



## Switched On

*Avoid the pitfalls of changing carriers*

By Brian Butcher

John's client, Dave, called him with a common concern. He was paying too much for auto insurance and his policies were coming up for renewal. While Dave was concerned with price, he wanted his \$1-million umbrella policy to remain in force to protect him from any catastrophic accident. After conducting a market search,

John found a primary auto policy with a different carrier, saving him 25%. Both men were delighted and the switch in carriers was made.

Six months later, Dave was in a serious at-fault accident where the other driver was killed as a result of Dave's negligence. Both John and Dave were astonished to learn there was a problem: The prior auto carrier policy contained limits of \$500,000/\$1 million, while the new primary automobile policy contained limits of \$100,000/-\$300,000. The umbrella policy had an attachment point of \$500,000. There was a \$400,000 gap. Dave had a \$400,000 personal exposure and John immediately put his errors & omissions carrier on notice.

When an agent is tasked with switching carrier, failing to match the terms and conditions of the old policy could result in catastrophic consequences for the client and a big E&O claim for the insurance agent or broker.

Obtaining duplicate coverage contains numerous pitfalls. Policy language can and will vary from carrier to carrier. In return for lower premium, the new carrier could impose more restrictive policy language or endorsements. And, even if the policies are quite similar, there are often slight nuances.

Agents should refrain from promising to get the same policy. Advise the client that you are shopping for coverage and will provide the customer with quotes for "similar" policies. If the client has expressed an interest in a particular type or amount of coverage, ensure that is obtained or advise the client in writing if it is not.

Additionally, ask the client to complete a new application rather than copying from an old one. This is especially important with auto coverage where you are insuring different vehicles and drivers. If the application is submitted electronically, print a copy and make sure the client signs it.

If there are questions about whether the new policy mirrors the old policy, get answers in writing from the underwriters. If the discussion with the underwriter takes place over the phone, follow up via email to confirm your understanding. Make sure you clear up any confusing areas with the underwriters, taking care to document their responses in an email or letter to the underwriters and client.

Send the new policy to the insured with a cover letter, advising them to read the policy and contact you with questions. Carefully document your work. These simple steps should help to cut down on the number of E&O issues surrounding this common and important aspect of day-to-day work.

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