

## **INSURANCE**

We deal with insurance coverage issues every day. Although we are not in the business of selling insurance, we deal with issues related to insurance and insurance coverage on a daily basis. As a result of our experience handling insurance claims and claims against insurance companies, we have become familiar with the different types of insurance coverage disputes and the questions that our clients frequently ask us about their insurance coverage.

Most people have insurance coverage on their automobiles and their homes. The risks that are covered under these two types of common insurance policies are dramatically different.

### **AUTOMOBILE LIABILITY INSURANCE COVERAGE**

Automobile liability insurance coverage protects the insured person from claims that are advanced against the insured person by a third party who may have been injured because the insured person was careless in the operation of a motor vehicle. Liability insurance coverage provides a remedy for the injured party and protects the insured person from the loss of their personal assets to pay the claim. Most states have laws that specify the minimum amount of automobile liability insurance coverage which must be offered by insurance carriers. In Wisconsin, that amount is \$25,000. In Minnesota, \$30,000 is required. The most expensive liability insurance coverage is the first \$25,000. Increasing coverage limits is far less expensive.

We recommend that our clients purchase liability insurance coverage with policy limits that are high enough to protect the insured from the loss of their personal assets. A person who owns a stock portfolio that is worth a million dollars will likely want to buy and maintain liability insurance policy limits of several million dollars. Conversely, an individual who has no savings and lives from paycheck to paycheck may be adequately protected by policy limits of \$100,000.

Liability insurance companies have a duty to defend and protect the persons they insure from the loss of the insured person's assets. The failure to protect the insured person from excess claims is bad faith on the part of the insurance carrier and can result in a judgment being taken against the insurance carrier for compensatory and punitive damages.

For most people, the right amount of liability insurance coverage is the amount that the insured person feels will adequately protect them from claims caused by their careless conduct and at the same time provide a remedy for the injured person.

Sometimes it is more cost effective for the insured person to carry lower liability insurance policy limits on their automobile coverage and homeowner's policy and to secure the additional protection they desire by purchasing a separate liability insurance umbrella policy.

## **AUTOMOBILE UNINSURED MOTORIST COVERAGE (UM)**

Uninsured motorist coverage (UM) is insurance coverage that is purchased by the insured person to pay for losses that are incurred by the insured person as a result of the careless conduct of a driver who has no insurance. Uninsured motorist coverage is required by law in most jurisdictions. In Wisconsin, insurance companies may not sell uninsured motorist coverage with policy limits of less than \$25,000 per person per occurrence. In this situation, the uninsured motorist carrier steps into the shoes of the uninsured driver. The coverage provides a remedy and a solvent source of recovery where one might not otherwise exist. Uninsured motorist coverage is purchased by the insured person to protect themselves and their family from damages caused by persons who have no car insurance. This type of insurance is personal and portable and protects the insured person regardless of whether or not they are in the insured vehicle. If a person is seriously injured and permanently disabled as a result of a collision caused by an uninsured motorist, the value of their claim may exceed \$1,000,000. The party bringing a claim for uninsured motorist benefits has the burden of proof to establish wrongful conduct, the nature and extent of the resulting harm, and the amount of the monetary damages sustained. It has been our experience that most insurance agents are not aggressive in recommending that their clients purchase UM coverage with substantial policy limits. For the most part this type of insurance coverage is reasonably priced. We encourage our clients to review their uninsured motorist coverage and consult with us and/or their insurance agent regarding this subject.

## **AUTOMOBILE UNDERINSURED MOTORIST COVERAGE**

Underinsured motorist coverage operates in a fashion that is very similar to uninsured motorist coverage. As the name implies, underinsured motorist coverage or UIM coverage is designed to provide the insured person with a remedy if they are injured by a careless motorist who does not have enough insurance coverage to pay the insured's claim in full. For example, if the wrongdoer had liability insurance coverage with policy limits of \$25,000 (the minimum amount required by Wisconsin law) and caused a collision which resulted in losses of \$150,000, the injured party would have a claim against their own UIM carrier for the difference between the amount of their losses (\$150,000) and the tortfeasor's policy limits of \$25,000. Most underinsured motorist policies that are issued in the State of Wisconsin contain reducing clauses. Reducing clauses provide in pertinent part that the amount of the coverage is reduced by the tortfeasor's liability insurance coverage. In the foregoing example, if the insured person had underinsured motorist coverage of \$100,000, pursuant to the reducing clause, the policy limits would be reduced to \$75,000. At one time insureds in Wisconsin could stack the policy limits on all UIM policies on all vehicles. Under pressure from insurance industry the legislature passed a law that eliminated stacking.

## **MEDICAL PAYMENTS COVERAGE**

Medical payments coverage is included in most automobile insurance policies. This insurance is designed to pay medical expenses incurred by any occupant of the vehicle

who is injured as a result of the use of the vehicle. Proof of fault is not required to trigger medical payments coverage.

## **COLLISION AND COMPREHENSIVE AUTOMOBILE INSURANCE COVERAGE**

Collision insurance coverage is designed to pay the insured the amount that it costs to repair damages to the insured's vehicle which are caused by a collision. If the collision is caused by the wrongful conduct of a third party, the collision insurance carrier usually seeks to recoup the amount that it paid to its insured from the at fault party. Collision insurance coverage applies regardless of fault. Most banks who finance the purchase of vehicles and take a security interest in the vehicle insist that the insured maintain collision insurance coverage on the vehicle so that the value of the collateral is not impaired.

Comprehensive insurance coverage is similar to collision insurance coverage in that it is designed to pay for damages caused to the insured's car. Like collision insurance coverage, comprehensive insurance coverage is property damage insurance. Comprehensive insurance coverage protects the insured's property against losses that are caused by events such as hail storms, floods, trees that fall as a result of wind storms, theft, vandalism damage caused by wild animals, and related events other than collisions.

The appropriate amount of collision and/or comprehensive insurance coverage is determined by the value of the vehicle that is insured.

## **HOMEOWNERS INSURANCE COVERAGE**

Homeowners and renters insurance coverage protects the insured person for claims arising out of the use of and/or loss of the building where they live. Most real estate loans are secured by a mortgage on the property. Mortgage lenders typically require fire and comprehensive insurance coverage on the property to preserve the value of the collateral. Most homeowner's insurance policies also include liability insurance coverage and medical payments coverage which operate similar to the manner in which these types of coverages operate on automobile insurance policies. (see above) It is common for homeowner's insurance policies to contain family member exclusions. Family member exclusions provide in pertinent part that the homeowner's insurance carrier does not provide liability insurance coverage when the insured person is a resident of the insured premises and/or a family member of the insured. In Wisconsin, the courts have upheld family member exclusions in homeowner's insurance policies. Family member exclusions are generally unenforceable in automobile insurance policies that are issued in the State of Wisconsin.

## **OTHER INSURANCE**

There are many other types of insurance policies that are commonly placed in force and about which we are consulted. The list includes general commercial liability insurance policies, worker's compensation coverage, professional liability insurance coverage (malpractice insurance), officers and directors errors and omissions coverage, and insurance umbrellas. A detailed discussion of all of the different types of insurance coverage that might be purchased is beyond the scope of this short article. If the reader has specific questions regarding a certain type of insurance coverage, they should feel free to contact us and/or their insurance agent.

To contact us with a question about insurance coverage for your losses, click on the link below.

- Contact us about your case
- Free initial consultation for injury claims
- Contact us to make an appointment
- 800/676-1244 or [gjegan@lacrosselaw.com](mailto:gjegan@lacrosselaw.com)