



Auto

WHY AN INSURANCE COMPANY MIGHT CANCEL A POLICY

No insurer likes to cancel a policy. However, policy cancellation is a fact of life that, from PEMCO's perspective, usually comes down to a breach of trust.

As Denise Mitchell, head of PEMCO's Underwriting Department puts it, "Insurance is all about responsibility – ours and the customer's." When a driver's behavior shows he's not holding up his end of the bargain, the relationship could be over.

These factors likely would lead to cancellation at PEMCO:

- **Convictions for Driving Under the Influence (DUI).**
- **Convictions for a felony.** As Mitchell points out, "If you'd lie on your tax return, what would stop you from lying to your insurance company?"
- **Repeated tickets** – say, three in the space of three years. "We look at a first speeding ticket as a wake-up call," said Mitchell, "a chance for someone to modify his or her behavior." The second ticket is a big worry. Statistically, that person is much more likely to be involved in an accident. "Plus," said Mitchell, "it's clear that driver hasn't learned from his first mistake." For teenage drivers, the stakes are even higher. Depending on the severity, even one incident might lead to cancellation.
- **Getting caught in a lie.** Remember that old saying, "Honesty is the best policy?" It's also the best way to *keep* your policy. Take the case of the dad trying to save on premiums. He told PEMCO that his daughter wasn't allowed to use the car, so he didn't want coverage for her. Months later, the daughter got into an accident driving dad's car – *with* his permission. PEMCO had no choice other than to cancel the policy.

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