

TOP 9 MISTAKES WHEN BUYING YOUR AUTO INSURANCE

AUTO ACCIDENTS:
Understanding Texas Auto Insurance



by Brooks **Schuelke**

TOP 9 MISTAKES WHEN BUYING YOUR AUTO INSURANCE

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INTRODUCTION

I have been representing victims of auto accidents for almost twenty years. A disturbing trend that I see is some insurance companies more willing to take advantage of their customers when selling auto insurance.

I sat around and got mad for a while, but I didn't do anything about it. Finally, I decided I needed to do something. That's why I have written this book.

I'm a strong believer in the idea that consumers do better with more information. If consumers understand what's going on, they're much less likely to fall victim to unscrupulous practices, whether in the insurance industry or elsewhere.

I hope this book provides some basic information to consumers to help you make better choices and to make it less likely that you're a victim of shady sales practices.

DISCLAIMER

This book isn't designed to be a legal book for lawyers. Instead, the book is a consumer guide, with easy-to-read information. I have done my best to avoid "legalese" and to provide information that will help consumers buy the right auto insurance for themselves and their families.

The information in this book works best in conjunction with advice from a good insurance broker.

Most of the information in this book is about you. It's an effort to help you make the best decision possible when you're shopping for auto insurance.

This booklet is only general information. This isn't legal advice, and we're not agreeing to serve or advise you as your lawyers. We only have an attorney-client relationship when you come in to my office and we agree to represent you.

AUTO ACCIDENTS

Understanding Texas Auto Insurance

LIABILITY INSURANCE

Liability insurance is the insurance that you buy to protect you when you cause harm to someone else. Texas law requires that all drivers must have liability insurance.

There are generally two types of liability insurance on Texas auto policies.

BODILY INJURY LIABILITY. The first type of liability insurance is bodily injury liability. This coverage protects you when you cause a wreck (or it is alleged that you caused a wreck) that injures a person.

In Texas, drivers are required to carry bodily injury liability that covers claims up to \$30,000.00 for each injured person, up to a total of \$60,000.00 per accident.

PROPERTY DAMAGE LIABILITY. The second type of liability insurance is property damage liability. This coverage applies when you cause damage to someone else's car or to any other objects or buildings that your car hits.

In Texas, drivers are required to carry property damage liability insurance that covers claims up to \$25,000.00.

ATTORNEYS' FEES. Liability insurance not only pays for the damage you incur, but if you get sued because of a wreck, the insurance will pay for attorneys to represent you in that lawsuit. However, the insurance company gets to decide what attorney it hires on your behalf.

WHO IS PROTECTED BY YOUR INSURANCE. Your liability insurance policy generally provides protection to the following:

1. You when you are driving your car.
2. Anyone else (who isn't specifically excluded) who is driving your car, as long as they have permission to drive your car.
3. You and your family members (other than those specifically excluded) when driving someone else's car with the owner's permission.

Having said that, there are some terrible policies out there that have limitations on who is covered (such as only covering the person or persons who are specifically named on the policy). When purchasing your insurance, make sure you understand who is being covered.

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PROPERTY DAMAGE INSURANCE

As part of your automobile policy, you will also have the option to purchase insurance that protects your vehicle if it is damaged. This coverage isn't required by law, but if you have a loan on your vehicle, then most lenders will require this insurance.

COLLISION. Collision insurance pays for the cost of repairing or replacing your car after an accident.

COMPREHENSIVE (OTHER THAN COLLISION). Comprehensive coverage will pay for the cost of repairing or replacing your car when it is damaged by something other than a collision. For example, comprehensive coverage applies when the car is stolen, vandalized, damaged in a fire, or sustains hail damage, among many other protections.

AMOUNT OF COLLISION AND COMPREHENSIVE COVERAGES.

Your collision or comprehensive coverages will generally pay for the cost of repair of your vehicle. However, if the cost of repair exceeds the actual cash value of your car — what it would cost to buy a car without the particular damage — then the insurance company will only pay you the actual cash value of the car, plus tax, title and license fees so that you could try and replace your car.

TOWING AND RENTAL COVERAGE. Most insurance companies will also give you the option to purchase towing and rental coverages. Towing coverage will pay for the towing charges that you incur when you can't drive your car. Towing coverage would also help pay for charges you incur to change a flat tire or jumpstart your battery.

Rental coverage pays for the cost of a rental car when you need a rental car because of an event covered by your policy. For example, if you're in a wreck and need a rental, then the policy would pay for a rental. But if you need a rental because your car has mechanical issues, the rental coverage wouldn't likely apply in that situation.

UNINSURED/UNDERINSURED MOTORIST COVERAGE

WHAT IS UM/UIM? What do you do if you're in a wreck caused by a driver who doesn't have insurance or doesn't have enough insurance to cover your damages?

In Texas, the best answer is uninsured/underinsured motorist coverage (UM/UIM), a type of coverage you can buy as part of your automobile coverage. If the other driver doesn't have any insurance at all, then your uninsured motorist coverage will compensate you for your personal injury damages and/or your property damages up to the limit of your policy.

If the other driver has some insurance, but it's not enough, then the underinsured motorist coverage will compensate you for the difference up to the limit of your policy. For example, if you have a personal injury claim that is worth \$50,000.00, but the other driver only had the minimum \$30,000.00 insurance required by Texas law, then your underinsured motorist coverage would cover the additional \$20,000.00.

Notice that the coverage will pay the damages "up to the limit of your policy." Like liability coverage, your UM/UIM coverage also has limits, and the insurance company will not usually be required to pay more than the limits of the policy. Thus, the more coverage you purchase, the more protection you're buying for you and your family.

As a personal injury attorney, I highly recommend that you purchase uninsured/underinsured motorist coverage to protect you and your family.

UNUSUAL WAYS UM/UIM PROTECTS YOU. Uninsured/underinsured motorist coverage can protect you in a number of situations that you might not think about:

- Uninsured/underinsured coverage can apply when you're in your car or truck and you're hit by a driver who doesn't have insurance or doesn't have enough insurance.
- Uninsured/underinsured coverage may apply in a hit-and-run accident if there is contact between your vehicle and the other vehicle.
- Uninsured/underinsured coverage may apply if you are a pedestrian and are hit by a car or truck with a driver who doesn't have enough insurance.
- Uninsured/underinsured coverage may apply if you are on a bicycle and hit by a vehicle with a driver who doesn't have enough insurance.
- Uninsured/underinsured coverage may apply if you're a passenger in another car that is hit by a driver who doesn't have enough insurance.

In many cases, more than one uninsured/underinsured policy may apply. For example, if you're in a friend's car and hit by a driver who doesn't have enough insurance, you might be able to make a claim on your own insurance and on the uninsured/underinsured policy covering the car that you're in.

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PERSONAL INJURY PROTECTION

Personal injury protection coverage (PIP) provides benefits to you, your family members, or others riding in your car when you're in a wreck. The coverage will pay for your medical expenses and 80% of your lost wages caused by injuries sustained in the wreck up to the limits of your policy.

Unless you specifically reject PIP coverage in writing, you will have \$2,500.00 of coverage. However, you can purchase much higher limits.

One significant benefit of personal injury protection coverage is that there is no subrogation interest. Most insurance, such as health insurance or Medicare, has a subrogation interest. That means that they might pay for your medical bills, but if you recover for those amounts from a third party who caused the injuries, then they will claim that you must reimburse the health insurance company for the amounts they paid on your behalf. However, PIP does not have a subrogation interest. If they pay you benefits, you do not have to reimburse them if you make a recovery.

MEDICAL PAYMENTS COVERAGE

Medical payments, or MedPay, is similar to PIP. However, MedPay only pays for medical expenses (and not lost earnings). The other significant difference is that MedPay does have a subrogation interest. If you're in a wreck and make a recovery against another party who caused the wreck, then you would have to reimburse your insurance company for any MedPay the company paid you.

All in all, MedPay is often priced very similar to PIP, but MedPay is a much inferior product. We recommend to our friends and family members that they purchase PIP instead of MedPay.

AUTO ACCIDENTS

MISTAKE ONE: Purchasing Minimum Insurance

Most people think they only need to purchase the minimum insurance required by Texas law. This is a huge mistake.

Generally, the more assets you have, the higher insurance you should purchase to make sure you're protecting you and your assets. But most people should consider purchasing significantly more than the minimum limits.

For property damage, the minimum required by the law is \$25,000.00. But today, the average new car costs over \$30,000.00, and the prices go much higher than that. If you are just purchasing the minimum limits, you are still leaving yourself exposed to significant liability should something happen.

Similarly, for personal injury claims, the minimum coverage is \$30,000.00. That might sound like a lot. But when considering the cost of health care, that's a small amount. Whether you're talking about liability insurance, protecting you against someone else's claim, or uninsured/underinsured, protecting you and your family, a simple hospital visit might exceed that cost. In that instance, by purchasing the minimum limits, you will have done a good job protecting the hospital or your health insurance company, but you won't have done a good job protecting yourself.

People's situations differ, but I generally recommend people purchase at least \$100,000/\$300,000 for personal injury claims and \$50,000 for property damage claims for both liability and uninsured/underinsured motorist coverage. However, many people will be in a position where I'll recommend much higher amounts.

MISTAKE TWO: Not Protecting You and Your Family

Many people who purchase insurance only purchase the liability insurance required by law. As a result, you spend a lot of money on this insurance protecting other people.

But you are making a mistake if you're not protecting your family through the purchase of uninsured/underinsured motorist coverage and personal injury protection insurance.

On an almost monthly basis, I have to break bad news to potential clients that there isn't anything I can do to help them because the driver who caused the wreck either didn't have any insurance or didn't have enough insurance.

Uninsured/underinsured motorist coverage is relatively inexpensive and provides significant protection to you and your family.

The same may be said for personal injury protection insurance. This coverage is relatively inexpensive, but it can provide big benefits to you. If you're in a wreck and have to make a claim against the other driver or even your own uninsured/underinsured motorist carrier, those claims take a long time. It may be months (or even years) before the case is resolved and you see anything from the case. PIP allows you to obtain funds almost immediately, to help pay for your medical expenses or to help with other living expenses.

Don't make this mistake. Buy the coverages necessary to protect you and your family.

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MISTAKE THREE: Getting Burned By “Excluded Drivers”

Generally, when you buy auto insurance, the policy will cover you, your family, or anyone else who has permission to drive your vehicle. Thus, if you or your child or your best friend are driving and cause a wreck, the insurance will protect all of you. This is a big benefit. You never know when you might let someone borrow your car for something.

But today, many insurance companies are starting to offer policies that exclude drivers. It's not unusual to see low cost companies have a long list of people who they don't cover. Indeed, some new policies only provide coverage to those people specifically identified.

These kind of policies don't provide near the protection that standard policies provide. And they affect you in ways that you might not imagine.

Recently, we represented a woman who was estranged from her husband. After they got back together, they were driving on a road trip. Because she was getting tired, she let her husband drive her car. While the husband was driving, they were in a serious wreck caused by an underinsured driver.

We settled the claim against the other driver and then pursued a claim against her underinsured driver coverage. But the UIM carrier denied the claim because the husband, who was estranged when the policy was purchased, was specifically excluded under the policy. Even though the husband's driving made no difference in whether the wreck would occur or how the wreck occurred, the fact that the husband was excluded deprived my client of her needed benefits.

When you're purchasing your insurance, make sure you understand the true implications of potentially excluded drivers.

MISTAKE FOUR:

Looking Solely To Price And Not Knowing What You Are Buying

You see or hear many insurance companies saying that you can save money simply by switching insurance coverages. But prospective buyers shouldn't just look at the price.

Usually, the price is lower because you're not comparing the same products. The new insurance company may be offering lower limits, not selling you the same coverages, or excluding drivers who you may need covered.

You certainly don't want to spend more than you have to, but you need to make sure you understand why the price differences exist.

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MISTAKE FIVE: Picking The Wrong Insurance Company

If you pick the wrong insurance company, you increase the likelihood that you'll end up fighting them if you ever need to make a claim. Similarly, if you cause an accident and hurt someone, having the wrong insurance company could increase the likelihood that you end up being sued.

Too many people end up with these problems because they didn't do their homework up front. There are a number of things you can do to help you avoid these mistakes.

1. Check out the Texas Department of Insurance website (www.tdi.texas.gov). The website contains reports showing the number of verified complaints and the number of policies written by each insurance company.
2. Talk to friends who have had problems with insurance companies. Most people haven't made claims on their policies. When talking around, you want to make sure and talk to friends who have actually been involved in claims — both those who have made claims against insurance companies and those who have been on the receiving end of claims. Ask about their experiences, the types of trouble they might have had, the length of time before the issue was resolved, and whether they would use that insurance company.
3. Use the internet. Internet research is your friend when investigating insurance companies.

MISTAKE SIX: Not Looking For Discounts

If you've read the other mistakes, you know I think people spend too much time looking at price when deciding what insurance to buy. But I don't think people spend enough time looking for discounts.

Once you have narrowed your search of insurers down to two or three respectable companies, do your homework to consider what discounts the companies offer. Most companies offer discounts for consolidating homeowners and auto insurance, but the discounts go far beyond that. Insurers may offer discounts for things like:

- your car has daytime lights;
- you've completed driver's ed;
- your driving age kids have good grades;
- your kids are away for school; and
- you or someone on your policy is deployed.

Make sure you ask your agent about potential discounts. You can also check the Texas Department of Insurance website, which lists discounts for many auto insurers.

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MISTAKE SEVEN: Lying To Your Insurance Company

When you fill out your insurance application, you're asked to provide a lot of information to your company. You may be asked about your driving history, how many miles you drive per month or year, your home address, where you park your car overnight, and more. Studies show that a significant number of people provide wrong information on their applications, usually in an effort to try and save a little money.

But these "mistakes" can often come back and bite those not being truthful. These mistakes could lead to insurers partially or completely invalidating the policy or completely canceling the policy, making it much more difficult and expensive to obtain insurance in the future.

The better plan is to be truthful on the application. In this case, honesty is the best policy.

MISTAKE EIGHT: Thinking That You Are “Fully Covered”

I often ask clients who have been victims of car wrecks what type of coverage they have. Most respond that they are “fully covered.”

What does that mean? Too often, people who tell me that they are “fully covered” aren’t fully covered. They usually only have the minimum liability limits required by law. But they think they’re “fully covered” because some agent told them that without explaining to them what it really means.

As I’ve mentioned earlier, when buying liability insurance to protect yourself from a claim made against you when you cause a wreck, you need to make sure you have adequate liability insurance. For most people, that means more than the \$30,000.00 required by law.

Additionally, you need to buy personal injury protection and uninsured/underinsured motorist coverage to make sure that you’re protected when you or your family are injured in a wreck caused by someone else.

In my mind, you’re not “fully covered” until you have these types of insurance in sufficient amounts to cover a likely claim size given your circumstances.

Don’t just let the agent tell you you’re “fully covered.” Make the agents explain what they mean and how you’re being protected.

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MISTAKE NINE: Blindly Renewing Your Policy

Face it. Most people are lazy. When it comes time to renew our auto insurance, most of us simply buy the same coverage we had last year.

That's a mistake.

Situations change, and you need to take that into account when renewing your insurance each year. Your finances may be in a little better shape so you need more protection. Your car may be older so it may need less coverage. You may have a new driver in the family.

Your circumstances are always changing, and many of those changes affect the type of coverage and the amount of coverage that you need. Don't just take the easy way out. Spend a few minutes looking at your circumstances and needs and make an informed choice.

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TOP 9 MISTAKES WHEN BUYING YOUR AUTO INSURANCE

AUTO ACCIDENTS: *Understanding Texas Auto Insurance*

More and more insurance companies are selling worse and worse auto insurance policies. And consumers are the victims of that conduct.

This booklet provides a basic understanding of automobile insurance policies and sheds light on the major mistakes that consumers make when purchasing auto insurance. With any luck, the information in the book will arm consumers with enough information so that the consumers don't become victim to unscrupulous insurance companies.

Austin attorney Brooks Schuelke draws on his years of experience in representing victims of auto wrecks to show many of the mistakes made by consumers.

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