

HOW TO READ AN AUTO INSURANCE POLICY

Reading Your Insurance Policy

Most people buy auto insurance like they buy groceries. They go online, enter their driving history, take a look around for the best price, get what they think they need, and never think about it again until the following year when it is time to do it all over again.

The problem with that approach is that most drivers have no idea what kind of coverage they have purchased, and what coverage they actually need in order to adequately protect themselves from being sued and also protecting themselves in the event they, or a family member, is injured in an accident caused by someone else.

The information I am conveying will enable the consumer to make intelligent choices when it is time to shop for auto insurance coverage. After reading, if you determine that your coverage is inadequate, I would not hesitate to make the appropriate changes as a policy can be changed at any time. Additionally, I would suggest that if you make changes over the phone, put what was requested and the time frame for when that new coverage would go into effect in writing (either by letter or e-mail with confirmation of receipt).

As a practicing personal injury lawyer for over two decades, I cannot tell you how many times I have been talking to one of my clients and they will tell me that they had called their insurance provider on x date to change x coverage only to find out at the time an accident took place that the changes had not only not gone into effect but there was no record of any conversation or request for a change in coverage.

Keep in mind that the business model for most insurance agents is to have all of the grunt work and client hand holding done by a lesser paid employee while they keep their day free for the "Big Fish" who want the 5 million dollar Universal or Whole Life policy where the agent can charge thousands in commissions. That lesser paid employee typically does not possess the same knowledge as the agent and they may not do exactly as you request when you call into to make the changes to your coverage.

Moreover, it is also a good idea to confirm via e-mail what coverage you indicated you had purchased. It no longer surprises me when clients come to see me and inform me that they thought they had better coverage than the policy described. My first question to them is, "Did you look at the policy once it came in?" (it usually takes three to four weeks after the yearly visit to actually get the policy) and the answer is generally "No." Always read the very important "Declarations Page," which describes the amount of coverage purchased under the policy.

When it comes to auto insurance in California, keep in mind there is no "grace period" where the policy is extended after its expiration date. Once a policy expires, it does so at the stroke of midnight of the date reflected on the Declarations Page. There are no exceptions to that rule and having an expired policy here in California can be very detrimental to one's financial well being, as I will discuss below.

The Automobile Insurance policy

The typical automobile policy in California can have up to NINE different provisions. I cannot tell you how many times clients and potential clients have informed me that they purchased “full coverage” only to find out that what they had, instead, was “minimal coverage”. Minimal coverage is the coverage that you need in order to drive a car legally in the state of California. Under California law, you are only obligated to carry \$15,000/\$30,000 bodily injury coverage and \$5,000 property damage coverage. Accordingly, many people are driving their vehicles thinking that they have all nine features of an automobile policy covering them but are really driving their vehicle missing approximately 80% of the coverage.

1. **Bodily Injury Liability:** This is the feature of the policy that protects you, any other registered owner and any other non-excluded driver, from being personally responsible in the event anyone driving your vehicle, with permission, causes an accident and injures someone
2. **Property Damage Liability:** This is the feature of the policy that protects you, any other registered owner and any other non-excluded driver, from being personally responsible in the event anyone driving your vehicle, with permission, causes an accident and damages the property of someone else.
3. **Medical Payments coverage:** This is the feature of the policy that will pay for the medical bills of anyone injured in your vehicle regardless of whether the person driving your vehicle caused the accident or whether someone else caused the accident. Since it does not matter who caused an accident for this part of the coverage to be employed, this coverage is usually referred to as no-fault coverage. (Not to be confused with No Fault coverage seen in states other than California. That type of coverage is a completely different animal and not relevant to our current discussion.)
4. **Uninsured/Underinsured Motorist coverage:** With more than 20% of the driving population in California driving without car insurance, this is a MUST-HAVE provision. If another driver injures you or your passengers and they have no liability insurance (see above), this feature of the policy reimburses you for medical treatment, lost earnings and “pain and suffering” damages. In addition, this feature pays the above damages if the person harms you does not have enough coverage to compensate you. Considering the less than 50% of the population that actually drives with insurance drives with minimal coverage (\$15,000 for Bodily Injury and \$5,000 for Property Damage here in California), this feature is critical to have.
5. **Collision coverage:** This feature compensates you for the damage to your vehicle when involved in a collision. It is a No-Fault provision, meaning that it does not matter if you caused the collision or another driver caused the collision, your carrier will pay for the damage to your vehicle. This coverage normally

comes with a deductible.

6. **Comprehensive coverage:** This is the companion feature to Collision coverage as it reimburses you for damage to your vehicle caused by something other than an accident. If a flood or a storm damaged your vehicle or if your vehicle was stolen, this is the coverage that would protect you for such a loss. Once again, the deductible comes into play.
7. **Rental car coverage:** This feature of the policy compensates you for having to incur rental car charges as a result of your vehicle being damaged and/or repaired. You are usually limited with the number of days in the amounts of per day coverage they will provide you. There is a difference between what your own rental car coverage entitles you to and what the other party is obligated to pay you under California law.
8. **Uninsured Motorist Property damage:** This feature is different from the uninsured motorist bodily injury feature in that it compensates you for damages caused to your vehicle by an uninsured driver. This is a fairly tricky part of the policy with some serious exceptions and reservations. Be aware that this coverage is not as certain as the title indicates.
9. **Towing Service:** This feature of the policy is just what it says. However, as opposed to your typical Road Side service with AAA or some other company (as an aside it appears other Insurance Companies have now begun their own Road Side Service to compete with AAA), this coverage only applies in the event of an accident where the vehicle is unable to be driven due to damage sustained in a collision. There are no regulations under the Insurance Code regarding this fairly minor part of your typical automobile policy, so the conditions upon which the coverage can be invoked can vary widely. Before purchasing this coverage, I would ask to see the specific words that are contained within the policy that you purchase in order to see if this coverage makes sense for you. The Insurance Industry loves selling coverage with loopholes in it so the involved "Insurance Carrier" does not have to perform.

If you are in the market for auto insurance, protect yourself from their game by reviewing the way your policy is worded prior to purchasing your policy.

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