
Monumental Auto Insurance Changes On the Horizon

By Attorney Russell T. Golla

One of the first pieces of legislation that has been enacted this year permits significant changes in your auto insurance policies. **The major changes will occur in those provisions of your auto insurance policies that you buy to protect you, your family and the passengers in your vehicles, namely, Uninsured Motorist Coverage (UM) and Under-Insured Motorist Coverage (UIM) when the at-fault driver either doesn't have insurance or doesn't have enough to cover your damages.** These changes will come about as a result of the elimination of the ability to "stack" these coverages, modifications to the definition of an under-insured motor vehicle for purposes of UIM coverage and the allowance of "reducing clauses" **and they will become effective for policies first issued or renewed on or after November 1, 2011.**

Bottom line: The UM and UIM benefits you presently have may be substantially decreased, and, the availability of the benefits you presently have under these coverages will become extremely important in your time of need if the at-fault driver is uninsured or has only purchased the minimum liability limits which will now be \$25,000.00.

The best way to explain these changes is by example. This example is taken from the facts of one of our cases. One of our clients, who we will call "Joe," was injured in a violent collision where the at-fault motorist ran a stop sign and caused Joe's vehicle to roll a number of times and come to rest on its top. At the time, Joe insured three separate vehicles and purchased \$250,000.00 worth of UM and \$250,000.00 worth of UIM coverage on each vehicle. The at-fault driver



had a \$100,000.00 limit of liability on his vehicle. Joe sustained serious injuries and has incurred \$90,926.80 in medical expenses to date. Under present law, Joe has \$850,000.00 of auto insurance benefits available – the at-fault driver's \$100,000.00 limit of liability plus the three \$250,000.00 UIM limits he purchased. Under the changes that will take effect on November 1, 2011, the \$850,000.00 of insurance benefits presently available to Joe may be **reduced** to \$250,000.00. That \$250,000.00 will be made up of the at-fault driver's \$100,000.00 limit of liability and one of Joe's \$250,000.00 UIM limits reduced to \$150,000.00 by the at-fault driver's \$100,000.00 limit of liability (this is the effect of the anti-stacking and reducing clauses). In other words, if this legislation were the law now, Joe and you would likely never have anything near the UIM limits you purchased if you needed them to cover your damages. In this example, Joe's benefits would be reduced to \$250,000.00, less than one-third of what he presently has available.

The outcome becomes even more severe if the at-fault driver had a \$250,000.00 limit of liability. Under this scenario and under present law, Joe would have \$1 million worth of coverage available – the at-fault driver's \$250,000.00 limit of liability plus the \$750,000.00 of UIM coverage that he purchased. However, this legislation permits insurers to change the definition of an under-insured motor vehicle to provide that an under-insured motor vehicle can be defined as one with limits of liability less than the limit of liability you select for your UIM coverage.

continued on page 2

This is called the “limits comparison” definition of an under-insured motor vehicle. If auto insurers take advantage of the “limits comparison” definition, Joe and his family would not have any of the UIM coverage he purchased and only the at-fault driver’s \$250,000.00 limit of liability would be available. In this scenario, the UIM coverage that Joe purchased is reduced from \$750,000.00 to zero. **The most distressing aspect of this change is that Joe, and you, will never know whether you have any UIM coverage available until you are involved in a collision and you learn what the at-fault driver’s limit of liability is.** If that limit of liability equals or exceeds your UIM limit, then you won’t have any UIM coverage. If it is less than your UIM limit, then the UIM benefits available to you are your UIM limit reduced by the at-fault driver’s limit of liability.

The effect of this legislation on UM coverage can be explained by assuming the at-fault driver in the example noted above is uninsured. Under present law, Joe would have \$750,000.00 of UM coverage available. Under the new law, that \$750,000.00 would be reduced by two-thirds to \$250,000.00 -- this is the effect of “anti-stacking” provisions. Further, if Joe receives other insurance benefits that he purchased, his \$250,000.00 UM limit may be reduced by benefits received for such things as medical expenses and potentially worker’s compensation benefits if it is a work-related injury.

The financial effect of these changes will likely mean that you will have to purchase substantially higher UM and UIM limits or purchase an “umbrella policy” with UM and UIM coverage in order to get at least close to the UM and UIM coverage you presently have, and, I am fairly certain this will serve as an excuse to raise your premium for these coverages. I suspect that at least some insurance companies will insert the provisions permitted by the new law in their policies and try to

charge the same premium you are paying now for substantially less UM and UIM coverage or charge a significantly higher premium for comparable UM and UIM coverage. Hopefully, you will now have the knowledge to recognize this if it occurs.

What can you do to try to adequately protect you and your family and keep your present UIM and UM benefits intact? First, simply tell your insurance agent (or your insurance company if you don’t have an agent) that you want the exact same coverages and the exact same benefits that you presently have and you do not want any changes made to them. In other words, tell them you don’t want any changes whatsoever in your coverages and benefits and specifically you don’t want any changes that have the potential to reduce or eliminate the UM and UIM benefits that you presently have available. Please document your requests to your agent or insurance company in writing. If your agent or company tells you they can’t do this, then ask for endorsements that will reinstate the UM and UIM coverages and benefits you presently have. Again, document this in writing. If your agent or company tells you they are not willing to give you these endorsements or charge a substantially higher premium for the exact same coverage you have now, then look for another agent or company.



ATTORNEYS AT LAW
Est. 1886

1257 Main Street, Stevens Point
715-344-0890 • www.andlaw.com