umbrella policy. Your homeowner's insurance policy may cover liability issues up to \$300,000, and your automobile may offer liability coverage for \$50,000. While those sound like big numbers, in a serious accident, it would get quickly used up. That's why you should consider purchasing a separate umbrella policy that will provide \$500,000 in liability coverage or more. The difference in cost between a \$500,000 and \$1,000,000 umbrella policy is usually not that great.

If you have automobile liability coverage that is insufficient for an accident -- such

as the one your son was involved in, which seems to have had tragic consequences -- the umbrella policy coverage would kick in. The idea behind umbrella insurance coverage is to give you a bit of peace of mind over accidents that happen involving your many properties and vehicles.

From what you wrote in your email, we have to assume that your son doesn't have his own automobile insurance and that the auto policy coverage included minimal liability insurance. As the owner of that car, you should know what insurance coverage you have.

If your son bought the insurance policy and obtained the least amount of insurance possible, and yet you owned the car, well, that's on you. You should have known better than let your son drive with such little coverage, leaving you (and your assets) exposed.

You, as the owner of the car, may have some responsibility for the actions of the driver. To what extent is unknown to us. You'll have to talk to an attorney about your possible exposure.

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