

# Accidents happen: When there's a lawsuit

## 5 Tips :Dealing with a lawsuit

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**NEW YORK (CNN/Money) - Accidents can happen at any time -- and often, the unfortunate result is a lawsuit. Finding yourself at the center of a lawsuit can be scary, particularly if you've been caught off-guard.**

How can you cut through the legalese and get the information you need? Here are today's 5 Tips.

### 1. Keep it simple.

In most cases, you'll be notified of a suit against you in writing. Typically, you'll receive a summons and a complaint by mail. The complaint lets you know about the allegations against you. The summons will tell you how much the time you have to answer the complaint.

Often, litigants in small-claims court represent themselves. (Small claims cases are those in which damages are less than \$5,000, but in some states as much as \$15,000.) You can hire an attorney to represent you in small claims court, but it may not be worth the cost.

If you decide to do it yourself, there are some helpful resources online. At [www.abanet.org](http://www.abanet.org) there's a self-help section with links to state law centers with downloadable forms, resources to help you find free advice and money saving legal tools. At [www.nolo.com](http://www.nolo.com) you'll find a legal encyclopedia of useful articles, answers to frequently asked questions and tips to help you with your research.

### 2. Don't go light on liability.

According to consumer reports, most lawsuits are auto-related. If you're being sued for a traffic accident, your automobile liability insurance is key here. If you've caused property damage or injury to others, this is the policy that covers you.

Almost every state requires drivers to carry a minimum amount of liability coverage. But according to the Insurance Information Institute, you'll probably need more coverage than just the minimum because accident bills often exceed the minimum limits.

If you're found legally responsible for bills that exceed your coverage, you'll have to pay the difference out of pocket. The costs could be crippling.

So how much should you buy? The Insurance Information Institute, at [www.iii.org](http://www.iii.org), recommends drivers have \$100,000 of bodily injury protection per person and \$300,000 per accident. If your net worth is more than \$300,000, consider buying additional liability insurance. The more money you have, the more you have to lose.

You may also want to think about an umbrella or excess liability policy. These policies kick in when your underlying coverage is maxed out. Typically, these policies cost between \$200 and \$300 per year for a million dollars in coverage.

### 3. Get your home an umbrella.

Homeowners insurance covers more than the name implies. According to III, most homeowners insurance policies provide a minimum of \$100,000 worth of liability coverage, but more is recommended.

**VIDEO**

CNNfn's Gerri Willis shares five tips on how to cope with a lawsuit.

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This coverage protects policyholders against lawsuits for bodily injuries or property damage that you, a family member or a pet may cause to others. It pays for the cost of defending you in court and for any damages you're ordered to pay.

The important thing is to buy enough to protect your assets. If you own property or have investments and savings that are worth more than the liability limits in your

policy, you may want to consider more coverage -- like an excess liability or umbrella policy.

Like the similarly named auto policies, they provide added coverage after your liability insurance has been exhausted. In addition to providing a higher monetary coverage, they offer expanded coverage that includes libel, slander and invasion of privacy (which are not covered under standard homeowners or auto policies).

The cost of policies vary depending on how much underlying insurance you have. The more extensive your underlying coverage, the cheaper the umbrella policy.

### 4. Get everything in writing.

Money changes everything, so it's important to take precautions in case a business relationship takes a turn for the worse. That means getting everything in writing.

Say you hire a contractor to pave your driveway, and at the end of the day, you're not satisfied with the job. If you've set terms about the nature of the project in a written contract, you've got some protection.

No detail is too small or scenario too unlikely. Jeff Rothfeder, contributing editor to *Consumer Reports Money Adviser*, says friends often enter into agreements without a lot of thought as to what could go wrong. They may try to work out certain arrangements themselves, but things can easily fall through the cracks.

If you've drawn up a contract yourself or with business partners, it may make sense to have the document looked over by an attorney. They can help you determine if you've covered all your bases.

Rothfeder also points out that, just like the U.S. Constitution, contracts can be amended. If any of your documents need updating or re-writing, a lawyer can be a big help. For more information, check out [www.consumerreports.org](http://www.consumerreports.org).

### 5. Don't mess around.

If you're facing a suit that is not a small claims matter, you should hire an attorney and let a professional handle your case. In this kind of situation, it's extremely important to get the help you need.

"The days of general practitioners are long gone. Law is very specialized. If you don't get the right attorney, it could really hurt your case," says [Brian J. Fruehling](#), an attorney in Madison, New Jersey.

Fruehling recommends using care if you're shopping for a lawyer online. Some attorneys pay to be listed on law-related web sites. Don't confuse these services with organizations that screen attorneys.

Contact your state and/or local bar association. They can help you find the kind of lawyer you need. You can link to bar associations across the nations via the American Bar Association's Web site at [www.abanet.org](http://www.abanet.org).

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