Saving Money on Your Insurance

B Y J O S E M O N T E M A Y O R

Non-Owner Policies Have Pros and Cons

THE TEXAS Department of Insurance (TDI) receives quite a few calls about a type of auto insurance called "named non-owner coverage." It has its uses—and its misuses.

Named non-owner coverage provides auto liability protection for people and their spouses who don't own cars but feel they need a policy in their own name. A non-owner policy may also include uninsured/underinsured motorist, personal injury protection (PIP) and/or medical payments coverages.

Situations that might lead someone to buy this kind of insurance include:

- Frequent use of rental cars. It may be cheaper to have your own policy than to repeatedly buy the liability insurance sold by rental car companies. A person with named non-owner coverage also should buy a collision damage waiver from the rental car company to protect the rented car. This is because named non-owner coverage does not pay for damage to the rented car itself.
- Regular borrowing of cars from friends or relatives. They may want the comfort level provided by an extra layer of insurance on top of their own.
- Employer-furnished vehicles. An employer might require employees to buy liability insurance providing coverage when they drive company cars. Or an employee might want more protection than the employer provides. However, the standard Texas personal auto policy does not cover accidents in a non-owned auto furnished or available for the regular use of the policyholder and his or her family members.

Insurance companies don't have to sell named non-owner coverage. It is most commonly sold by county mutual insurers, whose rates are unregulated. The coverage also is available through the Texas Automobile Insurance Plan Association (TAIPA), which serves drivers who can't find basic auto liability insurance elsewhere.

Named non-owner coverage does not include collision or comprehensive insurance. These coverages pay for fixing or replacing the policyholder's own car if it is damaged or stolen.

It's important to know that named non-owner coverage is always "excess" of the liability coverage bought by the owner of the car being driven. This means if you have an accident, the vehicle owner's liability insurance pays first, up to the limits of his or her policy. The named non-owner coverage comes into play only if the cost of injuries and/or property damage go over the limits of the vehicle owner's liability policy.

An occasional misuse of named non-owner coverage has to do with teen-age drivers. Parents trying to save money often ask about excluding teen-agers from their family policies and, instead, buying them non-owner coverage.

Excluding your child from your policy and buying a non-owner policy usually is a bad idea. Remember that non-owner coverage merely provides additional liability insurance when driving a non-owned vehicle. If your teen-ager is excluded from your policy yet has an accident while driving your car, neither your policy nor the non-owner coverage will pay for your vehicle's damage. (Of course, if it was a two-car accident, and the other driver was at fault and is insured, you could recover repair costs from his or her auto liability policy.) You might also be unprotected financially if held liable for an accident caused by your child while still a minor. Finally, if the non-owner policy is rated properly, your teen-ager's liability insurance might cost as much as or more than it would cost if he or she were on your policy. ★

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  We welcome your questions and suggestions about this column.