

UM/UIM Coverage: What It Is and Why You Need Enough of It

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If you are injured in a car crash that isn't your fault, you expect insurance to cover your medical expenses and related costs from the crash.

But you might be out of luck if you don't have sufficient UM/UIM (uninsured/underinsured motorist) insurance coverage. Approximately one out of eight drivers have no insurance at all. UM/UIM insurance steps in to cover the gap left when the driver causing the car crash has no insurance or does not have enough insurance coverage.

Not all states require their registered drivers to maintain liability insurance coverage. Typically, those that do require only minimum liability coverage limits. North Carolina, for example, requires [liability insurance coverage](#) of:

- Bodily injury (one person) – \$30,000
- Bodily injury (two or more people) – \$60,000
- Property damage – \$25,000

How does UM/UIM coverage work?

Imagine you are driving down a highway at the 65-mph speed limit. A car overtakes you from the rear and, out of nowhere, slams into your car, causing you to spin out and crash into the ditch. Not surprisingly, you suffer severe injuries that require surgery and an extended hospital stay. Your medical bills total over \$100,000. As you recover, you miss four months of work, making you lose \$30,000 in income. You experienced serious emotional trauma from being scared you would die and endured months of pain and lost sleep. You also have ongoing headaches from where the airbag slammed your head into the window, plus permanent scars and a leg injury. The driver who caused the crash only has an insurance policy with \$30,000 coverage for bodily injury per person.

If you have no UM/UIM coverage, or just the minimum limits policy, you would only receive \$30,000 from the negligent driver's insurance company. You would not be able to recover for your remaining

medical bills, lost income, pain and suffering, or permanent scars or injuries.

On the other hand, if you had \$300,000 in UM/UIM coverage in your automobile insurance policy, you would first receive the \$30,000 from the negligent driver's insurance company. And then, you would be able to make a claim up to an additional \$270,000 from your own insurance company based on your UM/UIM policy. Your UM/UIM coverage can be used to fill in the gap between the negligent driver's small coverage and the limits of your UM/UIM coverage. In this situation, you would be able to make a claim for your remaining costs—your medical bills, lost income, pain and suffering, and permanent injury—from the \$270,000 of available coverage from your UM/UIM policy.

If the other driver had no insurance, your UM/UIM coverage would provide the full liability limit of \$300,000 towards your medical expenses and other costs. Of course, if you had a \$500,000 or \$1,000,000 UM/UIM policy, you could seek to recover even more.

What kinds of incidents does a UM/UIM policy cover?

UM/UIM coverage can apply to a:

- car crash, if you are the victim of another driver's negligence;
- car crash, if you are the passenger;
- hit-and-run crash where the negligent driver leaves without providing insurance information;
- car crash, where you are a pedestrian hit by a car (this includes walking on a road, jogging, or standing near a road—like waiting at a bus stop or in a parking lot); or
- car crash, where you are a cyclist hit by a car.

Who does a UM/UIM policy protect?

UM/UIM coverage protects you as the named insured on the policy. But it also extends to:

- passengers in your car;
- any other persons you authorize to drive your insured car; and
- your spouse, children, or other immediate family members living with you at the same home if they are injured in a car crash covered by the policy.

What costs are covered by a UM/UIM policy?

Most UM/UIM coverage extends to reimbursement for medical bills, lost wages (if you have to miss work in order to recover from your injuries), and even pain and suffering. It generally covers the same things as "bodily injury" car insurance.

UM/UIM coverage generally will **not** reimburse you for property damage. For example, if someone runs into your car in the grocery store parking lot while you are in the store, UM/UIM will not cover the damage to your car (although your own collision coverage may provide protection). UM/UIM policies only provide coverage for injury to a person.

How much UM/UIM coverage should I get?

North Carolina law lets you buy up to \$1,000,000 in UM/UIM coverage for bodily injury. Increasing your UM/UIM coverage from the minimum \$30,000 to a substantial amount of \$500,000 or even

\$1,000,000 is often not that expensive—typically, another \$10–\$20 per month on your insurance premium. This additional monthly amount may make all the difference if you or a covered family member is injured in a serious crash. It is too late to fix your coverage gap in your UM/UIM policy **AFTER** the collision occurs. Be proactive and make sure you have enough UM/UIM coverage now **BEFORE** you need it.

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