

Chapter 2 Auto - Coverages

Uninsured Motorist Coverage

Far more people than you believe are driving around with no auto insurance and are causing serious injuries and even death. Then there are those who cause an accident and run from the scene. These are a few reasons why uninsured motorist coverage on your automobile insurance policy is so important. This coverage not only insures you against the "Uninsured Motorist" but also protects you against the "Underinsured Motorist."

It's a Law

Not all states require Uninsured Motorist Coverage, or "UM coverage." In those states that do, the state decides the terms of the coverage, but there are some minor variations from one insurer to another.

One of the things the state will determine about UM is the minimum limit required. Higher limits can be purchased, but that is up to the insured.

Damages in a UM claim are determined by either agreement between the insured and the UM insurer, arbitration between the insured and the insurer, or by lawsuit jointly between the insured against the UM insurer against the other party. As an adjuster, the best case scenario is to be able to settle the claim amicably.

Though it may be tedious having to almost "over-insure" one's self to compensate for the insufficient or non-existent liability coverage of others, it's probably better than having to pay for it completely out of pocket. Yes, one could file a civil suit to recover damages, but when you're dealing with an uninsured individual who cannot afford to pay an insurance premium, the chances of actually receiving a payment through settlement or judgment are pretty slim.

How it Works

"Uninsured" is a simple blanket term for this coverage, but it also helps protect drivers against underinsured individuals. When a driver causes bodily injuries to another in an amount that exceeds the driver's liability coverage, the injured driver's UM will help make up the difference.

It is important to remember that uninsured motorist protection has absolutely nothing to do with property damage. It is for losses for bodily injury only. Here are some important points that you need to know about uninsured motorist:

It is based on fault. Therefore, if you cause the accident, and the other driver was not insured, there are no benefits. It pays you what you would have been entitled to had the other driver been properly insured. Therefore, the other driver, the uninsured driver, must have been liable in order for you to collect.

It pays for pain and suffering. When it comes to court measuring damages in legal proceedings, the measure is the same in uninsured motorist cases as it is under normal liability cases. Medical bills, lost wages, pain and suffering, and loss of consortium are all included in determining what you may receive.

There are three groups that can be covered under the uninsured motorist provision.

- The insured
- Members of his or her household
- Any other person entitled to recover damages

This coverage also applies to injuries sustained while you or an insured motorist injures members

of your household as pedestrians.

Some companies can provide you with UNDERINSURED motorist coverage. This protection provides that if you are in an accident and the at fault person is underinsured to pay the total damages, and if you had purchased underinsured protection from your carrier that protection will pay the amount not covered by the other driver's insurance to the maximum of your policy.

Medical Payments Coverage

This coverage under the liability portion of your automobile insurance policy is designed to pay some of the medical consequences that may result from an accident. While the liability portion of the auto policy has fault attached to it, medical payments has no relationship to fault but, in fact, it will pay benefits to eligible beneficiaries for the cost of medical bills and/or funeral expenses to the policy limits.

There are two types of people who are entitled to receive benefits under the medical pay portion of the policy.

- The insured and his or her family members living in the same household
- Any passenger injured while riding in the covered vehicle

Most people do not select large amounts of medical payments since they are usually covered by health insurance either at work or through private purchase, and this could cause duplicate coverage.

It is important to note, however, that medical payments will provide coverage in one area that health insurance will not and that is funeral expense. Medical payment coverage is relatively inexpensive, and it is always a good idea to carry at least a few thousand dollars of coverage. Medical payments do have exclusions. There is no coverage for injuries

- While in a motorized vehicle with less than four wheels
- While using your covered auto to carry persons or property for a fee
- If Workers' Compensation benefits are payable
- While occupying an auto other than your auto, which is owned by or furnished or available for the regular use of the named insured or a family member
- While occupying a vehicle without reasonable leave or permission
- While occupying an auto for business purposes, other than a private passenger auto, owned pick-up or van, or trailer used with one of these

Comprehensive and Collision Coverage

This part of an automobile insurance policy protects your vehicle. Comprehensive coverage provides for protection against the following:

- Fire
- Theft
- Malicious mischief
- Windstorm
- Flying objects
- Hail
- Hitting an animal
- Broken windows

If the damage is considered from a cause "Other than collision," it is more than likely going to be covered under the comprehensive portion of your insurance policy. Comprehensive coverage is often sold with a deductible ranging from \$50 to \$300.

Comprehensive coverage can be issued alone without including collision coverage, but collision coverage will not be issued unless comprehensive coverage is included.

There are exclusions under comprehensive coverage and some of the more common ones are as follows:

- Electronic equipment not permanently installed. This may include but is not limited to radios, stereos, tape decks, and compact disc players.
- Other electronic equipment included but not limited to CB radios, telephones, two-way mobile radios, scanning monitor receivers, television monitor receivers, videocassette recorders, audiocassette recorders, and personal computers.
- Tapes, records, disk, or other media used in conjunction with the equipment described in 1 and 2 above.
- If your covered auto or non-owned auto is destroyed or confiscated by governmental or civil authorities because you or a family member was engaged in illegal activities.
- A camper body or trailer that is not shown on the declaration page of your policy.
- Awnings, cabanas, or equipment designed to create additional living facilities.
- Radar detectors.
- Custom furnishings or equipment in a pickup or van such as special carpeting, furniture, bars, sleeping and cooking facilities, height extending roofs, custom murals, paintings, decals, or graphics.

Collision

The collision portion of your auto insurance policy constitutes about one third of its total cost. Collision is defined as "The upset of the auto covered or its impact with another vehicle or object." In other words, there has to be a physical contact between the covered auto and another car, truck, or object, which then causes physical damage to your auto.

The collision portion of your policy is subject to a deductible. The deductible is the amount you must pay before insurance benefits begin paying. Collision deductibles can range from 0 dollars to \$1,000. Remember, the higher the deductible, the lower the collision premium.

Should your car be damaged or stolen, the company has the right to choose which of the two following ways it may pay you:

- They may give you an amount that is necessary to repair your automobile or replace the property that was lost.
 - They may give you the actual cash value of the damaged property or stolen item.
- Sometimes people are upset with this method, because the company can deduct for depreciation and adjust for a deteriorated physical condition of your vehicle.

You have heard the term "totaling the vehicle." This occurs when the insurance company decides not to repair your vehicle but to pay you for its value instead. Unfortunately, when the company totals your car you usually receive what the vehicle is worth on the open market. Usually this amount is less than what it will cost to actually repair the car.

It should be noted that collision is not mandatory coverage. You do not have to buy this portion of the policy, and those with older vehicles usually do not. If it's simply not worth the money if the company is likely to total the vehicle rather than repair it, then purchasing collision is not practical.

Should you have your car financed, that institution will require that you carry comprehensive and collision coverage until the vehicle is paid for, and that institution will want to be listed as what is known as the "Loss payee." This means the institution is the first in line to be paid in the event of a loss.

Collision coverage is not dependent on fault. Regardless of who caused the accident, you are entitled to collision benefits. Collision benefits can be paid to vehicles you don't own. Should you be driving a car you do not own, and are involved in an accident, or the car is stolen while in your possession, benefits will be paid. If you are covered for auto theft, there may be a transportation benefit.

If your car is stolen, you can be entitled to reimbursement for some of the transportation costs that you incur. Benefits are usually \$10.00 per day or so and there will be a maximum benefit.

Emergency Roadside Service

Emergency road service is often provided by independent contractors who are part of a membership group such as AAA Motor Club or other national organizations. Emergency towing is intended to remove a disabled vehicle to a place of safety or repair. It is not intended to provide towing to a dealer or auto salvage.

Service normally applies to all properly-licensed, four-wheeled vehicles of the passenger, pleasure, or recreational-type vans, campers and motor home.

Emergency road service can include on the road repair to a vehicle that won't start as a result of a deficient battery or simple mechanical adjustments if they can be made in a safe and effective manner where the breakdown occurs.

Roadside tire repair is also provided under this coverage. A flat tire will be changed if the insured has an inflated spare. If for some reason due to safety, or if for any reason the inflated spare is not usable or the lug nuts cannot be removed from the flat tire on the vehicle, or if the vehicle has two flat tires and one usable spare, towing is provided in accordance with towing provisions. Towing will also be provided in lieu of a tire change if the tire cannot be safely changed.

Towing

If a vehicle cannot be made to operate safely under its own power, towing from the point of disablement will be provided. Towing provisions usually provide towing to a repair facility within a prescribed distance of the disablement. If the insured wishes to have the vehicle towed outside of the prescribed area, usually an additional mileage charge will apply.

If the insured wants the vehicle towed to a closed garage, the insured must sign a disclaimer of liability for the towing company. The disclaimer releases the towing company from responsibility for the vehicle when it has reached the "closed facility."

Local ordinances may prohibit the towing company from carrying more than one passenger to accompany the vehicle to its delivery location. Flatbed service is available to the insured and may require an additional charge.

Towing service is sometimes delayed as a result of weather conditions, call volume, or equipment availability. Vehicles involved in an accident will be towed provided a police release has been obtained.

Other Roadside Services

Emergency road service organizations, such as the AAA Motor club, also provide services beyond general towing of a disabled vehicle. Such services are outlined below.

Extricating or Winching Service - A service that is normally provided if the insured's vehicle is stuck in a ditch, mud, sand, or other similar situation. The vehicle must be accessible from a normally traveled roadway and require no more than one man, one truck at the scene. Any additional manpower and equipment is usually at the insured's expense.

Fuel Delivery - A limited supply of fuel can be delivered to the disabled vehicle to enable the driver to reach the nearest open service station. The insured must pay for the fuel at the current pump price and the service only applies when government regulations permit it and supplies are available

Lockout and Locksmith Service - This service is provided when a driver loses or locks the vehicle's keys in the car or trunk. In some instances a maximum fee is paid by the insurance company and the balance must be paid by the insured.

Excessive Use of Services - Most "Club" type organizations have a provision that kicks in for excessive use of service. This provision normally kicks in after five service calls within a 12-month period and subjects the insured to the possibility of cancellation of membership.

Reimbursement for Independent Services

When Club-type organizations are used, should a member call other than a prescribed contractor, reimbursement is limited to the amount the Club would have paid the nearest member contract station. When service is requested and is unavailable, reimbursement is based on the prevailing commercial rate for the region where the vehicle was disabled and is subject to the benefits of the membership.

Car Rental/Travel Expense

This provision of the auto policy entitles reimbursement for the expense of renting an automobile while the car is being repaired. It may have a daily expense maximum as well as a total per accident benefit. Some policies also pay benefits for travel expense following an accident that may include food and lodging, providing the insured is more than a certain number of miles from home when the accident occurs.

Automobile Insurance Policy Endorsements

You may purchase extra protection under your automobile insurance policy for an extra premium. These are called "Endorsements." The following represent a few that are available:

Towing and Labor Costs

This endorsement, which we discussed in detail in the previous section, is added to the physical damage coverage, provides reimbursement up to a specified limit to tow your vehicle or pay for on-site labor costs.

Auto Glass Insurance

This endorsement offers a lower deductible or no deductible for when repairing any broken window on your car is required.

Tapes Coverage

Should audio or disc tapes be lost or stolen, or should you have a valuable or extended collection of such items in your vehicle, you may obtain coverage for them via this endorsement.

Sound Components or Equipment

Coverage for your car phone and CB can be acquired under this endorsement.

Drive-Other-Car Endorsement

Optional coverage that broadens the definition of a covered auto to include non-owned vehicles the insured person operates.

Stated Amount

A stated amount endorsement allows the insured and the insurance company to come to agreement on an antique or otherwise unusual vehicle's value, which will be applied to the policy.

This is because an antique car is worth more than the cost to replace its engine, parts, etc.

Custom Equipment

Vans and pickup trucks which have been altered or customized to include refrigerators, special carpet, cooking or sleeping facilities can be protected by adding this endorsement.

Non-owner Coverage

Should you know in advance that someone who does not own your car or is not a covered family member is going to be driving your car, you can add this person's name as a covered driver through this endorsement.

Extended Liability

This insurance is used to cover automobiles that are not legally owned by the insured, such as an auto owned by the employer but furnished for the use of the insured, which would not generally be insured.

Miscellaneous Vehicle

This endorsement provides coverage for vehicles that are normally excluded, such as motor homes, recreational vehicles and motorcycles.

Exclusions

The insurance carrier will tell an insured exactly and specifically what will not be covered in its exclusions. Simply stated, if something is excluded, there is no protection afforded by the policy for that item or items. Often exclusions are considered unfavorable because people feel the insurance company gives protection with one hand and then takes it away with the other hand through exclusions.

In reality, exclusions were designed to prevent coverage that would be better sought in other types of insurance. Exclusions are also a method by which the insurance industry can eliminate exposures that could not be covered without charging an unbearable premium.

Exclusions are divided into these two parts:

- Persons not protected
- Vehicles to which coverage does not apply

Typically, liability coverage is not provided to any person

- Who intentionally causes injury or damage
- For damage to property owned or being transported by that person
- For damage to property rented to, used by or in care of that person
- For injury during the course of employment by an employee
- For liability arising from the use of the vehicle as a public or livery conveyance
- That is employed in a business of repairing, storing, parking or servicing vehicles
- That uses a vehicle without permission

Typically, liability coverage is not provided or afforded to the following types of vehicles:

- Motorized vehicles with less than four wheels
- A vehicle furnished, available for the regular use of the person insured other than the covered auto
- A vehicle furnished or available for the regular uses of a family member other than the covered auto

Auto Insurance Provider Rating

In the next section, we're going to get into the factors insurers use to rate auto insurance for the driver. But the insurers themselves are also rated in terms of their quality of customer service, claims experience, rates, etc. JD Power and Associates distributes a rating of auto insurers that measures the following factors.

Overall Experience

This score is based on how customers rate every aspect of their service experience with their current auto insurance provider. This is sort of like the insurer's overall "average."

Policy Offerings

This score is based on how customers rate the variety of coverage options offered by auto insurance providers and the extent to which they meet their needs.

Pricing

This score is based on how customers rate their current auto insurance provider on the price of the policy given the level of coverage.

Billing and Payment

This score is based on how customers rate the timeliness, clarity, and accuracy of their billing statements and the payment process of their current automotive insurance provider.

Contacting the Insurer

This score is based on how customers rate their experience interacting with their current auto insurance provider, whether through a local agent, a call-center representative, an automated phone system, or the company's Web site.

Consumers and insurance agents alike can gain valuable information about an insurer through ratings such as these. A.M. Best's ratings judge insurers as a whole, whereas specific rating systems focus on one line of coverage. This pointed attention to one line of coverage makes it easier for agents to recommend one insurer over another when a client is in need of that particular type of coverage unless, of course, the agent is a staff agent representing one insurer. But, even in that case, knowing where your insurer ranks on the rating system is important, as well.