



Coverage Insights

Commercial Auto Policy Basics: Uninsured Motorist and Underinsured Motorist Coverage

As if learning that an employee was involved in an accident on company time isn't alarming enough, what happens when you find out the at-fault driver doesn't have coverage or is underinsured? While most states require drivers to maintain auto insurance, according to a 2008 Insurance Research Council (IRC) study, if a person is injured in an auto accident, there is about a one in seven chance that the at-fault driver will be uninsured (by the end of 2010, the IRC estimates that one in six drivers will be uninsured).

The IRC study indicates that the magnitude of the uninsured motorists' problem varies widely from state to state — from one percent in Massachusetts to 29 percent in New Mexico.* On average, that translates to about 13.8 percent and is expected to rise to 16.1 percent in 2010. Uninsured motorist (UM) and underinsured motorist (UIM) are coverage options added to your commercial auto policy for transferring the risk in such unfortunate circumstances.

Coverage Overview

In the event that a driver and/or passengers are injured due to the negligence of an uninsured or underinsured driver, you may seek compensation for injuries and damages through the UM and UIM portions of your policy.

- *Uninsured motorist* coverage kicks in when the at-fault driver can't pay due to lack of insurance.
- *Underinsured motorist* coverage kicks in when the driver's liability limits are lower than the costs of the accident.

The coverage typically has two components, but it varies from state to state:

- *Coverage for bodily injury* provides insurance for medical bills, funeral expenses, lost wages, pain and suffering, disfigurement and permanent or partial disability.
- *Coverage for property damage* provides insurance for auto repairs, total loss, rental car and damage to personal items carried in the vehicle.

Additional coverage considerations include:

- For UM/UIM to pay, it must be established that the other driver was at fault. Comparative negligence allows for more than one person to be at fault for an accident. As a result, your company can reduce the settlement of your uninsured/underinsured motorist claim by the percentage of fault attributable to you.
- UM coverage pays losses up to the coverage limits from an accident caused by a hit-and-run driver, but be sure to report the accident promptly.
- Commercial excess liability policies typically exclude UM/UIM coverage.

Coverage Limits

A risk management best practice for UM/UIM is to set the limits equal to your commercial auto bodily injury and property damage limits. Since UM and UIM coverage protects you, adequate limits are critical. Please contact us to learn about all the limit options available.

Knowledgeable and Trustworthy

Meadors Adams & Lee, Inc. understands Arkansas automobile policy coverage requirements and will work with you to ensure you have the right coverages and limits in place that minimize your uninsured/underinsured exposures on the road. Contact us at 501-372-5200 to learn more. ◇

*Estimated Percentage of Uninsured Motorists by State

Uninsured Percent	State
29	New Mexico
28	Mississippi
26	Alabama
24	Oklahoma
23	Florida
20	Tennessee
18	California, Arizona
17	Michigan
16	Washington, Ohio, Kentucky
15	Texas, Nevada, Arkansas, Wisconsin, Illinois, Montana, Colorado, D.C.
14	Indiana, Missouri, Rhode Island
13	Alaska
12	Maryland, Hawaii, Louisiana, Iowa, Minnesota, North Carolina, Georgia
11	New Hampshire, Oregon
10	Delaware, Kansas
9	Connecticut, Virginia, South Carolina, Idaho, Wyoming
8	New Jersey, Utah, Nebraska, West Virginia
7	Pennsylvania, South Dakota
6	Vermont
5	New York, North Dakota
4	Maine
1	Massachusetts

IRC estimates the uninsured driver population using a ratio of insurance claims made by individuals who were injured by uninsured drivers to claims made by individuals who were injured by insured drivers. Based on 2007 UM to BI frequency ratios, the latest available.

This Coverage Insights is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.

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