MARTIN & JONES PLLC
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Car accidents can involve complex questions concerning how insurance will cover the accident victim's losses. To guard against losses, many insurance agents will recommend that their customers purchase *under*insured motorist coverage. Unfortunately, many drivers do not understand how this coverage applies, which can lead to considerable confusion in the event of an accident. If you have been injured in a car accident and have questions about how insurance will cover your losses, an experienced car accident lawyer can provide invaluable guidance.

What Is *Under*insured Motorist Coverage?

As you are aware, North Carolina requires all drivers to carry insurance. The law requires that drivers carry liability insurance that provides coverage for both property damage (damage to the other driver's vehicle) and bodily injuries in specified minimum amounts. These minimums are as follows:

- $25,000 for property damage
- $30,000 for bodily injury to a single person
- $60,000 for bodily injury to all persons in an accident

Given the cost of healthcare and the cost of modern vehicles, it is easy to see how the minimum coverage amounts may be insufficient in the event of a serious car accident. The other driver's insurance may be insufficient to cover all of your losses if your car is totaled or you suffer very serious injuries.

This is where underinsured motorist (UIM) coverage can come into play. UIM coverage can provide compensation for any losses that exceed the at-fault driver's liability coverage.

How Underinsured Motorist Coverage Differs from Uninsured Motorist Coverage

Because they sound very similar, underinsured motorist coverage and uninsured motorist coverage are often used interchangeably by mistake.

- **Uninsured motorist (UM**) coverage is for when you are in an accident with a driver who carries no insurance at all. All drivers are ***required*** by North Carolina law to carry UM coverage with the same minimum coverage as your basic liability policy ($25,000 for property damage, $30,000 for bodily injuries for one person, and $60,000 for total coverage for all bodily injuries per accident).
- **Underinsured motorist (UIM)** coverage is for when the at-fault driver does not have *enough* insurance to cover all of your losses. UIM insurance is ***optional*** and must be added to your basic liability policy and can be purchased in varying coverage amounts.

The differences between these two policies are perhaps best illustrated by how they would apply in an accident.

- Driver A gets into a car accident that is caused when Driver B runs a red light. Driver B does not have insurance. Driver A's UM policy will cover the damage to Driver A's vehicle and their injuries up to the policy limit. Assuming that Driver A has the minimum UM coverage, their policy will therefore pay up to $25,000 for damage to their vehicle and $30,000 for their injuries.
- Driver C gets into a car accident that is caused when Driver D is texting and driving. Driver C's brand-new Mercedes is totaled, and they suffer a spinal injury that will require extensive medical treatment that is expected to exceed $200,000. Driver D, unfortunately, only carries the minimum amount of liability coverage but Driver C did purchase UIM coverage. Driver C can file a claim under their own UIM policy for the losses not covered by Driver D's insurance.

In the second example, Driver C would not have coverage beyond Driver D's minimum insurance coverage if they had not purchased UIM coverage.

How UIM Coverage Works

As explained above, UIM coverage applies to situations where the other driver carries only the minimum liability coverage. However, there is one critical detail that cannot be overemphasized:

- **UIM coverage is available only after you have exhausted the other driver's liability coverage.**

In other words, UIM policies do not provide coverage unless your losses exceed the coverage provided by the other driver's insurance. You must first pursue your claim under the other driver's insurance policy before filing your claim under your UIM policy.

How UIM Can Affect Your Settlement

North Carolina is what is referred to as an "at fault" state, which means that the person who caused the car accident is responsible for paying the other party's losses. As a result, most car accident cases are resolved by way of a settlement with the at-fault driver's insurance company.

If you have UIM coverage, you must keep in mind that it will not kick in until your losses have exceeded the other driver's liability coverage. In the context of settlement, therefore, your UIM coverage will not pay any compensation if you settle for less than the amount of the at-fault driver's liability coverage. Another example may be helpful.

- Driver M is injured in a car accident with Driver P when Driver P rear-ends them at high speed. Driver P carries the minimum liability insurance providing bodily injury coverage up to $30,000. Driver M suffers extensive injuries and incurs $25,000 in medical expenses. Driver M pursues a claim against Driver P, and Driver P's insurance company agrees to settle the claim for $28,000.
- Driver M accepts the settlement, assuming they can rely upon their UIM policy to cover their lost wages and pain and suffering.
- Unfortunately, their UIM policy declines coverage because the settlement did not exhaust Driver P's liability coverage.

As you can see, failing to account for how UIM will affect your settlement can result in considerable uncovered financial losses.

Talk to a Car Accident Lawyer at Martin & Jones Today

Car accidents can pose numerous challenges for those who are injured. You need to not only sort out the insurance issues, but you will also need to prove your claim. If you have been offered a settlement, you also need to make sure that it is fair and will cover all of your economic and non-economic losses. If you are feeling overwhelmed and unsure of what to do, contact us at 800-662-1234 to schedule a free consultation to discuss your case and your options.

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