

TECHNICAL ADVISORY

INDEPENDENT INSURANCE AGENTS OF LOUISIANA

TA 123

June 26, 1998

SUBJECT: Act 1476 - No Pay No Play Law
Claims Handling Procedures

BACKGROUND: The primary provision of Act 1476 is the No Pay No Play penalty. The law does not allow owners or operators of uninsured motor vehicles to collect the first \$10,000 of property damage or bodily injury. This raises a number of important claims handling questions. How does an insurance company confirm that a third party claimant has insurance coverage? Is an auto insurance ID card adequate? Who is responsible to confirm coverage? What is the role of the agent? How do you handle claims in which insurance coverage is newly written or newly canceled at the time of the accident? The Louisiana Department of Insurance (LDI) has been working with insurance companies and IIAL to develop some procedures to properly manage claims with the No Pay No Play law.

- MAIN POINTS:**
1. LDI and insurance companies agree that automobile insurance ID Cards are only the first step to identify coverage. The insurance company will need to verify that coverage is still in effect at the time of the accident.
 2. Insurance companies will have to confirm insurance coverage with other insurance companies. The insured and insurance agents are not in a position to make final verification that insurance coverage is in effect.
 3. Insurance companies will need to have appropriate contact information for other insurance companies to verify coverage. LDI will maintain a list of insurance company contact people, phone numbers, fax numbers, etc. for all automobile insurance carriers to confirm UM coverage with other companies.
 4. Companies will need to have some standard parameters of information to exchange to confirm insurance coverage. LDI has drafted a form to be used by insurance companies for this purpose. The form is under final development. LDI will distribute a directive to insurance companies with information and a copy of the form when it becomes available in its final form. IIAL will advise member agencies at that time.
 5. Claims which occur while coverage is under binder or while

cancellation is in process will present a difficult challenge. Companies will have to carefully investigate each situation to determine whether or not coverage was in effect, and notify other insurance companies or handle claims accordingly.

6. Although much of the coverage confirmation and claims handling procedures will be between insurance companies, agents will have significant involvement in explaining the process to insureds. Agents need to understand how companies will handle claims under the provisions of the No Pay No Play law in order to assist their customers.

7. Special problems may arise in the case of an at fault driver who is cited with DWI. RS 32:866B(1) provides that the \$10,000 limitation does not apply if the at fault driver is convicted of DWI. How should a company handle payment of the claim between the time of accident and the time of conviction or acquittal on DWI charges?

**NECESSARY
ACTION:**

Contact your insurance companies to determine how they will handle Claims under the provisions of the No Pay No Play law. Educate appropriate agency personnel to deal with claims and customer inquiries involving automobile claims using these procedures.