

N.Y. law requires agents be told if insurer cancels policy

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ALBANY — With a new law New York hopes to fill in loopholes that have been causing some confusion around policy cancellations. For Deerbrook Insurance policyholders, the cancellations were happening without the agents' or policyholders' knowledge, because Deerbrook simply stopped notifying all parties of the cancellations

A bill to put an end to this negligence was drafted by the Professional Insurance Agents of New York State (PIANY) after the group received numerous complaints from members about Deerbrook, which is an affiliate of Allstate.

Last year after entering the New York market, it seemed Deerbrook realized it was not the kind of market in which it wanted to do business, so officials stopped sending paper notices then cut off agent access to "DeerNet," its online policy information in order to do what PIANY referred to as "cleanse its book of business."

The catch was that Deerbrook wasn't breaking any laws, but as Anthony Aquilino put it, what they were doing "defies all good business sense."

Aquilino knows firsthand what it was like to deal with Deerbrook and then to suddenly not deal with Deerbrook. The president of Brooklyn-based Regency Agency, Inc., he said Deerbrook contacted him with what he thought were excuses to get out of doing business with him, by imposing penalties if Regency had even one cancellation in the past six months. He said he thinks Deerbrook was doing this to make up for the fact that the company just wasn't watching its back door with claims.

Representatives from Deerbrook could not be reached for comment.

"They made it impossible to properly service a customer," said Aquilino. "It was dangerous. Plus they cut commissions down to nothing or one percent, which at this point it's not even worth keeping our name on the policy."

Representatives from PIANY tried to intervene, but couldn't persuade Deerbrook to change its procedures. The Insurance Department said it could not step in because there was no statutory requirement for companies to notify agents.

The only answer was to change the law, which seemed like a tall order for PIANY, as tens of thousands of bills are introduced in New York each year, while only a relative handful pass.

PIANY secured sponsors such as Senator Charles Fuschillo, (R- Farmingdale), head of Senate Consumer Protection Committee, and Assemblyman Ivan Lafayette, (D- Jackson Heights), long-time consumer advocate on the Assembly Insurance Committee, and drafted the proposed legislation.

The bill was signed into law by Gov. George Pataki last month and will take effect in February of next year.

The bill ensures that agents and brokers will be guaranteed notice of midterm cancellations, nonrenewals, conditional renewals or reductions in coverage affecting personal lines clients. Thus the law's personal lines protections become equivalent to those for commercial lines.

"As ombudsmen for our customers, we cannot emphasize enough the importance of notifying both policyholders and their insurance producers of insurers' intentions," said PIANY President T.J. Derella. "Moreover, unless a notice of cancellation for nonpayment tells clients how much they owe, they may not be able to pay the correct amount in time to avoid the cancellation."

Joe Morello, principal of Smithtown-based JSM Insurance Agency, said he lost several accounts because of Deerbrook's failure to notify him. He didn't know accounts were being cancelled until it was too late, and when it was too late he said he would call Deerbrook and often end up on hold for an hour.

"It was like pot luck," he said. "If the policyholder paid, we got paid, but if they didn't, we didn't know." □