

# MISSOURI DIVISION OF INSURANCE

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## MEMORANDUM

TO: ALL P & C COMPANIES WRITING AUTOMOBILE INSURANCE  
FROM: LEWIS R. CRIST, DIRECTOR  
RE: MISQUOTE OF PREMIUM BY AGENT  
DATE: MAY 14, 1987

BULLETIN # 87-06

Misquote of premium by an agent of an insurance company is a problem all-too-often encountered by consumers purchasing private passenger automobile coverages. In an open competition state, such as Missouri, accurate quotation of premiums is a necessity; significant inaccuracy in informing consumers of the price of insurance prevents meaningful comparison of premiums.

To protect the public from unfair treatment and to protect open competition in insurance premium rates, insurance companies will be expected to follow the following guidelines in any case where the agent has understated the actual premium charged:

1. If coverage has been in effect less than sixty days and no covered event, (such as an automobile accident) has occurred, the insurer shall return all money paid by the consumer and offer the consumer the desired coverage at the true premium rate.
2. If coverage has been in effect less than sixty days but an insured event has occurred, then the insurer shall recognize coverage until the day after the insured event and make a pro rata refund of the money paid in by the consumer.
3. If coverage has been in effect more than sixty days, the insurer shall be bound for the term and premium quoted by the agent, without regard to the actual filed rate.

The above guidelines apply only in instances where the agent has misquoted the premium. Cases where the information relied on by the underwriter is different than the information contained in the application are outside the scope of this bulletin.

LRC/MWS/lah

