

Recent Decision by United States District Court for The Middle District of Pennsylvania; Waiver of Stacking Uninsured Motorist Benefits When Adding Vehicles Single Vehicle Policies

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In June of 2008, Judge James M. Munley of the United States District Court for the Middle District of Pennsylvania determined that under Pennsylvania law, all named insureds must be provided the opportunity to waive stacked limits of coverage upon the addition of a vehicle(s) to an existing single vehicle policy. State [Farm] Auto Property & Casualty Insurance Co. v. Pro Design, P.C., 2008 U.S. Dist. Lexis 46908 (M.D. Pa.). The issue of whether an insured should be given an opportunity to waive stacked limits of coverage when adding vehicles to a single vehicle insurance policy was one of first impression.

In Pro Design, Ronald Dillman, on behalf of Pro Design, executed a written waiver of stacked uninsured motorist coverage when he purchased an insurance policy from State Farm for a single vehicle. More than three years after the purchase of the initial policy, second and third vehicles were added to the pre-existing policy. At the time of the addition of the second and third vehicles to the policy, State Farm did not provide the insureds with an opportunity to waive stacked limits of coverage. A few years after the insureds added the additional vehicles to their policy, one of the insureds' vehicles was involved in an accident and the insureds made a claim for stacked underinsured motorist benefits. The insureds argued that they were entitled to stack coverage because they were not provided the opportunity to waive stacking when they added the additional vehicles to the policy. The insureds contended that by adding additional vehicles to a single vehicle policy, they were in essence purchasing a new policy, and were entitled to another opportunity to waive stacked coverage.

Judge Manley stated that Pennsylvania law presumes that stacking applies to insurance policies, and is waived only when the statutory dictates of 75 Pa. C.S. §1738(c) are followed. Specifically, § 1738(c) provides as follows:

More than one vehicle- Each named insured purchasing uninsured or underinsured motorist coverage for more than one vehicle under a policy shall be provided the opportunity to waive the stacked limits of coverage and instead purchase coverage as described in subsection (b) [relating to waiver of stacked coverage].

The crux of Judge Munley's analysis was the definition of "purchase." Judge Munley explained that unless the insureds signed the waiver for stacking a single vehicle policy, they did not fall under the protection of § 1738(c). However, when additional vehicles were added to the existing policy, the insureds were "purchasing" a multiple-vehicle policy; therefore, the insurer was required to obtain a waiver of stacked coverage from the insureds, which it failed to do.

Moreover, Judge Munley pointed out that the Motor Vehicle Financial Responsibility Law was enacted as means of reform to reducing the escalating costs of purchasing motor vehicle insurance in Pennsylvania, and that the underlying objective of the MVFRL was to provide broad coverage to assure the financial integrity of the policyholder. At the inception of the Pro Design's policy, there was only one vehicle under the policy, so to choose stacking at that time would require the insureds to pay an extra premium for no extra coverage. When the insureds added the second vehicle to the policy, stacking would benefit the insureds if they were involved in an accident. Judge Munley stated that allowing an insurance company to apply the original waiver of stacking would foster cost savings to the insurance company

at the expense of an innocent consumer, which would be counter to the purposes of the MVFRL.

State Farm appealed Judge Munley's decision in July, 2008. Presently, Pro Design requires insurance companies to offer policyholders adding an additional vehicle to a single-vehicle policy the opportunity to waive stacking. Failure to do so will entitle the policyholder to stack the limits of all the vehicles insured under the policy.