Are You Covered? Automobile Underinsurance

By William D. Jalkut, Esq.

Though the evidence is anecdotal, experience suggests that too many of our personal injury clients are injured as the result of auto accidents caused by drivers who bought the minimum level of auto insurance ($20,000) or, even worse, failed to maintain any auto insurance at all. Too often, clients who carry $1,000,000 of liability insurance on their own vehicles to protect against personal injury claims by others are dumbfounded to learn that the other driver has insufficient liability coverage to compensate our client or his family member for his physical injury. Any experienced personal injury lawyer would tell you that this scenario is common.

While the scenario might be common, it is avoidable. All of us may protect ourselves and our household members against this tangible risk by taking advantage of existing benefits on our own auto insurance policies. Each policy includes a provision for uninsurance and underinsurance coverage. Uninsurance coverage protects the insured and his household members against the risk that the at-fault driver might not have any liability coverage at all. Underinsurance coverage protects against the risk that the at-fault driver might have insufficient coverage. We can protect ourselves and our families by increasing the limits of these coverages from the typical $20,000 policy limit to higher policy limits.

The process that attaches to an uninsurance or underinsurance claim is direct and expedient. In the event of a personal injury to a client resulting from an auto accident, the client first turns toward the liability policy limits of the at-fault driver. If the liability policy limits are insufficient to compensate the client for the injuries, then the client next makes demand upon his own auto insurer for payment of the uninsurance or underinsurance benefit to supplement the at-fault driver's liability coverage. If the client and his own insurer are unable to resolve the claim, then the matter proceeds swiftly to arbitration rather than to a lengthy judicial proceeding. The uninsurance or underinsurance claim is usually resolved within a few months of initiation of the arbitration process.

This office recommends that its clients purchase the maximum uninsurance or underinsurance limits available under their policies. High limits of underinsurance are necessary partly because the amount of underinsurance obtained is reduced on a dollar for dollar basis by the amount of liability insurance carried by the at-fault driver. If the at-fault driver has a $20,000 liability policy, then the first $20,000 of the client's underinsurance is offset.

Nobody likes to pay for additional auto insurance. This type of auto insurance, however, directly protects the client and his family for their injuries. It is a relatively inexpensive hedge against the possibility that the at-fault driver lacked the means or desire to carry adequate insurance. If experience is any guide, then that possibility is close to a statistical likelihood.

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