

July 2011 Newsletter

Buying Some SUM Can Be Dangerous

Last year we wrote about Supplementary Underinsured Motorist coverage, which is known as SUM. To recap, SUM coverage provides protection to you if the driver causing your accident and injuries has insufficient policy limits to fully compensate you for your physical and financial injuries. This happens often because New York State permits drivers to purchase as little as \$25,000 in liability insurance coverage. SUM is unique because it allows you to protect yourself. Relying upon a random driver to purchase coverage sufficient to fully compensate you for your injuries could end up with devastating losses that go uncompensated.

SUM only works, however, when you purchase enough to trigger the coverage. Many of our clients mistakenly believe that because they purchased SUM coverage, they have protected themselves. That is not always true. For example, buying \$25,000 in SUM coverage effectively means that it will never be used. There is an offset provision in all standard SUM endorsements. This means that your insurance company will be able to reduce your SUM coverage limits by the amount of money you received from the negligent driver. Therefore, if a negligent driver has \$25,000 in insurance coverage and you have \$25,000 in SUM coverage, your insurance company will be able to offset your SUM \$25,000 limit by the \$25,000 you receive from the negligent driver. The end result is no SUM coverage. And the same will be true at any coverage level. Again, by way of example, if a negligent driver has \$100,000 in coverage and you have \$100,000 in SUM, you have effectively purchased no applicable SUM.

The only way to protect yourself from the workings of this offset provision is to purchase SUM limits in the greatest amount available to you. Normally, you may purchase SUM limits up to the same limit of your bodily injury liability limit. This means that if you have \$250,000 in coverage should you be the negligent driver, as one example, then you would be able to purchase up to \$250,000 in SUM.

Sometimes your agent may not fully understand the workings of your SUM coverage. Please feel free to review your coverage with us. We are aware that adequate SUM limits can be purchased for as little at \$25.00 per year. We realize this can be a confusing discussion, but if there is one thing to remember, it is that you should purchase the highest amount of SUM coverage available.