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TA 189

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Subject: United Agents Insurance Company

Background: IIAL has received numerous inquiries from members about how agents should proceed with regard to policyholders insured by United Agents Insurance Company of Louisiana in light of the August 15 letter from John Lusk. IIAL has discussed the issue with Craig Gardner, LDI Deputy Commissioner of Financial Solvency, and provide this Technical Advisory to help member agents deal with the United Agents situation.

Main Points: First, some facts about United Agents as we understand them:

1. United Agents' property reinsurance with Odyssey America Re ceased 8/15/01.
2. LDI has ordered United Agents to non-renew homeowners and dwelling policies effective 8/15/01.
3. United Agents has already issued policies effective 8/15-01 to 9/9/01. Those policies will be cancelled flat or non-renewed. Agents should return the original policy, or a Cancelled / Lost Policy Release Form to United Agents for flat cancellation. LDI has made arrangements with Patterson Insurance Company to replace these United Agent policies from August 15 - September 9. This Patterson replacement policy is at the option of the policyholder and agent. The agent may replace the policy in another company.
4. United Agents policies effective after 9/9/01 will be non-renewed. Agents should contact policyholders about replacing these policies in other companies.
5. As outlined in the August 15 letter from United Agents, LDI has placed United Agents under supervision.

How should agents proceed with policies still in effect? Whenever any insurer comes under regulatory supervision, or becomes financially impaired, agents should notify customers as soon as practical to advise them of the change in status and possible impaired financial position. In such cases, agents should provide policyholders with 2 options:

1. The policyholder can maintain their current policy with United Agents. United Agents may be rehabilitated and continue to meet all policyholder obligations. Under a "worst case" scenario, if United Agents becomes insolvent, policies would be covered by the Louisiana Insurance Guaranty Association (LIGA) (subject to all of the normal LIGA limitations) up to \$150,000 claim / \$300,000 occurrence for claims, and up to \$10,000 for return premiums.
2. The policyholder can cancel their United Agents policy, and replace the coverage in another company. The agent should offer an alternative quote to the policyholder to demonstrate the agency's effort to offer replacement coverage.

Necessary Action: Agents need to provide policyholders with these options as soon as practical, and let the policyholder decide which option to take. Providing an alternative proposal for replacement coverage will help protect the agency from criticism or liability resulting from any possible future adverse experience with United Agents. If/when the policyholder asks your agency for advice, conservative advice will minimize any potential legal exposure.

