

Blanket Basis Policies



The most common reason for the use of blanket basis fleet endorsements is to not have to report changes as they occur. The advantage to this for the insured is that they have coverage without having to immediately pay the premium for each change as it occurs but instead pay the final adjusted premium at the end of the policy term.

Policies that should be considered for a blanket basis fleet endorsement:

- ▶ Vehicles that have the same coverage and deductibles.
- ▶ Accounts that are large and can benefit from vehicle groupings as opposed to individual vehicle listing.
- ▶ Insureds that do not park vehicles or want “parked vehicle coverage”.
- ▶ Insured’s that are diligent in their record keeping or tracking of vehicles being added and deleted.



What adjustment type makes the most sense for an insured:

- ▶ 50/50 basis – where the vehicles are compared at the beginning of the term to the vehicles at the end of the term, adjustment is calculated and then multiplied by 50%.
- ▶ Pro-Rata basis – premium is calculated based on the exact time the vehicle was added or deleted from the policy.

Blanket Fleet Coverage

The blanket fleet endorsement provides automatic coverage for all vehicles acquired by the insured during the policy term:

- ▶ if they fit into one of the vehicle scopes noted on the endorsement
- ▶ and that are owned by or leased on a long-term basis and registered to the insured.

The challenge to this automatic coverage is that this only applies to vehicles that are acquired during the policy term. The broker must be very clear with the insured that at the beginning of each renewal term or when negotiating a new business, if the vehicles that are owned and or leased in the name of the insured are not shown on the vehicle schedule, the vehicle will not be considered as covered under the blanket coverage.

In the event of a claim with a vehicle that was not on the vehicle schedule at the time of the policy issuance, the insured will be required to produce proof that the vehicle was purchased within the policy term for coverage to be valid. If it is discovered that the vehicle was owned by the insured prior to the policy term and not on the schedule, then coverage will be denied.



This can be a potential E&O issue for the broker if not properly explained and reviewed with the insured.

If the account is of a considerable size, for instance over 100 vehicles, some provinces have an endorsement available for unintentional errors in reporting. The best way for a broker to protect themselves is to work closely with their insured right up until the beginning of the policy term. If renewal terms were negotiated prior to the expiry date, the broker needs to remind their client to advise of any additional vehicles the insured acquires right up until the effective date of the policy.

For Sovereign General the following provinces have these E&O type endorsements available:
AB, ON, NS, NB, PE, YT, NT, & NU.

Challenges

There can be two major challenges to the use of the endorsement:

1

The insured's business could be booming, and many vehicles and drivers can be added to the fleet that the insurer is unaware of. In this case the insurer may not have a good understanding of what its exposure is at any given time. Where there is a large purchase, this could put the insured in a position of coming up with a large premium adjustment. It is in the broker's best interest to work closely with their insureds to know if such a purchase is being made. The broker could then approach the underwriter and special request that an adjustment be made at that point.

2

The other situation is that the insured's business may be failing and may need to sell off a large number of vehicles and lay off drivers. The insured would have to wait for the expiry of the policy before any refund would be calculated and issued to them.

The insured must also be accustomed to and familiar with the scopes of vehicles, if the vehicle purchased during the policy term does not fit into one of the vehicle scopes, there is the potential it will not be covered until such time as that vehicle category is added to the scope of vehicles. The broker should immediately contact their underwriter to discuss and gain the approval for the addition of a new category and the coverage required.

It would be in the broker's best interest at the beginning of each renewal or new business term to review in depth the schedule of vehicles with their client and if agreed that all the vehicles that should be listed are in fact listed, have the client sign and date the schedule of vehicles to be sent to the insurer. In some provinces such as Ontario, the 21b endorsement itself is also required to be signed and returned to the insurer.