

Utica National's Errors & Omissions

RISK MANAGEMENT ALERT

We KNOW
for Insurance Agents



Help Safeguard Your Agency from Uninsured/Underinsured Motorists Coverage Issues

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Issues surrounding uninsured/underinsured motorists are a common source of E&O claims against agents.

Navigating Uninsured/Underinsured Motorists (UM/UIM) Coverage placements can be challenging, especially if you write in numerous states. While the coverage is required in some states, the majority allow it to be rejected – and most states do not require Uninsured/Underinsured Motorists limits to be equal to the Bodily Injury/Property Damage (BI/PD) limits. Stacking is allowed in some states.

Your clients have 1 in 8 chance of being involved in accident with an uninsured driver.

That's based on an Insurance Research Council study which found a national average of 12.8% of drivers were uninsured. This figure jumped to 20% or higher in Florida, Michigan, Mississippi, New Mexico, Tennessee, and Washington. Considering that many states only require low liability limits – often \$25,000 or less – a significant accident could easily result in an underinsured incident.

WHAT CAN YOU DO? The following risk management tips can help:

EDUCATION

- Staff should handle this issue with diligence, be well-versed in the coverages, and be provided with clear procedures.
- Advise your clients and prospects on the value and purpose of UM/UIM Coverage.

DOCUMENTATION

- Be aware of the requirements in the states you write business in and use the correct forms. An official rejection form is required in many states.
- Obtain a signed rejection letter even if there is not a specific form required when an insured rejects the

limits or takes them at a limit lower than BI/PD. This is your strongest protection in the event of a claim.

LIMITS

- The default should be to quote UM/UIM limit equal to the BI/PD limits, however, you should also offer additional limit options. This requires the client to make a choice regarding their limits.
- Encourage clients, in writing, to review their limits at renewal.
- Ask if the client has Umbrella/Excess Coverage in place and, if so, determine if the Umbrella carrier has limit requirements for the primary coverage.

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- Include UM/UIM if it is offered by the carrier. If you do not have a carrier that offers this option, specifically point this out to the client so they have the choice to pursue coverage through other sources that could provide this coverage. We have seen E&O claims where a failure to advise of the availability of this coverage results in liability against the agent.
- Make sure the client is aware of any requirements regarding the primary limits.



DON'T LET THIS HAPPEN TO YOU

The agent placed Auto Coverage for a client with \$250,000/\$500,000 UM/UIM limits – also placing a \$1 million Umbrella policy that did not provide UM/UIM coverage. The agent indicated they usually recommended additional UM/UIM coverage, but did not address it since the Umbrella carrier they procured terms from did not offer the coverage.

The Umbrella carrier started offering UM/UIM coverage by the next renewal of the Umbrella policy, however, the agent did not advise the client of this coverage availability at this renewal or subsequent renewals.

The client was involved in a severe motor vehicle accident with a driver who only carried \$15,000 liability limits. The agent's Errors & Omissions insurance paid out \$700,000.

TAKEAWAYS: A well-educated staff and good documentation are critical to helping you protect your agency when it comes to UM/UIM Coverage issues.

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