

Definitions of Common Insurance Terms



LIABILITY LIMITS

This refers to the maximum amount of compensation for which the insurance company is liable. In Texas, the minimum amount of liability insurance that passenger cars are required to carry is \$30,000. However, many drivers have higher limits. All interstate trucks are required to carry a minimum of \$750,000 in liability insurance, with some oversize or overweight trucks carrying as much as \$5,000,000 or more.

DEDUCTIBLE

This term applies to both your health insurance and your auto insurance - it is the amount of money that you will have to pay out of your own pocket. For example, you might have to pay the first \$1,000 for any medical care, and then your insurance company will pay the rest. The specific amounts and terms of your insurance policy will vary.

LIABILITY

This is the legal term which describes how a negligent person can be found at fault for causing property damage or injury as a result of their failure to take proper care and act as a prudent person would or would not under the circumstances.

UNINSURED MOTORIST COVERAGE (UM)

Despite the fact that liability insurance is a legal requirement of drivers in Texas, it is estimated that around 25 percent of drivers on our roads don't have any insurance at all! Uninsured Motorist Coverage is an optional addition to your insurance policy which will protect you and your passengers if you are injured in a crash caused by an uninsured driver. This type of insurance also covers you if the at-fault party had insurance, but just not enough to fully compensate you.

PERSONAL INJURY PROTECTION (PIP)

Like UM/UIM, PIP insurance is an optional form of additional auto insurance coverage which protects both you and your passengers in the event that either

of you are injured in an accident. PIP will cover you regardless of who is at fault, so you can recover payment for medical expenses and lost wages even if you were the driver to blame for the wreck.

MED-PAY

Med-Pay is similar to PIP in that it covers the driver and their passengers for medical care and/or funeral expenses resulting from a car wreck – even if the policyholder was the driver at fault. It also covers the policyholder if they are injured in a car accident where they are not driving.

MEDICARE

Medicare is a government-funded program which covers medical expenses for elderly people. It works similarly to conventional private health insurance, but in some situations doctors or other health professionals will be resistant to billing Medicare because they believe that the liable party's insurance company should be the ones to pay. If Medicare does pay, and a recovery is later received, then Medicare must be paid back.

HOSPITAL LIENS

If you were rushed to the ER after being injured in an accident, there is a very good chance that there will be a hospital lien filed against you. This lien represents the hospital's right to demand reimbursement when your claim against the liable insurance company is settled. It is important that you find out whether there are any liens filed against you prior to accepting any settlement from the insurance company.

SUBROGATION

Subrogation is a similar concept to hospital liens, except it involves your own health insurance provider's claim against any damages you might recover against the at-fault person's insurance company. Although some health insurance providers handle their own subrogation claims, others are handled by independent collection firms such as Ingenix, Optum or Rawlings.