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Topic: Waivers of Stacked UM/UIM Coverage

Sackett v. Nationwide Mutual Insurance Company

2007 Pa. LEXIS 2878

Date of Decision: December 27, 2007

The Pennsylvania Supreme Court modified its earlier decision in *Sackett v. Nationwide Mutual Insurance Company*, 591 Pa. 416, 919 A.2d 194 (2007). The question before the Supreme Court in the earlier case was whether the Pennsylvania Motor Vehicle Financial Responsibility Law ["MVFRL"] required automobile insurers to provide first named insureds the opportunity to waive the stacked limits of UM/UIM coverage for each instance an insured purchased UM/UIM coverage by adding a vehicle to an existing policy. The Supreme Court responded in the affirmative in the earlier case, ruling that when a new car is added to an existing policy and UM/UIM coverage is purchased, insurers must provide new Section 1738(d) stacking waivers in order to permit the insured to waive the increased amount of available UM/UIM coverage. In the December 27, 2007 decision, the Supreme Court ruled that the addition of a new car to an existing insurance policy does not *require* the insurer to obtain a new waiver of stacked UM/UIM coverage. In contrast to its original ruling, the Court ruled that two types of insurance coverage exist when a consumer purchases a new vehicle, depending on the "after acquired" clause contained in the policy. In the first type, the new vehicle is automatically covered for a limited period of time under exactly the same terms as the insured enjoyed before the new vehicle purchase. When the automatic coverage period expires, a new policy is issued and a new waiver is required. In the second, the new vehicle is automatically covered indefinitely - subject to the insured's notification to the insurer - under the same terms as the insured enjoyed before the new vehicle was purchased, although at a higher overall premium. In that case, no waiver is required.

Accordingly, it is very important to review your policies to determine how your "after acquired" clause is written.

