

## ARTICLE

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# Car Accident Compensation: The Insurance Policy Can Make The Difference



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After a car accident, a victim's car insurance plays a critical role in determining the level of compensation the victim can receive. By the time of the accident, however, the victim's choice has already been made, and that choice of insurance policy may severely limit the victim's recovery. That is why the decision of what insurance policy to purchase should be an informed one, based on a bevy of important factors rather than just cost.

In New Jersey, there are many types of automobile insurance policies and each carries with it different consequences if an accident were to occur. One of these options, which is both quite popular but also potentially limiting, is known as the Verbal Threshold or Limitation on Lawsuit option. The Verbal Threshold was designed to reduce insurance premiums by eliminating compensation for certain types of injuries. The decision as to whether or not to choose the Verbal Threshold or Limitation on Lawsuit option is a question of cost versus protection. The Verbal Threshold option is usually accompanied by a small amount of savings on insurance premiums, but also involves a limitation on the policyholder's ability to bring a lawsuit in the case of an accident. If the victim of a car accident has this type of insurance policy, in order to receive compensation for any injuries or pain and suffering, the victim must first prove that the accident caused one of the following: death, loss of a body part, loss of a fetus, significant disfigurement or scarring, displaced fracture, or permanent injury.

These types of injuries are extremely severe. The typical car accident does not involve injuries as significant as these exceptions. Victims with a policy containing the limitation may therefore be entirely precluded from or extremely limited in acquiring compensation for their injuries. These victims are precluded from recovering noneconomic losses unless they suffer one of the aforementioned severe injuries. Noneconomic losses are often classified as pain and suffering. These include compensation for mental anguish, pain, emotional distress, or the aggravation of previous injuries.

The threshold, however, does not apply to economic losses suffered by a victim. Economic damages are generally regarded as compensation for financial losses a victim incurs as a result of an accident. They typically include the cost of repairing a damaged vehicle, medical bills and lost wages. The Verbal Threshold does not apply to accidents involving a business or commercial vehicle that is not required to have Personal Injury Protection (PIP) coverage. Individuals who are not required to maintain PIP coverage themselves are also exempted from the threshold. This means that someone who does not own or operate a vehicle, or live with someone who does, is not subjected to the threshold's limitations.

Determining whether or not a victim is subject to this limiting threshold is often complex and involves significant legal terminology. Courts have struggled to place a firm definition on what exactly a “permanent” injury is and, therefore, what qualifies as an exception to the Verbal Threshold is open to substantial interpretation. If you are the victim of a car accident and are unsure what type of insurance you have or how to proceed, you should contact a personal injury attorney as soon as possible. An attorney can review your policy and help you protect your rights by ensuring you receive fair compensation for your injuries.