Benefits of UM/UIM

What is the benefit of high UM or UIM limits on the Massachusetts Commercial Auto Policy? Are there any? When asked by the insured if high limits on these coverages are necessary, what should be the answer?

UM and UIM in Massachusetts is essentially the same whether on the Personal Auto Policy or the Commercial (Business) Auto Policy. Our massive auto reform in the 80’s “reformed” most of the coverage out of UM and UIM! These coverages are primarily purchased for the benefit of the named insured of the policy and possibly for the benefit of the named insured’s “household members”/family members

First, a coverage refresher

UM and UIM coverage “follows” the named insured of a Massachusetts auto policy. If the named insured is involved in a UM or UIM claim while occupying a vehicle he or she owns, he is only able to access the limit of the owned vehicle that he occupies at the time of the accident.

Example: Jack Sprat has Vehicle #1 with UM and UIM 20/40 and Vehicle #2 with UM and UIM 250/500. If Jack is in vehicle #1 when injured by an uninsured or underinsured vehicle he may ONLY access the UM or UIM of Vehicle #1. If Jack is occupying vehicle #2 when injured by an uninsured motor vehicle he is only allowed to access the UM limits of Vehicle #2. An insured who owns multiple vehicles should have the SAME UM limits on ALL of their vehicles as one never knows when an accident will happen! (Remember, an accident is an unplanned event!)

If the named insured is in a NON-OWNED vehicle or a pedestrian when injured by an uninsured or underinsured auto, then he or she can access the HIGHEST UM/UIM limit available of the vehicles in his or her name. There is no stacking of limits allowed.

With the above scenario, if Jack were in MY car he would be able to access the UM/UIM limits of $250/500. Since he was injured in a vehicle other than his OWN, he can access the highest limit available to him of all the policies in his name.

There is NO stacking of UM or UIM limits

The Massachusetts UM/UIM limits language states:

If you are injured while occupying a covered auto (one you own and have insured) and you have two or more autos insured with us with different limits, we will only...
pay up to the limits shown on the Declarations for the "auto" you are occupying when injured
If you are injured as a “pedestrian” or while occupying an “auto” you do not own and you have two or more Massachusetts auto policies which provide coverage at different limits, the policy with the higher limits will pay. If there are two or more policies which provide coverage at the same limits, we will only pay our proportionate share.

*If you are in a non-owned auto, can you access the UM or UIM limits of that vehicle? PROBABLY NOT! In Jack’s case, no!!! Our Massachusetts UM/UIM language excludes coverage for ANY Massachusetts resident that has a vehicle in his or her own name OR is a “household member” (resident related family member) of someone who has a Massachusetts Auto Policy.*

Since Jack has a policy (in fact more than one!) in his name, he can NEVER access the UM or UIM limits of MY Massachusetts auto policy.

**Massachusetts UM/UIM language states:**
We will not pay damages to or for any “household member” who has a Massachusetts Auto Policy of his or her own or who is covered by any Massachusetts Auto Policy of another “household member” providing uninsured auto insurance. (The UIM clause is identical only referring to another household member with underinsured auto insurance)

If Jack does not have a personal auto policy, but his resident son does, can Jack access MY UM/UIM limits? No, per Massachusetts UM/UIM language. Jack must access a family member policy. If Jack’s son chose NOT to buy UIM, could Jack access my UIM coverage? NO, my personal auto policy EXCLUDES all Massachusetts residents who have a policy in their own name or in the name of a resident family/household member!

*Now, back to the commercial auto issue*
If the Commercial auto policy is in the name of an individual, like Jack Sprat, then Jack has his own UM/UIM limits to cover him when in his owned autos, in non-owned auto situations or as a pedestrian. His UM/UIM coverage of the BAP will also cover any “household members” that do NOT have their own Massachusetts auto policy as previously discussed.

*What happens when the commercial auto policy is issued to a corporation, partnership or association or ... to other than an individual?*
Jack Sprat, Inc. owns vehicle #1 with UM/UIM limits of 250/500. If Jack Sprat, the corporate president, is in the vehicle will the UM/UIM limits respond for him? It depends. Is there a personal auto policy in Jack Sprat’s household? If there is NO Massachusetts personal auto policy in the Sprat household, then Jack can access the UM/UIM limits if the accident happens WHEN he occupies the company vehicle.
Am I saying, that the UM/UIM limits will NEVER respond for any employee or customer who happens to be in the Jack Sprat, Inc., vehicle if either they or SOMEONE in their household has a Massachusetts Personal auto policy? Yes, that’s exactly what I am saying.

If all the employees who use the Jack Sprat vehicles are Massachusetts residents and have a Massachusetts auto policy in their own name or in the name of a resident family member, then the UM/UIM limits of the Sprat, Inc. cannot be accessed by these employees.

Does the UM/UIM restriction apply to ANYONE who has an auto policy in his/her name or household?
What if Jack Sprat, Inc., vehicles carry non-Massachusetts passengers whether they are customers or employees, will the UM/UIM coverage pay out? Yes, UM and UIM coverages only send occupants back to a Massachusetts registered vehicle carrying Massachusetts auto coverage. If someone occupies a Massachusetts auto and they DO NOT have a Massachusetts auto policy of their own or in their household, then they can access the UM or UIM coverage of the vehicle.

What should a business consider before reducing UM or removing UIM?
Before a business decides to remove UIM or reduce or UM or UIM, should they consider who might occupy their vehicle? Yes! We, as agents, should have them consider their non-Massachusetts employees, their Massachusetts employees who have no Massachusetts auto policy in the household or their customers or clients who have no Massachusetts auto in their household, before they make the decision to remove or reduce coverage.

Can an employee access BOTH UM/UIM and Workers’ Compensation benefits if they do NOT have a Massachusetts auto in their household and are injured by an uninsured or underinsured motor vehicle while occupying a Jack Sprat, Inc., vehicle during the course of employment? YES, YES, YES! The UIM or UM limit will be reduced by what is paid out under the W/C policy, but the employee could be covered under both the W/C and BAP in this situation.

Another consideration
Quite often Jack Sprat will drive a corporate vehicle and also his spouse. Jack and his spouse do NOT have a Personal Auto policy in their name. Jack’s resident son, Joe, does have a Personal auto policy with state minimum limits. Jack keeps HIGH UIM and UM limits for the corporate vehicles driven by he and his spouse, thinking about a potential UM or UIM claim while he or his spouse occupy these corporate vehicles. Did he make the right decision in keeping high UM or UIM limits to protect he and his spouse when occupying these corporate vehicles. NO, NO, NO!!!!! Always remember the UM and UIM language.
We will not pay damages to or for anyone else who has a Massachusetts auto policy of his or her own, or who is covered by any Massachusetts auto policy of another “household member” ….

ANY Massachusetts auto policy in the household will preclude Jack Sprat and his wife from accessing the UM or UIM limits of the corporate vehicles, even when they are OCCUPYING the vehicle!!!!! Wow!

What if there is NO personal auto policy in the household? If Jack Sprat, who has all his vehicles insured under Jack Sprat, Inc., is injured as a pedestrian by an uninsured motor vehicle, can he access the UM or UIM coverage of the corporate vehicle??? NO, NO, NO!

UM and UIM language provides coverage for YOU and Household Members when in vehicles you do not own or as pedestrians. If the named insured of the BAP is a Corporation, Jack Sprat, Inc., then the named insured is a “thing” that cannot be hurt and does NOT have household members!!!

*If the insured does NOT have a personal auto policy in the household, but drives a corporate vehicle, can we provide UM and UIM for them in non-owned or pedestrian situations?*

Yes! The Drive Other Car endorsement (DOC) MM 9922 can provide coverage to the named individual and resident spouse for Liability, Medical Payments, Uninsured Motorists, Underinsured Motorists and Physical Damage. The DOC endorsement will also provide UM, UIM, and MP to family members of the named individual. The coverage for DOC is derived from the BAP policy to which it is attached. The DOC cannot have higher limits or coverages that are NOT shown on the BAP to which it is attached.

If a DOC is attached to the BAP, should the insured think twice about reducing UM and UIM? Yes!!!

*What happens if there is a DOC naming an individual whose household acquires a Personal auto policy?*

This could spell trouble for the named individual for UM and UIM coverages. The DOC endorsement contains the following provision:

Any individual named in this endorsement and “family members” are “insured” while “occupying” or while a pedestrian when being struck by any “auto” you, such named individual and “family members” hire, borrow or don’t own, unless such named individual, or “family member”, has a Massachusetts auto policy of his or her own providing coverage or is covered by a Massachusetts auto policy of another “family member”: ...
If Jack’s resident son buys an auto and insures it at minimum limits because he “doesn’t have any thing to lose”, the limited UM and UIM of his personal auto policy negates the DOC coverage provided to Jack and his spouse. This is certainly an issue that an agent will want to address!

Are there good reasons to buy high UM and UIM limits on a BAP?
Yes! 1. The business entity has employees, customers or other passengers who do not have a Massachusetts Personal auto policy in their household and could therefore access the UM or UIM limits of the vehicle that they occupy at the time of an accident.

2. The BAP has a DOC attached to it looking for high UM and UIM coverage for named individual, resident spouse and family members.

Even after considering these situations, the business owner might wish to reduce UM and UIM. If so, we should warn them to notify their employees of this “reduction in benefit”. In today’s employment world, an employee might have a right of action for a reduced employee benefit of which they were never informed. As the age old saying goes “Forewarned is Forearmed”. The employer might decide to sue the agent for faulty advice in reducing UM/UIM should an employee sue the employer for a reduction in benefit. It’s best to touch all the bases and cover our assets!

If you have any further questions about this issue or any others, please feel free to call the Technical Hotline Voice mail 1-800-870-7091 where both myself and Nancy Siopes, CPCU, CIC, AAI, LIA can be reached.

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