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UNINSURED AND UNDER-INSURED MOTORIST CLAIMS

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I. RULES OF CONSTRUCTION FOR CONSTRUING INSURANCE POLICIES.....	1
A. <i>GENERAL RULES</i>	1
B. <i>PLAIN LANGUAGE</i>	1
C. <i>AMBIGUITY</i>	1
D. <i>INTERPRETATION OF EXCLUSIONARY CLAUSES</i>	1
E. <i>SEVERABILITY CLAUSES</i>	2
II. COVERAGE ISSUES	2
A. <i>EIGHT CORNERS RULE</i>	2
B. <i>EXCEPTIONS TO THE EIGHT CORNERS RULE</i>	2
C. <i>WHEN COVERAGE IS DENIED</i>	3
D. <i>WHO IS COVERED?</i>	3
E. <i>MEMBER OF THE HOUSEHOLD</i>	4
F. <i>DEFINITION OF UNINSURED VEHICLE</i>	4
G. <i>VEHICLES OWNED BY OR FURNISHED TO OR AVAILABLE FOR USE</i>	5
H. <i>WHO IS AN UNINSURED MOTORIST?</i>	6
I. <i>NAMED DRIVER POLICIES</i>	6
J. <i>DEFINITION OF “AUTO ACCIDENT”</i>	7
K. <i>TYPES OF ACCIDENTS</i>	7
L. <i>INJURIES OCCURRED WHILE USING A MOTOR VEHICLE</i>	13
M. <i>PHYSICAL CONTACT</i>	15
N. <i>BODILY INJURY</i>	17
O. <i>PROPERTY DAMAGE</i>	20
P. <i>“OTHER INSURANCE” CLAUSES</i>	21
III. EXCLUSIONS	22
A. <i>VEHICLES THAT DO NOT QUALIFY AS AN UNINSURED VEHICLES</i>	22
B. <i>VEHICLES FURNISHED FOR THE REGULAR USE</i>	23

C. <i>EXCLUDED DRIVERS</i>	24
D. <i>FAMILY MEMBER EXCLUSION</i>	25
E. <i>PERMISSIVE DRIVERS AND OMNIBUS INSUREDS</i>	25
F. <i>FELLOW EMPLOYEE EXCLUSION</i>	25
IV. DUTIES OF THE INSURED	26
A. <i>DUTY TO LIST VEHICLES</i>	26
B. <i>DUTY TO COOPERATE</i>	26
C. <i>DUTY TO GIVE NOTICE OF NEW VEHICLE</i>	27
D. <i>DUTY TO GIVE NOTICE OF CLAIM</i>	27
E. <i>DUTY TO OBTAIN CONSENT TO SETTLE</i>	28
F. <i>DUTY TO SUBMIT TO MEDICAL EXAMINATIONS</i>	29
G. <i>DUTY TO SUBMIT TO EXAMINATIONS UNDER OATH (EUO's)</i>	30
V. COVERAGES REQUIRED	31
A. <i>UM/UIM COVERAGE REQUIRED</i>	31
B. <i>UM/UIM COVERAGE MUST BE OFFERED IN THE AMOUNTS DESIRED</i>	31
C. <i>PIP COVERAGE</i>	32
VI. PIP & UM/UIM REJECTIONS	33
A. <i>LIBERAL CONSTRUCTION</i>	33
B. <i>THE PIP AND UM/UIM REJECTIONS MUST BE IN WRITING</i>	33
C. <i>FORM OF THE PIP AND UM/UIM REJECTIONS</i>	35
D. <i>BURDEN OF PROOF</i>	35
E. <i>EXCEPTIONS</i>	35
F. <i>PERPETUAL RENEWALS</i>	35
VII. CANCELLATION OF THE POLICY	36
VIII. STACKING COVERAGES	36
A. <i>GENERAL RULE</i>	36

<i>B. EXCEPTIONS</i>	37
<i>C. COMPANY CARS: COVERAGE WHILE OCCUPYING A VEHICLE SUPPLIED FOR THE REGULAR USE</i>	37
IX. OTHER INSURANCE CLAUSE: PRIORITIES OF COVERAGE & MULTIPLE POLICIES	37
<i>A. POLICY LANGUAGE</i>	37
<i>B. NON-OWNED AUTOS</i>	38
<i>C. CASES INVOLVING NON-STANDARD INSURANCE POLICIES</i>	38
<i>D. OFFSETS & CREDITS ON UM/UIM CLAIMS</i>	39
<i>E. WORKERS' COMP BENEFITS</i>	41
<i>F. TORTFEASOR IS NOT ENTITLED TO A CREDIT FOR UM/UIM BENEFITS...</i>	43
<i>G. SETTLEMENTS FOR LESS THAN POLICY LIMITS</i>	43
<i>H. REQUIRING THE INSURED TO SIGN A RELEASE</i>	43
X. DAMAGES RECOVERABLE ON UM/UIM CLAIMS	43
<i>A. PURE UM/UIM CLAIMS</i>	43
a. Bodily injury damages	43
b. Property damages	46
c. Punitive Damages Are Not Recoverable on a Pure UM/UIM Claim	49
d. Pre-judgment and Post Judgment Interest	49
e. Court Costs	51
f. Attorney's Fees	52
XI. BRAINARD, NORRIS & NICKERSON TRILOGY OF CASES	58
<i>A. Brainard v. Trinity Universal Insurance Company, 216 S.W.3d 809 (Tex. 2006)....</i>	58
<i>B. State Farm Mut. Ins. Co. v. Norris, 216 S.W.3d 819 (Tex.2006).....</i>	59
<i>C. State Farm Mut. Ins. Co. v. Nickerson, 216 S.W.3d 823 (Tex. 2006)</i>	59
XII. MAKING A CLAIM	59
XIII. BAD FAITH. WHAT IS IT?	60

A. <i>EVOLVING STANDARDS FOR WHAT CONSTITUTES “BAD FAITH”</i>	60
B. <i>SCOPE OF THE DUTY OF GOOD FAITH AND FAIR DEALING</i>	64
C. <i>EXAMPLES OF BAD FAITH CONDUCT</i>	65
D. <i>EXAMPLES OF CONDUCT THAT ARE NOT BAD FAITH</i>	67
E. <i>UNRESOLVED ISSUES</i>	70
XIV. DAMAGES RECOVERABLE ON BAD FAITH CLAIMS	71
A. <i>ACTUAL DAMAGES UP TO THE POLICY LIMITS</i>	71
B. <i>PUNITIVE DAMAGES</i>	73
C. <i>STANDARDS OF PROOF: PRODUCING CAUSE</i>	73
D. <i>ATTORNEY’S FEES</i>	73
E. <i>ATTORNEY’S FEES MAY BE RECOVERABLE UNDER A DECLARATORY ACTION</i>	74
F. <i>STANDARDS OF PROOF TO RECOVER ATTORNEY’S FEES</i>	74
G. <i>DISCOVERY REGARDING ATTORNEY’S FEES</i>	74
XV. STATUTORY BAD FAITH CLAIMS	74
A. <i>INSURANCE CODE CLAIMS UNDER §541.060 Tex.Ins.Code</i>	74
B. <i>PROMPT PAYMENT OF CLAIMS VIOLATIONS UNDER CHAPTER 542</i>	77
C. <i>FAILURE TO SETTLE OR TO DEFEND</i>	85
XVI. STATUTE OF LIMITATIONS ON FIRST PARTY CLAIMS	85
A. <i>PURE UM/UIM CLAIMS</i>	85
B. <i>POST-BRAINARD STATUTES OF LIMITATIONS ON UM/UIM CLAIMS</i>	85
C. <i>COMMON LAW BAD FAITH CLAIMS</i>	86
D. <i>DTPA CLAIMS</i>	86
E. <i>INS. CODE CLAIMS</i>	86
XVII. UNIFORM DECLARATORY JUDGMENTS ACT	86
A. <i>THE STATUTE</i>	86
B. <i>ATTORNEY’S FEES ON DECLARATORY JUDGMENT ACTIONS</i>	87

C. <i>CASES ADDRESSING THE USE OF DECLARATORY JUDGMENTS FOR UM/UIM CLAIMS</i>	88
D. <i>PLEADING REQUIREMENTS FOR DECLARATORY JUDGMENT ACTIONS</i> ..	89
XVIII. <i>LAWSUITS AGAINST THE ADJUSTER</i>	90
A. <i>LEGAL AUTHORITY FOR SUING THE ADJUSTER</i>	90
B. <i>EXCEPTIONS</i>	90
C. <i>OTHER CAUSES OF ACTION AGAINST THE ADJUSTER</i>	90
D. <i>PROHIBITED CAUSES OF ACTION AGAINST THE ADJUSTER</i>	91
XIX. <i>PLEADING REQUIREMENTS</i>	92
A. <i>RES JUDICATA AND COLLATERAL ESTOPPEL</i>	92
B. <i>“BODILY INJURY” MUST BE PLED AND PROVEN, IT IS NOT INFERRED..</i>	92
C. <i>MOTIONS TO DISMISS FOR FAILURE TO PLEAD A CLAIM</i>	93
XX. <i>PRE-TRIAL ISSUES</i>	93
A. <i>VENUE</i>	93
B. <i>SEVERANCE/SEPARATE TRIALS & ABATEMENT</i>	95
C. <i>SUFFICIENCY OF PLEADINGS</i>	101
D. <i>REMOVAL</i>	102
XXI. <i>DISCOVERY</i>	106
A. <i>SCOPE OF DISCOVERY</i>	106
B. <i>DEPOSING THE EUO ATTORNEY</i>	106
C. <i>CLAIMS OF TRADE SECRET</i>	106
D. <i>DEPOSING THE ADJUSTER AND CORPORATE REPRESENTATIVE</i>	107
E. <i>LIMITATIONS ON DISCOVERY IN UM/UIM CASES</i>	107
F. <i>DISCOVERY REGARDING ATTORNEY’S FEES</i>	107
XXII. <i>TRIAL ISSUES</i>	108
A. <i>NOT NECESSARY TO SUE THE TORTFEASOR</i>	108
B. <i>CONSENT TO BE BOUND</i>	108

C. <i>DEFAULT JUDGMENTS</i>	108
D. <i>TRIAL AMENDMENTS SHOULD BE PERMITTED TO ASSERT OFFSET/CREDIT</i>	109
E. <i>CORRECT PARTIES TO A UM/UIM TRIAL</i>	109
F. <i>BURDEN OF PROOF TO PROVE THE POLICY</i>	109
G. <i>ADMISSIBILITY OF EVIDENCE OF POLICY LIMITS</i>	110
H. <i>ADMISSIBILITY OF INTOXICATION OF THE UM/UIM DRIVER</i>	110
I. <i>ADMISSIBILITY OF OTHER ACCIDENTS & OTHER HEALTH CONDITIONS</i>	110
J. <i>MOTIONS FOR NEW TRIAL</i>	111
XXIII. <i>ASSIGNMENT OF BENEFITS</i>	111
A. <i>SETTLEMENT CHECKS & ASSIGNMENTS</i>	111
B. <i>APPLICATION OF PAID OR INCURRED STATUTE TO PIP CLAIMS</i>	111
XXIV. <i>LIENS & SUBROGATION CLAIMS ON PIP AND UM/UIM CLAIMS</i>	111
A. <i>EQUITABLE SUBROGATION</i>	111
B. <i>COMMON FUND DOCTRINE</i>	112
C. <i>MEDICARE/MEDICAID LIENS</i>	112
D. <i>HEALTH INSURANCE LIENS</i>	112
E. <i>WORKER'S COMPENSATION LIENS</i>	113
F. <i>CHILD SUPPORT LIENS</i>	117
G. <i>HOSPITAL LIENS</i>	117
H. <i>ANTI-SUBROGATION RULE</i>	118
XXV. <i>RECENT CASES</i>	118

I. RULES OF CONSTRUCTION FOR CONSTRUING INSURANCE POLICIES

A. *General Rules:*

- a. Same Rules of Construction as Any Contract.
- b. Insurance policies are construed according to the same rules of construction that apply to contracts generally. Don's Bldg. Supply, Inc. v. OneBeacon Ins. Co., 267 S.W.3d 20, 23 (Tex. 2008). Interpretation or construction of an unambiguous contract is a matter of law to be determined by the court. Coats v. Farmers Ins. Exch., 230 S.W.3d 215, 217 (Tex. App.—Houston [14th Dist.] 2006, no pet.).

B. *Plain Language:*

- a. Security Mut. Cas. Co. v. Johnson, 584 SW 2d 703, 704 (Tex. 1979). Words in an insurance policy are to be given their plain, ordinary meaning unless the policy gives them a different meaning.
- b. Fiess v. State Farm Lloyds, 202 SW 3d 744, 751 and n.30 (Tex. 2006) To determine the plain and ordinary meaning of the words of an insurance policy, Courts routinely turn to dictionary definitions.

C. *Ambiguity:*

- a. National Union Fire Ins. vs. Hudson Energy Co., 811 S.W.2d 552, 555 (Tex. 1991). "Generally, a contract of insurance is subject to the same rules of construction as other contracts. If the written instrument is worded so that it can be given only one reasonable construction, it will be enforced as written. However, if a contract of insurance is susceptible of more than one reasonable interpretation, we must resolve the uncertainty by adopting the construction that most favors the insured. The Court must adopt the construction of an exclusionary clause urged by the insured as long as that construction is not unreasonable, even if the construction urged by the insurer appears to be more reasonable or a more accurate reflection of the parties' intent. In particular, exceptions or limitations on liability are strictly construed against the insurer and in favor of the insured."

D. *Interpretations of Exclusionary Clauses:*

- a. If the language of an exclusionary clause in an insurance policy is clear and unambiguous, the well established rule of construction directing adoption of that construction most favorable to the insured, is not applicable. Consequently, absent ambiguity, neither party can be favored by its construction. Maryland Casualty Co. v. State Bank & Trust Co., 425 F.2d 979 (5th Cir. 1970) *cert. denied*, 400 U.S. 828, 27 L. Ed. 2d 57, 91 S. Ct. 55 (1970). Monte Christo Drilling Corp. v. Byron-Jackson Tools, Inc., 266 F. Supp. 123 (S.D. Tex. 1966).
- b. The court must adopt the construction of an exclusionary clause urged by the insured as long as that construction is not unreasonable, even if the construction urged by the insurer appears to be more reasonable or a more accurate reflection of the parties' intent." Nat'l Union Fire Ins. Co. v. Hudson Energy Co., 811 S.W.2d 552, 555, (Tex. 1991).

E. Severability Clauses:

a. **Clause:** “This insurance applies separately to each insured. This condition will not increase our limit of liability for any one occurrence.”

b. A severability clause generally serves to provide coverage to an “innocent” insured who did not commit the intentional conduct excluded by the policy. *Bituminous Cas. Corp. v. Maxey*, 110 S.W.3d 203, 210 (Tex. App.—Houston [1st Dist.] 2003, pet. denied). (citing *State Farm Fire & Cas. Ins. Co. v. Keegan*, 209 F.3d 767, 769 (5th Cir. 2000)). Each insured against whom a claim is brought is treated as if he or she is the only insured under the policy, and thus, stands alone with respect to exclusion provisions. *Williamson v. Vanguard Underwriters Ins. Co.*, No. 14-97-00276-CV, 1998 WL 831476, at *1 (Tex. App.—Houston [14th Dist.] Dec. 3, 1998, pet. denied.)

II. COVERAGE ISSUES

A. Eight Corners Rule

a. The duty to defend is determined, regardless of the of the truth or falseness of the allegations, by reviewing the facts alleged within the four corners of the petition and the coverages and exclusions contained within the four corners of the policy. *Heyden Newport Chemical Corp. v. Southern General Ins. Co.*, 387 SW 22 (Tex. 1965).

B. Exceptions to the Eight Corners Rule:

a. *Weingarten Realty Management Co. v. Liberty Mut. Fire Ins. Co.*, __ S.W.3d __ (Tex. App.—Houston [14th Dist.] (2011)). After acknowledging that the Supreme Court has never expressly recognized an exception to the eight corners rule, the Court noted that other courts has recognized a “very narrow exception” allowing extrinsic evidence “only when relevant to an independent and discrete coverage issue, not touching on the merits of the underlying third-party claim.” *GuideOne Elite Ins. Co. v. Fielder Road Baptist Church*, 197 S.W.3d 305, 308 (Tex.2006); *see also* *Pine Oak Builders, Inc. v. Great Am. Lloyds Ins. Co.*, 279 S.W.3d 650, 654 (Tex.2009). The Court recognized an exception to the eight-corners rule for the first time. In the underlying case, Johnson sued her employer and the landlord. After she was assaulted by an unknown person while working, Johnson sued the landlord, but spelled the landlord’s name wrong in the petition. However, the correct defendant appeared and answered the lawsuit. The court noted the entity actually sued was a “separate and distinct” entity from the intended defendant. The correct defendant never challenged the error and Johnson never fixed it.

The landlord’s carrier defended. Shortly before trial, the landlord made a demand upon Johnson’s employer’s carrier, Liberty Mutual, to provide a defense as an additional insured under its policy. Liberty Mutual rejected the demand to provide the defense to the landlord because the name of the defendant in the petition did not match the name on the policy. The landlord and its insurer sued Liberty Mutual for coverage.

As an exception to the eight-corners rule, the court noted that Liberty Mutual was asking the court to assume that the alleged facts were true. In doing so, Liberty Mutual argued that a complete stranger to the policy was asking for a defense to which it was not entitled. The extrinsic evidence at issue was the policy’s reference to lease agreements, which required the court to consider lease agreements to determine the insured’s status.

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