

Sample Customer Letter Upon Downgrading of Insurer



Below is a sample carrier downgrade letter provided by PIA Management Services, Inc., and written by Robert M. Sullivan, Esq. The letter is provided for informational purposes only and should not be used as a form of legal advice.

[Date]

[Insured name and address]

Re: [Name] Insurance Co.'s A.M. Best rating drops

On [date], A.M. Best downgraded the rating of [name] Insurance Co. from "[fill in]" to "[fill in]." The rating change is a result of a review that reflects changes that have occurred in the financial condition of the insurer. This review was made by A.M. Best, widely considered to be the leading rating organization that evaluates the financial and management strength of insurance companies. We are attaching a copy of information that we have received from A.M. Best (be sure to attach pertinent information).

The downgrade by A.M. Best does not mean that _____ is presently insolvent or will be declared as such in the foreseeable future. It does indicate, however, that the financial security of the company has deteriorated to some extent, signaling that agents and brokers should give careful consideration to a number of factors:

1. You should evaluate whether you are in a position to consider transferring your coverages to a more financially secure insurer, and whether the transfer is financially feasible, or even possible, given present market conditions and your individual financial constraints. Please complete the attached form to indicate how you would like to proceed.
2. You should understand that, in the event that the insurer is declared insolvent, the security funds and the guaranty associations of many states should provide some back-up coverage to residents of each state subject to the provisions of their resident state's statutes and rules. You should know, however, that your state's security fund or the state's guaranty fund may not provide identical coverage for any given claim to the coverage provided under your insurance policy. *[Note: If the company is not a licensed, authorized company in the state, such funds generally would not apply—Ed.]*
3. We will be monitoring the status of _____ Insurance Co., and will be sure to provide information to you as the need may arise so that you may make informed decisions as to how to handle your claims, as well as any potential renewal of coverage.

We will be in communication with you if we receive further information. You should call _____ with any questions.

Sincerely,
[AGENCY NAME]

Includes copyrighted material from PIA Management Services, Inc., with permission.

This form is provided solely as an insurance risk management tool. It is provided with the understanding that the member insurance companies of the Utica National Insurance Group are not providing legal advice, or any other professional services or advice to its insureds or their customers. Utica National shall have no liability to any person or entity with respect to any loss or damages alleged to have been caused, directly or indirectly, by the use of this information. You are encouraged to consult an attorney or other professional for advice on these issues.