

WHY YOU NEED TO OFFER EXCESS UM/UM TO EVERY CLIENT

BY APRIL SHREWSBURY, BIG "I" UMBRELLA PROGRAM MANAGER



We've all heard the stories. A family of five is burdened with horrific medical bills because of an accident caused by a drunk driver who couldn't afford insurance due to his bad driving record. A child walking to school faces a lifetime of difficulty after being struck by a texting driver—a struggling college student with state minimum auto limits. A pair of retired sweethearts fall victim to a hit-and-run driver.

As an insurance agent, you can't physically protect your clients from heartbreaking situations like these...but they do rely on you to protect them financially when tragedy strikes. This is where excess Uninsured/Underinsured Motorist Coverage enters the picture.

MOST PEOPLE WOULD BUY IT IF THEY UNDERSTOOD IT

How effectively can you explain UM/UM coverage to a client who doesn't know much about insurance? In layman's terms, UM/UM coverage is insurance that pays for the client's injuries from an accident caused by the owner or operator of an uninsured or underinsured vehicle. Excess UM/UM from a personal umbrella policy pays after the auto policy's UM/UM limits have been exhausted.

It's important for a client to understand that UM/UM coverage comes into play when an insured is involved in an accident and the person who caused it either doesn't have any insurance or doesn't have enough insurance to pay for your client's injuries. It would also come into play if they were the victim of a hit-and-run (in a vehicle, on a bike, or as a pedestrian), leaving

them with nobody's insurance policy to collect against...making it an "uninsured" motorist claim.

THE PREVALENCE OF UNINSURED AND UNDER-INSURED DRIVERS

According to recent estimates by the Insurance Research Council (IRC), roughly 1 on 7 drivers is uninsured. Add to that the number of drivers who carry state minimum auto limits, and it's enough to make a person want to stay home for good. Unfortunately, this should come as no surprise, given the type of TV commercials we see these days from some auto insurance companies. Too often, the emphasis is on getting a cheap rate, and drivers are besieged with ads about that encourage them to buy "state minimum" auto limits in order to save money. There's no denying that it can be a temptation in a struggling economy.

All the more reason to make sure your clients are protected from the drivers around them, with UM/UM coverage on both their auto and personal umbrella policies.

IT'S ABOUT THE COVERAGE, NOT THE COST

There's no way around admitting that UM/UM coverage can be expensive, and a tough sell if a client is trying to keep their premium down. One wise agent explains it to his personal umbrella clients this way. If you're buying an umbrella so that you can cover the injuries of strangers, wouldn't you want to do the same for your own family, instead of blindly relying on someone else to cover your injuries...someone who might not

have insurance at all, let alone enough insurance if you or your family members have serious injuries or need hospitalization? It certainly makes a lot of sense.

When working up an auto or umbrella quote, do you merely ask “Do you want to add Uninsured/Underinsured Motorist Coverage”, and then wait for the simple “Yes” or a “No”? If so, try explaining what the coverage is first, and THEN ask if they want it. That way, the focus is on the value of the coverage, as opposed to its cost.

PROTECT YOURSELF FROM ‘FAILURE TO OFFER’ E&O CLAIMS

If your client is injured by an uninsured or underinsured driver and doesn’t have basic or excess UM/UIM limits of their own, you can bet that they’ll be asking (quite possibly through an attorney) why you didn’t offer them this coverage. Protect your client...and protect yourself and your agency from a ‘failure to offer’ E&O claim by always explaining and offering UM/UIM coverage. Consider documenting a client’s refusal of this coverage as well.

This applies not only to auto policies, but also to personal umbrella policies. Just as a client needs excess liability above their auto policy limits, they need excess UM/UIM coverage above their auto policy UM/UIM limits. While many home and auto carriers offer a personal umbrella, they may but not offer excess UM/UIM coverage. Always offer an umbrella that includes that coverage.

Hopefully this article will be a help to you as you quote and discuss excess UM/UIM with your clients. Keep in mind that the Big “I” offers your agency access to two umbrella carriers, including our endorsed market through RLI. Below are some of the distinctions between those two markets:

Preferred Market with RLI

- A+ rated and admitted nationwide
- Limits up to \$5 million available
- Excess UM/UIM available nationwide
- Stand-alone coverage - no need to switch home or auto carriers
- New drivers accepted and no age limit on older drivers
- DUI/DWI permitted
- Low maintenance – No need to report new exposures mid-term if required underlying limits are maintained.
- Simple, self-underwriting application
- E-signature and credit card payment options

Alternative Market with Anderson & Murison

- Written on A rated Scottsdale paper
- Limits up to \$10 million available
- Will consider high-profile personalities, such as athletes and entertainers
- Will consider risks with prior liability losses exceeding \$25,000.
- Driver exclusion endorsement available

To learn more about these products, visit www.iiaba.net/umbrella or www.bigimarkets.com.

REAL LIFE CLAIM SCENARIO

Mrs. Policyholder was on her way to work when she was rear-ended on the highway, causing her to run off the road and into a concrete barrier. She sustained multiple internal injuries, including a severely fractured ankle, which led to months of treatment and an infection that required additional hospitalization and more surgery. Unable to work during her recovery, she lost over \$100,000 in income while racking up medical bills of over \$120,000. She was no longer able to walk long distances or enjoy many of her favorite activities, impacting her life significantly. It was soon discovered that the driver of the other vehicle had state minimum limits of only \$10,000 per person/\$20,000 per accident. Mrs. Policyholder was paid the full \$10,000 available, but the other driver had no other insurance and no assets.

Mrs. Policyholder had UM/UIM limits of \$250,000 per person/\$500,000 per accident under her own auto policy, as well as \$1M of UM/UIM coverage under her personal umbrella policy. She was able to recover the amount from her own insurers that she would have been entitled to recover from the other driver, had he carried enough insurance. If she hadn’t purchased UM/UIM coverage, her payment would have been only the \$10,000 policy limit of the other driver.

MARKETING TIP

If you find claim scenarios to be an effective marketing tool, visit www.iiaba.net/RLI to download a flyer you can show your clients.