

# Personal Umbrella



## E&O Insights: Why Personal Umbrellas Generate Claims

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How many of your personal lines accounts have an umbrella? Some recent surveys have indicated that insurance agencies write, on average, 1.6 personal lines policies per account. Based on this number, there is a good chance a personal umbrella is not one of those policies.



By Curtis M. Pearsall

Serious claims can occur at any time with any customer, so agencies should look to ensure that their clients have a personal umbrella. That could save those clients from significant financial consequences if a major claim happens to them. A good starting point is developing a personal lines sales campaign to educate customers on what a personal lines umbrella covers and what the approximate premium would be.

It can be as simple as sending customers an informative letter. In all likelihood, some clients may not believe a major claim could happen to them, so include claim examples to “gently persuade them.” Check with your personal lines carriers for sample claims. These claims could involve situations where a personal lines umbrella was in place and responded to the loss — or instances where there was no umbrella and the client was responsible for considerable financial responsibilities.

To complement this sales campaign, as your agency customer service representatives (CSRs) interact with your personal lines customers, encourage and incentivize those CSRs to broach the issue of a personal umbrella. Document those conversations not only in the agency system but also with some type of written communication back to the customer.

As you interact with new agency customers and prospects, discuss the issue of umbrella and/or include it on proposals for every new customer. The file should reflect the final decision. If the customer does not secure the umbrella, have the customer provide a signature noting his or her rejection or send the customer a letter/e-mail confirming the decision. If your client states “let me think about it,” confirm in writing that coverage has not been bound.

### Underlying Coverages

A significant number of E&O claims arise from gaps between the limits the agency customer should have versus what he or she actually has. This situation should be somewhat mitigated if the agency writes the underlying coverages. As you interact with customers, make it clear what underlying limits must be maintained on all respective exposures (auto, home, wet marine, etc.). When communicating with customers, advise them of any pricing issues to get the underlying limits at the proper level.

As you look to finalize the umbrella proposal, don't assume you know all of the underlying exposures your client would want scheduled on the umbrella policy. If possible, sit down with the client to guarantee you have correct information, just in case your agency doesn't insure all of these exposures. For exposures your agency

doesn't insure, secure the declarations page for these coverages. If the limits are not at the required level, advise the customer that the specific exposure cannot be scheduled on the umbrella policy until those required limits are in place. Confirm in writing.

Even when your customer has an umbrella a problem can develop if there is a gap between the actual underlying limits and those specifically required.

### Don't Recommend a Limit

While it is acceptable to recommend an umbrella, do not suggest a certain limit. Provide options, perhaps ranging from \$1 million to \$5 million. If you only provide a customer with a proposal for \$1 million, for example, include a statement noting that higher limits are available.

### Conditions or Limitations?

There is the possibility that the umbrella carrier may impose specific conditions or limitations which could involve a host of issues, so be on the lookout for any stipulations and bring these to the customer's attention. An exclusion for youthful operators is possible.

### Claims Handling

It is strongly recommended for an agency to know under what circumstances each of its umbrella carriers should be put on notice when an underlying loss occurs. Underlying claims often develop adversely and “blow through” the underlying limits. If the umbrella carrier believes it was notified “too late,” it may be able to deny the claim based on “late reporting.” A solid “best practice” involves putting the umbrella carrier on notice, even if it is for “record purposes only” on third-party/liability claims.

### Solid E&O Protection

By reaching out to your customers to notify them of the benefits and cost of a personal umbrella, you have further protected yourself if a customer is involved in a significant claim.

Developing an umbrella campaign is a great way to identify exposures your agency does not insure and “round out an account.” Additional sales will probably result, plus it's an effective way to enhance your agency's errors and omissions protection. ■

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