

*HOW TO BUY INSURANCE FROM A LAWYER OR
INSURANCE AGENT*

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CHAPTER ONE

WHY IS THE CAR INSURANCE COVERAGE I BUY SO IMPORTANT?

IF YOU ARE INJURED in a car accident, several questions usually come to mind. Who will pay to fix your car? Who will pay your medical bills and lost wages? Can you receive monetary compensation for your pain and suffering? What happens next?

In my experience, what happens next and how your life and the lives of your family members are ultimately impacted by the accident often depends on the choices you made when you bought your car insurance. Those choices impact how your car gets fixed, how your medical bills and lost wages get paid, whether you can recover compensation for your pain and suffering and, if so, whether you can receive adequate compensation.

Because your car insurance coverage choices are so important and, for the most part, consumers have only a basic understanding of car insurance coverage, I have made it my mission to educate the public about this important topic. This section will teach you how to review your car insurance coverage and will offer advice about Collision, Comprehensive and Gap Coverage, Liability Coverage, First Party Benefits (coverage for medical bills, lost wages, accidental death, and funeral bills), and Uninsured and Underinsured Motorist Coverage.

CHAPTER TWO

HOW DO I CHECK MY CAR INSURANCE COVERAGE?

TEXAS LAW REQUIRES PEOPLE who drive in Texas to pay for the accidents they cause. Most drivers do this by buying auto liability insurance. Liability insurance pays to repair or replace the other driver's car and pays other people's medical expenses when you're at fault in an accident.

By Texas law, you do not have to purchase a car insurance policy to drive as long as you can provide another acceptable form of financial responsibility. A cash deposit or a cashier's check with a county judge verifying you have deposited at least \$55,000 is accepted as proof of financial responsibility, as is a surety bond or a copy of a self-insurance certificate issued by the Texas Department of Public Safety.

It's also acceptable to drive in Texas with a car insurance policy issued from another state. As long as the insurance comes from a valid agent or company with legal authority to write liability insurance in the state and meets minimum coverage requirements, it's fine.

As mentioned above, there are a few alternatives to purchasing Texas auto insurance, and you can drive legally in the state without it. But keep in mind that, if you are involved in an accident and are facing costly damages and high out-of-pocket expenses, a reliable, dependable insurance policy sure comes in handy.

If you buy insurance to meet the state's financial responsibility law, you must buy at least the minimum amount. The current minimum liability limits are \$30,000 for each injured person, up to a total of \$60,000 per accident, and \$25,000 for property damage per accident. This basic coverage is called 30/60/25 coverage.

Because of car prices and the high cost of medical care, the minimum amounts might not be enough to pay all of the other driver's costs if you're at fault in an accident. Other drivers could sue you to collect the difference. Consider buying more than the minimum limits to protect yourself financially.

Liability insurance doesn't pay to repair or replace your car or to treat your injuries. Other types of coverages—such as personal injury protection, uninsured or underinsured motorist, medical payments, collision, and comprehensive—can help you pay for these expenses.

To check the coverage on your current policy, you need to look at your "Declarations Page," which usually looks similar to the following:

POLICY DECLARATIONS

Coverage	Limits of Liability
Bodily Injury Liability	\$100,000 each person \$300,000 each accident
Property Damage Liability	\$100,000
Uninsured/Underinsured Motorist (stacked)	\$100,000 each person \$300,000 each accident
Uninsured Motorist Property Damage	\$100,000
Medical Benefit	\$10,000 or PIP (medical expenses, funeral expenses, and up to 80% of loss of income) \$5,000
Income Loss Benefit	\$5,000 total \$1,000 monthly
Accidental Death Benefit	\$10,000
Funeral Benefit	\$5,000
Comprehensive \$500	Actual Cash Value
Collision \$500	Actual Cash Value

CHAPTER THREE

COLLISION, COMPREHENSIVE, AND GAP COVERAGE

CAR MISHAPS INVOLVING CRASHES, deer, snow, ice, floods, thefts, vandalism, and other unfortunate events are common. The car insurance coverage that you purchase often determines what money you will receive to repair or replace your car.

COLLISION AND COMPREHENSIVE COVERAGE

On your own car insurance policy, you can purchase insurance to protect your car from peril. “Collision” Coverage protects you from accidents which are deemed your fault. If you crash into another car, building, tree, etc., Collision Coverage will pay for it.

“Comprehensive” Coverage protects you from damage caused by deer or other animal crashes, theft, flood, vandalism, or other events not involving collisions. If your car is damaged by one of these events, your Comprehensive Coverage will reimburse you.

If you finance or lease your car, you will likely be required to purchase Collision and Comprehensive Coverage. It is also a good idea to purchase this coverage if you have a relatively new car which would be expensive to repair or replace. The cost of Collision or Comprehensive Coverage can be reduced by increasing your deductible, which is the amount you have to pay yourself before the insurance company must start paying for damage or loss.

GAP (GUARANTEED AUTO PROTECTION) INSURANCE

If your car is wrecked and “totaled” (cannot be repaired for less than its value), then you might end up owing more to your bank or lease company than your insurance will pay you for your car. Insurance must pay the Actual Cash Value (ACV) of the car, which is often much less than you owe because vehicles depreciate in value quickly. The ACV of a vehicle in Texas is the Fair Market Value, which is the amount you would pay to replace your vehicle with a vehicle of similar condition in the geographic area in which you live. GAP insurance will make up the difference in what you owe versus the ACV value so that you do not end up upside down on your loan or lease. If the ACV is \$10,000, but you owe \$15,000 on your loan or lease, GAP insurance makes up the \$5,000 shortfall.

CHAPTER FOUR

LIABILITY COVERAGE — PROTECTING YOUR ASSETS WHEN YOU CAUSE AN ACCIDENT

YOUR INSURANCE COMPANY HAS A DUTY TO DEFEND AND PAY

Your Declarations Page lists your amount of Liability Insurance Coverage for “Bodily Injury” and “Property Damage.” Liability Insurance Coverage protects you in the event that you cause a car accident which results in property damage and/or personal injuries.

Your insurance policy is a contract between you and your insurance company which promises that in exchange for your payment of premiums, the insurance company agrees to defend you and pay for the damages which you cause up to the limits of your policy. So, if you cause an accident resulting in property damage and/or injuries, your insurance company must hire a lawyer to defend you and pay for any damages up to the amount of coverage which you purchased.

HOW MUCH LIABILITY COVERAGE IS REQUIRED BY LAW?

Texas law requires minimum liability limits for bodily injury of \$30,000 for each injured person, up to a total of \$60,000 per accident, and \$25,000 for property damage per accident. This basic coverage is called 30/60/25 coverage.

Property Damage Coverage protects you for property damages resulting from accidents which you cause. For example, you might damage a car, fence, sign or even a building in a car accident. Property Damage Coverage would pay for such things to be repaired or replaced.

Bodily Injury Coverage protects you from claims brought by the people whom you injure in a car accident. Such coverage would pay for the injured person’s unpaid medical bills, lost wages, pain and suffering and other damages.

The minimum Liability Coverage required by law in Texas would pay \$30,000 for each injured person up to \$60,000 per accident, and \$25,000 for property damage per accident.

WHAT IF THE LIABILITY COVERAGE YOU HAVE IS NOT ENOUGH TO COVER THE DAMAGES YOU CAUSE?

It is not difficult to imagine a scenario under which the minimum Liability Coverage would not be enough coverage to pay for the damages caused by a car accident. Seriously injuring one person can cause more than \$30,000 of Bodily Injury damages, and an accident resulting in moderate injuries to multiple people can cause more than \$60,000 of Bodily Injury damages. Damaging or totaling a car can result in property damages of more than \$25,000.

Your insurance policy is a contract with the insurance company which only obligates it to pay for damages up to the limits of the policy. If the damages exceed those limits, the injured party could pursue your personal assets to make up the difference. For example, if you cause \$500,000 worth of Bodily Injury damages and have only \$30,000 worth of coverage, the injured party would receive \$30,000 from your insurance company and then try to collect \$470,000 from your personal assets.

HOW MUCH IS ENOUGH LIABILITY COVERAGE?

You should discuss the issue of how much Liability Coverage is appropriate with your insurance agent and financial advisor.

From both an insurance agent's perspective and a legal perspective, I believe that you should have sufficient coverage to protect the value of your personal assets from potential legal claims. The more assets you have, the more insurance you should have.

For high net worth individuals who require high Liability Coverage, it is often advisable to consider substantial Liability Coverage on your car insurance as well as an Umbrella Policy. An Umbrella Policy provides additional coverage on top of your car insurance coverage and Umbrella Coverage protects you from other types of liability claims in addition to car accidents.

CHAPTER FIVE

PERSONAL INJURY PROTECTION (PIP) & MEDICAL PAYMENTS (MED-PAY) COVERAGE

TEXAS AUTOMOBILE INSURANCE POLICIES offer the choice between PIP or Med-Pay.

<u>PIP</u>	<u>Med-Pay</u>	
Required under Texas law	Yes	No
Must be rejected in writing	Yes	No
Minimum Coverage	\$2,500 per person	No
Covers Medical Bills	Yes	Yes
Covers Lost Wages	Yes (80%)	No
Right of Subrogation	No	Yes
Provides No-Fault Coverage	Yes	Yes

Personal Injury Protection, also known as “PIP,” is coverage you purchase with your auto insurance policy that covers medical expenses and lost wages as a result of injuries sustained in a car accident. PIP includes physical and occupational therapy and rehabilitation costs, psychiatric expenses, and other professional health services. PIP also offers insurance coverage for wages lost from work, other reasonable non-medical or work-related losses, and a death benefit.

The Texas Insurance Code provides that all policies of automobile insurance issued in Texas must provide for PIP coverage for a minimum of \$2,500 per person, unless rejected in writing by the insured. If you choose not to carry PIP coverage, then the insurance company is required to obtain your signed rejection of the PIP coverage. Therefore, unless you rejected PIP, then you would be entitled to the minimum coverage even if you were never charged a premium for it.

Texas law requires that PIP coverage be provided at a minimum of \$2,500 per person. You may carry more coverage if you like.

PIP provides “no-fault” coverage. This means that you are entitled to PIP benefits regardless of fault in the accident. You can collect PIP even when the accident was your fault.

PIP covers reasonable and necessary medical bills and 80% of your lost wages.

Texas provides that PIP has no right or *subrogation* (explained below) or reimbursement in the event you get a settlement for your personal injuries. That means that you can collect medical benefits on your PIP coverage and also submit those very same bills as part of your injury claim. PIP does not have to be repaid to the insurance carrier.

Medical Payments Coverage (Med-Pay) operates differently than PIP. Med-Pay is not mandated by Texas law. Additionally, Med-Pay coverage may be issued in any amount: \$500, \$1,000, \$2,000, etc.—there is no state mandated minimum. Although Med-Pay also provides no-fault coverage, it only covers medical, surgical, dental, and chiropractic treatments that are considered necessary and reasonable. Some of these services include ambulance transportation, hospitalization, X-rays, nursing care, prosthetics, and funeral expenses. Med-Pay does not cover lost wages.

One major difference between PIP and Med-Pay can make a big difference in your case: unlike PIP, Med-Pay coverage is entitled to subrogation and reimbursement rights.

“Subrogation” refers to the right of an insurance company to get reimbursed in the event you make a settlement with a liable third party. Consider this example:

You are injured in a car accident and have \$5,000 in medical expenses. You also carry \$2,500 in PIP coverage on your auto policy. Once you are done treating and are released from your doctor’s care, your lawyer will submit your case to the other driver’s insurance company as well as your own for PIP benefits. If you settle your case for \$7,500 with the other driver’s insurance company, you can also expect to get another \$2,500 from your policy under the PIP coverage. Therefore, your total recovery would be \$10,000.

However, if you had Med-Pay coverage, then your insurance company would be entitled to reimbursement of the \$2,500 in Med-Pay benefits. If you collect the Med-Pay benefits of \$2,500 and also enter into a settlement for \$7,500 with the other driver’s insurance company, you would not have \$10,000 in total funds to work with. Rather, you would have to account for reimbursement of the Med-Pay benefits, thereby leaving you with a total recovery of \$7,500. In the end, you just paid premiums for Med-Pay coverage and received no real benefits from it at all. This is the most important part of Med-Pay coverage that many insurance agents may not clearly explain.

In my perspective, get PIP! The Med-Pay coverage is a waste of money.

Please consult me or my staff at Aulsbrook Law Firm or Legal Insurance Agency regarding questions you may have involving these issues.

CHAPTER SIX

TEXAS AUTOMOBILE INSURANCE POLICY EXCLUSIONS

TEXAS AUTO INSURANCE POLICY exclusions are clauses within automobile insurance policies that will void coverage under a set of circumstances. These appear in both “standard” and “non-standard” automobile insurance policies.

STANDARD VS NON-STANDARD INSURANCE

Texas has both “standard” auto insurance policies and “non-standard” auto insurance policies. The standard policy is mainly designed for low-risk drivers and typically covers every person in the household of the insured. These policies use standard forms that are mandated by the Texas Department of Insurance. The standard policies pay money into in the State Guarantee Fund which means if the company goes bankrupt, the State of Texas’s Guarantee Fund picks up the bill.

Non-standard policies are not as regulated, tend to be more tailored to fit the needs of the customer, and are more open to drivers in high-risk households. This is because they can carve out more restrictions on what things they cover.

A nonstandard policy may be a good option in select circumstances; however, I recommend choosing a standard policy whenever possible. Both types of policies have exclusions, or designated circumstances in which the insurance company will not provide coverage.

FAMILY MEMBER EXCLUSION

A Family Member Exclusion is a clause within an auto liability insurance policy that states that the insurance company will not cover damages claimed by one member of the family against another member of the family while both are occupying the insured vehicle. This type of clause is an attempt to prevent fraud where two members of the same family might collude to cause an accident so that the passenger can make a liability claim against the driver for damages.

A Family Member Exclusion clause in a Texas auto policy is only enforceable for damages over and above the minimum insurance limits that are required by law. This is because Family Member Exclusion clauses directly conflict with Texas public policy.

INTENTIONAL ACT EXCLUSION

An *Intentional Act Exclusion* is a clause in a liability insurance policy that excludes coverage for injuries intentionally caused by the insured. When an insured tries to cause someone harm, this voids the insurance coverage. The “intent” that is referred to is the intent to cause harm, not the intent to do the act. Otherwise, every time a driver intentionally runs a red light or drives in excess of the speed limit, this would void coverage, and too many drivers would be considered uninsured.

NAMED DRIVER EXCLUSION

A *Named Driver Exclusion* is a clause in an auto insurance policy that specifically identifies a person or several person(s) for which there is no insurance coverage provided if they are permitted to drive the vehicle and they cause an accident. These clauses are most commonly found in nonstandard insurance policies where there are known high-risk drivers living in the same home as the named insured on the vehicle.

Even an unnamed person can be covered by an insurance policy if the owner negligently entrusts the vehicle to the driver. Thus, when a standard insurer is aware that an insured lives with an unsafe driver, the insurer will sometimes charge a higher premium to account for the additional risk. In order to keep the premiums affordable, some insurers will issue a policy that specifically calls out the high risk driver and excludes coverage if they are allowed to drive.

ACT OF GOD EXCLUSION

An *Act of God Exclusion* (also known as a Catastrophe Exclusion) is a provision in an insurance policy that excludes coverage for events that are caused by the forces of nature and cannot be prevented, such as hurricanes, floods, tsunamis, tornadoes, or hail. If you live in an area particularly prone to natural disasters, you should read this clause very carefully.

PUNITIVE DAMAGES EXCLUSION

A *Punitive Damages Exclusion* is a clause in a liability insurance policy that limits coverage for damages by excluding any award for punitive or exemplary damages that a jury might award. Sometimes these exclusions are worded in different ways, such as an exclusion for the driver's recklessness, gross negligence, malicious acts, or exemplary damage award. These clauses only void coverage for that part of the damages that reflect the punitive damages award. For example, if an insured driver were to cause a wreck while intoxicated and go to trial, the jury might award punitive damages on top of actual damages. The insurance policy would exclude the amount awarded for punitive damages but cover the amounts awarded for other damages. Punitive damages exclusions tend to be common in many umbrella and excess insurance coverage policies including auto uninsured/underinsured motorist policies.

OWNED-BUT-UNLISTED-VEHICLE EXCLUSION

An *Owned-but-Unlisted-Vehicle Exclusion* is a clause in an auto insurance policy that exempts from coverage any vehicles that an insured owns or uses regularly but does not own, but which he fails to list as insured vehicles on the insurance policy declaration. The more vehicles an insurance policy covers, the higher the premium will be. Thus, if you own a car or keep a vehicle for regular use even though you do not own it, your insurance policy may exclude coverage of that vehicle under an owned-but-unlisted-vehicle clause.

CHAPTER SEVEN

UNINSURED AND UNDERINSURED MOTORIST COVERAGE

HOW TO PROTECT YOURSELF AND YOUR FAMILY FROM IRRESPONSIBLE DRIVERS

There are tens of thousands of people driving in Texas with little or no car insurance. Statistically, these drivers are guaranteed to cause accidents and injuries but will have little or no ability to pay for the damages caused by their carelessness.

Luckily for you and your family, there is car insurance coverage which you can purchase to provide protection from these irresponsible drivers—Uninsured and Underinsured Coverage. If you have the foresight to purchase Uninsured and Underinsured Coverage in adequate amounts, you and your family will be protected in the event that you fall victim to an accident caused by an uninsured or underinsured driver.

WHAT IS UNINSURED MOTORIST COVERAGE?

Uninsured Motorist Coverage (UM) provides protection for an accident caused by the driver of a vehicle who has no insurance or a hit-and-run driver who leaves the scene of an accident and cannot be located. If you were injured in an accident caused by an uninsured or hit-and-run driver and did not have UM Coverage, you would have no way of seeking compensation for your injuries.

If you have UM Coverage, your insurance company must compensate you for your damages up to the amount of your coverage. So, if you purchased \$100,000 of UM Coverage, you could collect up to \$100,000 from your own insurance company to compensate you for injuries and damages due to bodily injury (lost wages, medical bills, pain and suffering, disfigurement, and permanent or partial disability, etc.) caused by an uninsured or hit-and-run driver.

WHAT IS UNDERINSURED MOTORIST COVERAGE?

Underinsured Motorist Coverage (UIM) provides protection for an accident caused by a driver who has Liability Coverage, but not enough coverage to pay for all of the injuries and damages caused by an accident. For example, if a driver having only the state required minimum Liability Coverage of \$30,000 causes \$100,000 worth of injuries and damages to someone, that driver is underinsured by \$70,000 ($\$100,000 - \$30,000 = \$70,000$). In such an accident, if the injured person was covered by a UIM policy, he or she would be compensated by the UIM Coverage to make up the \$70,000 difference.

Property Damage UM/UIM pays for auto repairs, a rental car, and damage to items in your car. This is subject to a mandatory \$250 deductible in Texas.

HOW MUCH UM/UIM COVERAGE CAN BE PURCHASED?

In Texas, all car insurance carriers must offer UM and UIM Coverage and must obtain signed waivers if UM or UIM

Coverage is rejected. Insurance companies may sell higher limits of UM/UIM Coverage, but the amount of coverage typically cannot exceed the amount of Liability Coverage purchased. So, if you want \$500,000 of UM/UIM Coverage, you are required to purchase at least \$500,000 of Liability Coverage.

WHAT IS UM/UIM “STACKING”?

Stacking refers to the insured’s ability, when covered by more than one insurance policy, to obtain benefits from the second policy on the same claim when recovery from the first policy alone would be inadequate. There are two possible types of stacking: intra-policy and inter-policy.

Intra-policy stacking is the aggregation of limits of liability for coverage of each car covered under one policy. Inter-policy stacking involves the aggregation of coverage under more than one policy. In Texas, inter-policy stacking is permitted. Thus, where two or more first party UM/UIM policies protect the insured, the insured is allowed to stack the coverage of the two policies in addition to whatever is payable by the liability carrier or individual tortfeasor. Intra-policy stacking is prohibited in Texas.

HOW DO I RECOVER UM/UIM BENEFITS?

UM/UIM Benefits are recovered through filing a claim with your own insurance company. Because you are seeking to recover compensation for your injuries and damages, your interests are adverse to those of the insurance company. Insurance companies lose money when they pay such claims, so they have a financial interest in paying you as little as possible on your UM or UIM claim.

Given this adversarial relationship, it is wise for you to be represented by an attorney in UM/UIM claims in order to have your rights protected. If an agreement cannot be reached for a fair amount of UM/UIM compensation, the case must proceed to either an arbitration hearing or a trial, depending on what the insurance policy provides as the forum for such cases. Again, you should have an attorney to represent you in any UM/UIM hearing.

CAN MY INSURANCE RATES BE INCREASED IF I FILE A UM OR UIM CLAIM?

Unless you are responsible for causing the accident, your insurance rates may not be increased as a result of you filing a UM or UIM claim. Texas law forbids UM/UIM carriers from raising your rates just because you file a claim.

CHAPTER EIGHT

ADDITIONAL OR ADD-ON COVERAGES

WE'VE DISCUSSED THE MOST important elements of car insurance—that it protects you in an accident, whether or not you're at fault. Many policies also include or allow you to purchase additional coverages, such as roadside assistance, rental reimbursement, and rental insurance.

ROADSIDE ASSISTANCE

Roadside assistance is often referred to as a tow truck service. You can call for roadside assistance if your car breaks down, your battery needs a jump, you have an accident, you run out of gas, or you experience any other car trouble. Some problems can be taken care of on-site, such as a flat tire or battery jumpstart, while other problems require a tow to a nearby repair facility.

RENTAL REIMBURSEMENT COVERAGE

Rental reimbursement coverage pays a set daily amount for a rental car if your car is stolen or being repaired. Your company pays for rental reimbursement only if your car was damaged by something that your policy covers, such as fire, theft, or collision.

Roadside assistance and rental reimbursement are typically not standard inclusions to policies. It is important to ask if your policy includes these coverages as they typically do not add much to the premium.

RENTING A CAR

When renting a car, you need insurance. If you have adequate insurance on your own personal car, including collision and comprehensive, this is normally enough. Typically the coverage will extend from your personal auto to the rental as long as the rental is used for pleasure and not for business. Alternatively, you may check with your credit card company to determine if they extend coverage to you as a cardholder for the rental car.

CHAPTER NINE

HOW DO I CHANGE MY CAR INSURANCE COVERAGE?

AFTER READING THIS BOOK and reviewing your car insurance Declarations Page, if you want to change coverage, you should immediately contact your current insurance agent, or contact us at Legal Insurance Agency. Coverage can be canceled, rebound, and changed almost instantaneously without you having to wait until the end of the policy period. You can shop your rates at any time. If you find a better policy during your current policy period, you can cancel your current policy and are due a refund for any prepaid days. You should always make sure to get a new copy of your Declarations Page from your agent to confirm your updated coverage.

IMPORTANT CHOICES—FREE HELP

Car insurance coverage choices are important and difficult. If you are involved in a car accident, the selections you made will substantially impact you and your family. If you need advice or want a review of your car insurance policy, please call at 817-775-5364 or e-mail me at matt@thetexaslawdog.com, and I will be happy to review your policy free of charge.