

Lesson learned from recent underinsured motorist case

By Jennifer A. Cranston



Earlier this year, the Arizona Court of Appeals issued a decision that highlights two key issues for anyone purchasing automobile insurance:

(1) the importance of uninsured and underinsured motorist coverage and (2) the complications associated with insurance coverage for adult family members living in the same home.

Beaver v. American Family

The facts of the case are simple. While riding her own motorcycle, Sally Ann Beaver was injured by another driver's negligence. The other driver's liability insurance was insufficient to compensate Beaver for her injuries. At the time of the accident, Beaver lived with her father. Because Beaver's auto insurance did not include underinsured motorist coverage, she sought coverage pursuant to the underinsured motorist provision of her father's family car policy. The father's insurer, American Family, denied coverage because the policy's definition of "relative" excluded family members who owned their own vehicle. The Court of Appeals upheld the policy provision and agreed with the trial court that Arizona public policy and statutory law did not require American Family to provide coverage to Beaver.

Uninsured and Underinsured Motorist Coverage

The first lesson highlighted by this case is the importance of uninsured and underinsured motorist insurance. Uninsured motorist insurance (UM) provides compensation when another driver who does not have any insurance injures you in an accident. Similarly, underinsured motorist insurance (UIM) will compensate you if the other driver has insufficient insurance to cover all of your damages.

Legal

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Years ago, the Arizona legislature recognized the importance of this kind of insurance by enacting a statute requiring auto insurance companies to offer UM and UIM coverage to everyone they insure. The statute also requires that UM and UIM coverage is "portable," which means that if you purchase this kind of insurance, it will provide coverage regardless of which vehicle you happen to be driving or riding in at the time of the accident.

Given the high number of drivers in Arizona who are either uninsured or have only the minimum limits of liability insurance (\$15,000 per person, \$30,000 per accident), UM and UIM coverage is one of the most important protections you can buy for you and your family.

Who is a "relative" under your policy?

The second lesson is about communicating with your agent and reading the policy. As you'll recall, the policy at issue in the Beaver case was a family car policy. It's understandable that Beaver's father may have assumed it would provide coverage to the members of his household. However, given the current trend of adult children living at home, many insurance policies specifically exclude such coverage.

Therefore, if you want to buy insurance that will protect adult family members who live with you, it's critical that you (1) communicate this fact to your insurance agent and (2) double-check the policy once you receive it.

Jennifer A. Cranston is a shareholder at Gallagher & Kennedy, where she focuses her practice on three primary areas: real estate disputes, including condemnation and valuation matters; insurance coverage analysis and bad faith litigation; and public utility regulation. For more information about Ms. Cranston, please go to www.gknet.com/attorneys/jennifercranston.