

**As the make-up
of your agency
changes, so may
your E&O needs.**

Life Agency or P-C?

More and more independent property-casualty insurance agencies are expanding their selling activities into the life-health field. For some, it is only to take advantage of a bit of life commission that seems to fall from the sky every once in a while. Other agencies, however, have developed a discrete life-health division, and lo and behold, it has taken off. Can there be any downside to this?

Maybe. At some point, your I-h sales may exceed p-c, causing E&O insurance underwriting/marketing rules to kick in and force your agency to adopt a base E&O form emphasizing the I-h side of things. But what about all that p-c exposure that doesn't go away? Fortunately, many E&O carriers recognize the need for continuity by offering on renewal a life E&O form tailored to your new orientation. Another plus: the form generally provides broader coverage for I-h exposures and may come with an optional p-c extension endorsement. However, the bad news may be that you sacrifice coverage for p-c services and activities that you used to have. So, in an imperfect world, what do you do?

Some carriers in the agents E&O marketplace may offer p-c and I-h E&O forms that are, in concept, mirror images of each other. The percentage of business written will determine which form is used and any additional endorsements that are attached. The policy forms may offer an extension endorsement to cover the other discipline.

Some basic rules of thumb:

- In comparing the two forms, make an inventory of the coverages gained, the coverages lost, and the exposures for which coverage on the new form is uncertain vis-à-vis the old form;
- Determine if a lost coverage affects a service or activity actually provided by your agency. If not, the loss of coverage may not be a major issue;
- In the areas where coverage is uncertain going forward, get specific answers to clear the air.

You may need the assistance of your agent in amassing a list of coverage differences between the p-c and I-h E&O forms. In addition, they should be able to help you resolve the uncertain coverage areas with the carrier.

For example, when completing this analysis, you might find there is no coverage under the I-h E&O form (with the p-c extension endorsement) for an insured's work as an expert witness or as a teacher of a formal class. If you're not involved in either expert witness work or teaching, the loss of coverage under the life E&O form should not be a major concern. Or perhaps you work as a p-c general agent or managing general agent, and while you fall within the broad perspective of the endorsement wording covering "sales and servicing" of p-c products, it is not sufficiently clear on coverage. You'll have to ask your agent to get you an interpretation. Make sure you monitor the flow of the type of business that your agency writes and prepare early if your breakdown of I-h to p-c business causes your E&O carrier to use a different form. **IA**

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Extended Reporting Period Coverage

If you have to switch policy forms, leaving a p-c form for a I-h form will mean that you will have to think about tail coverage under the policy form being left behind. However, rather than purchasing the extended reporting endorsement under the expiring policy (and beginning anew as a first year claims-made insured), consider purchasing your renewal at the mature claims made level and foregoing purchase of ERP. In addition, when adding a p-c extension endorsement to the I-h E&O form, make sure to specify a retroactive date in the blank space provided that is equal to the one on the policy being replaced.

Benefits of this approach:

- You save money by not purchasing "tail" coverage;
- Most of the p-c coverage for active exposures will apply going forward to the new policy; and
- There will be full prior acts for covered exposures under the new policy going back to the original retro date.

Potential drawback:

- You will forfeit some coverage for prior acts because not all of the p-c form coverages will be replicated on the life E&O form.

—D.S.