



WEST VIRGINIA INSURANCE BULLETIN

No. 21 – 02

Insurance Bulletins are issued when the Commissioner renders formal opinions, guidance or expectations on matters or issues, explains how new statutes or rules will be implemented or applied, or advises of interpretation or application of existing statutes or rules.

► “Full Coverage” Automobile Insurance ◀

“Full coverage”, when used in relation to automobile insurance, is a term often casually employed by consumers and insurance producers or agents to discuss or describe certain automobile insurance coverage or policies. However, there is no exact or standard definition of “full coverage” automobile insurance in the insurance industry, or in state law, and the term “full coverage” can and does mean many different things to different people. Insurance is not a one-size-fits-all product and consumers are generally offered coverages individually, or *a la carte*, by an insurance company based upon certain state laws and the consumer’s needs and budget. As such, requesting a “full coverage” policy from an insurance producer or agent may not always result in being offered the exact same set of uniform insurance coverages.

State law requires all registered motor vehicle owners to purchase certain coverages in, at least, certain minimum coverage levels. However, consumers are also able to purchase higher coverage levels that, in West Virginia, must also be offered by an insurer. Consumers are also able to purchase additional optional coverages that are oftentimes no less important to their protection than a state-mandated or required coverage. In West Virginia, all registered motor vehicle owners are required to purchase Automobile Liability insurance to protect owners/drivers for accidents in which they are at-fault. Automobile Liability insurance consists of two coverages, Bodily Injury (BI) liability coverage and Property Damage (PD) liability coverage, and the required minimum amounts of coverage are \$25,000 per person, and \$50,000 per accident for BI, and \$25,000 per accident for PD. In addition, Uninsured Motorist coverage is also required at the same minimum coverage levels – \$25,000 per person and \$50,000 per accident for Uninsured Motorist Bodily Injury (UMBI) coverage, and \$25,000 per accident for Uninsured Motorist Property Damage (UMPD) coverage. However, as noted, consumers can choose higher coverage limits for BI, PD, UMBI and UMPD to fit their specific needs.

Physical Damage coverages, such as Comprehensive and/or Collision coverage, pay to repair certain damages to an insured’s vehicle involved in an accident or incident. Comprehensive and/or Collision coverages are not required or mandated by state law but are usually required by a bank or lender to protect the vehicle if there is a loan. As such, they are often an included insurance coverage when an insurance producer or agent uses the term “full coverage.” However, while Collision and/or Comprehensive coverage may pay to repair physical damage to an insured’s vehicle or protect the bank or lender’s investment in a vehicle, it may not protect a consumer or policyholder if the vehicle is deemed a total loss and the amount of the outstanding loan exceeds the fair market value of the destroyed vehicle at the time of the accident. Insurance that helps to pay off an automobile loan when a vehicle is a total loss and the owner owes more on the loan balance than the vehicle’s depreciated value, is oftentimes referred to as Gap insurance or Loan/Lease insurance. Gap insurance is usually meant to be used in conjunction with Comprehensive and/or Collision coverage, but it is an optional insurance coverage and is not typically included when an insurance producer

or agent refers to a “full coverage” automobile insurance policy. Other optional coverages generally not included when referring to “full coverage” are Underinsured Motorist, Medical Payments, Umbrella, Towing and Labor, Rideshare Driver, and Rental. These optional insurance coverages are not state-mandated or required but may be no less important to ensuring that a vehicle owner or driver is fully protected when involved in an accident.

Insurance producers or agents should not misrepresent the terms of an actual or proposed insurance contract or application for insurance with a policyholder or potential policyholder. See W.Va. Code §33-12-24(b). Furthermore, it is an unfair method of competition and/or unfair or deceptive act or practice to make, issue, circulate, or cause to be made, issued or circulated, any estimate, circular, statement, sales presentation, omission or comparison which misrepresents the benefits, advantages, conditions or terms of any insurance policy. See W.Va. Code §33-11-4(a). In certain circumstances, it can be misleading, confusing, or even deceptive, to market an insurance policy as providing “full coverage” to a policyholder or potential policyholder simply because it meets the state-mandated or required minimum coverage under West Virginia law, or those required by a bank or lender, when/if the policy does not provide all available insurance coverages that may be beneficial to the owner of a registered motor vehicle. Moreover, since there is no standard, uniform or even generally accepted definition of “full coverage” automobile insurance, it is easy for consumers to be, understandably, confused when shopping for automobile insurance. As such, the Commissioner strongly discourages insurance companies, and especially insurance producers or agents, from using the term “full coverage” in automobile insurance marketing or advertising materials, when colloquially describing insurance coverages offered under an automobile insurance policy, or when casually discussing the terms of an automobile policy with a policyholder or potential policyholder. The Commissioner encourages insurance companies, and especially insurance producers or agents, to use precise, easily understandable terminology when discussing specific coverage options or policy terms. Insurance companies should educate their appointed producers and agents about the perils of using the term “full coverage” when discussing policy options with policyholders or prospective policyholders. Consumers are certainly able to pick and choose insurance coverages to suit their needs and budget. Consumers can choose to, or choose not to, purchase optional insurance coverages, such as Gap, Underinsured Motorist, Medical Payments, Umbrella, Towing and Labor, Rideshare Driver, and Rental. Likewise, consumers do not have to purchase coverage limits over and above the minimum coverage limits set by state law.¹ However, such decisions should be made knowingly and voluntarily, and casual use of the term “full coverage” automobile insurance during the marketing, advertising or sales process can potentially have a negative effect on the transparency and quality of information being provided to policyholders and potential policyholders.

Please e-mail any questions concerning this Insurance Bulletin to OICBulletins@wv.gov. Consumers needing assistance may contact our Consumer Services Division at 1-888-TRY-WVIC or OICConsumerServices@wv.gov.

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¹ This Bulletin is not meant to provide comprehensive guidance on the legal requirements regarding the offering/declination of optional limits of Uninsured Motorist or Underinsured Motorist coverage in West Virginia. However, optional limits of Uninsured Motorist and Underinsured Motorist coverage, as required by W.Va. Code §§33-6-31d and 31-6-31f, must be made available to the named insured at the time of initial application and upon any request of the named insured on a form prepared and made available by the OIC. An insurer’s failure to use the prescribed form results in the loss of the statutory presumption and a reversion to the standards enunciated in *Bias v. Nationwide Mutual Insurance Co.*, 365 S.E.2d 789 (1987), and obligates the insurer to prove that it made a commercially reasonable offer of coverage to the insured, and that the insured’s rejection of such coverage was knowing and intelligent. See *Martin v. State Farm Mut. Auto. Ins. Co.*, 809 F. Supp.2d 496 (S.D. W. Va. 2011).