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## Understanding Underinsurance

*A simple, inexpensive step to take today protect you business and family.*

Business owners spend thousands of dollars annually producing insurance to protect others. Workers compensation insurance helps defray injured employees medical expenses and lost income. General liability insurance protects customers by providing compensation for damages resulting from defective products or unsafe conditions at your of place of business. Automobile liability insurance of protects individuals injured in accidents and involving vehicles owned by your business. Although each of these forms of insurance are necessary none provide any direct protection to the *business owner or family member* injured in an automobile accident.

Business owners automobile liability policies typically make coverage of \$1 million or more available to individuals *other than* the business owner or his family members to cover accident related injuries. But, when it is the business owner who is injured the coverage available depends solely on the limits of coverage purchased by the owner of the other vehicle. In effect, being involved in an accident is a game of chance for the business owner who makes a substantial amount of coverage available for the other players and takes the chance that they will reciprocate.

Underinsurance is a simple way to control the odds. Underinsurance coverage guarantees that in the event of an auto accident the amount of insurance coverage available to you and your family will be at least as much as you provide to the rest of the world. Here is how it works. If you are seriously injured in an automobile accident that is the fault of another you are entitled to recover for your injuries from the responsible driver. Although the driver at fault is technically *personally* liable for the amount necessary to compensate you for your injuries in reality the amount you can recover is typically limited to the amount of insurance coverage the driver has purchased. In New York, drivers can carry as little as \$25,000 in insurance coverage, an amount which maybe be woefully inadequate to provide compensation for serious injuries. So, let's say the at fault driver in your hypothetical accident has only \$25,000 in coverage even though your policy carries limits of \$1,000,000, what happens? If you don't have underinsurance your recovery is limited to \$25,000 unless you undertake the uncertain process of attempting to collect from the driver personally (guess what! drivers who purchase the minimum amount of insurance often have very few assets. Have you ever heard the expression "You can't get blood from a stone"). If you do have underinsurance *your* insurance company is obligated to make additional coverage available

to you to make up the difference between the \$25,000 of coverage the at fault driver purchased and the \$1,000,000 you purchased. By purchasing underinsurance you have eliminated the financial risk of being involved in an accident with an inadequately insured driver. (Note that Underinsurance's legal cousin "Supplementary Uninsurance" operates in similar fashion if you are involved in an accident with a driver who is completely uninsured). Underinsurance is surprisingly inexpensive. It generally only adds a cost in the range of 5%-10% to your insurance premium. In my opinion that is a small price to pay in order to reduce your family's financial risk . Call your insurance company or insurance agent and ask whether you have "Underinsurance and Supplementary Uninsurance" coverage. If you don't have those coverages, get them!