

## Motorcycle Policies: Not Just an Easy Rider

No matter what you attribute it to—movies such as “Easy Rider” and “The Wild One,” baby boomers in midlife crisis or gas prices—motorcycles are accelerating in popularity. The Motorcycle Industry Council says motorcycle sales for the major brands increased 7.2% in the first quarter of 2011, and motorcycle usage is growing at nearly 5% per year.

For obvious reasons, motorcyclists are highly vulnerable to serious injuries. According to the National Transportation Safety Board (NTSB), motorcycles make up only 3% of all registered vehicles but account for 13% of all vehicle fatalities. From 1997 through 2008, motorcycle fatalities increased by more than 150% while overall highway fatalities declined. In 2008 alone, 96,000 people were injured in motorcycle accidents. In fact, in November 2010, the NTSB added motorcycle safety to its “Most Wanted List of Transportation Safety Improvements” and has for years recommended that all states enact helmet laws, along with several other legislative recommendations.

As most agents already know, motorcycles are excluded under standard auto policies. A customer wishing to insure a motorcycle has two options: add the motorcycle to an existing auto policy by endorsement or purchase a separate motorcycle policy. Each option has advantages and disadvantages. Typically, if the motorcycle is added to the auto policy by endorsement, the coverages and limits for the motorcycle will be the same as that of the auto. So if the customer wants somewhat different coverage, a separate policy may be the best choice. Of course, by purchasing a separate policy, possibly with a different carrier, the customer may be giving

up certain multi-vehicle discounts. Some customers may also prefer the simplicity of one premium payment to cover all vehicles.

One advantage of a separate motorcycle policy is that it ensures that customized accessories are insured to full value. Your customer may want to consider purchasing custom parts and equipment (CPE) coverage or coverage for accessories to the motorcycle. While most standard motorcycle policies provide some CPE coverage, they often carry a \$1,000 sublimit, and many motorcyclists add accessories and equipment to those originally installed by the manufacturer valued much higher. Customers who add sidecars, electronic equipment, custom paint

jobs or custom exhaust equipment worth more than the minimum CPE coverage may be interested in purchasing additional coverage.

Another way to customize a motorcycle policy is to include “lay up,” or seasonal, coverage. Because motorcycles are usually only used during warm months, these credits discount premium for the months the bike is not used.

Driving history, credit score, location and age can affect insurability, as well as the cost of the policy. Motorcyclists can often obtain discounts on their coverage by completing a motorcycle safety course, wearing a helmet and joining a motorcycle organization. Let your customers know when these options are available.

Many of the coverages on a motorcycle policy are the same as those on an auto policy. These include bodily injury liability, property

damage liability, comprehensive and collision coverage, uninsured motorist coverage (UM), underinsured motorist coverage (UIM), medical payments and roadside assistance. However, because motorcyclists are more vulnerable to serious injury in the event of a motor vehicle accident than an automobile driver, adequate UM/UIM limits can be even more important. Some motorcyclists may think they have less of a need for high liability limits because they’re not likely to be responsible for injuries or damages to someone driving a car. However, because UM/UIM limits are often capped by the liability limits, part of the decision for how much to obtain in liability limits needs to include how much UM/UIM is advisable. Additionally, agents should be aware of potential gaps when writing umbrella policies that are intended to cover motorcycles, especially for UM/UIM coverage.

In some states the requirement that drivers carry auto insurance may differ from the requirement for motorcycle insurance. Some states may not require a signed waiver of UM/UIM coverage for motorcycle insurance like they do for auto insurance. Know

your state requirements and be sure to comply with state law. Regardless, ensure that your file is well-documented if a customer chooses to not purchase UM/UIM coverage for their motorcycle. As always, a well-documented file is an insurance agent’s best defense to an error & omissions claim. **IA**

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### Avoid Motorcycle E&O Claims

Offering increased limits to your motorcycle policyholders with a personal umbrella policy may prove useful in avoiding future E&O claims alleging failure to offer adequate limits. With limits up to \$5 million, the RLI PUP is a standalone umbrella that can be written over other underlying carriers so your customer can keep their current homeowner/auto insurer. It also includes optional coverage for \$1 million excess UM/UIM so you can insure your motorcycle customers who are so vulnerable to serious injury involving a person carrying with minimum required limits. Visit [www.independentagent.com/rli](http://www.independentagent.com/rli) to learn more.

—J.N.