


Weighing a Carrier Service Center

Does using a carrier service center increase or reduce the agency's E&O exposure? Touring the carrier service center of a large regional carrier can help an insurance professional learn more about centers in general from an agency E&O perspective. What are some of the E&O considerations that agents should keep in mind when working with service centers? Risk management considerations can assist agencies in reducing E&O exposures from carrier service center relationships.

- **Understand service center options:** This may be stating the obvious, but the first step in considering working with carrier service centers is to understand the services that the carrier will provide and the specific interaction they will have with customers. Some carriers may offer to service all business, while others may limit it to personal or commercial lines and accounts of a certain size. Another consideration is the quality of the staff, including their customer service skills and insurance knowledge.
- **Review the service agreement:** Take the time to read and understand the service center agreement. Pay particular attention to the indemnity provisions. The agency should not be held responsible for errors made by the service center. Don't be afraid to negotiate the indemnity provisions of the contract to protect the agency. It doesn't hurt to ask.
- **Transition of accounts:** Be cautious during the transition of customers that will be served by carrier service centers. Agency procedures should be modified to reflect changes in the role of agency staff and this should be clearly communicated to all employees. In addition, customers need to be made aware of how working with a carrier service center will affect their needs, including who to contact in specific situations such as claims reporting, coverage changes and payment of premium. One important consideration is who will be answering coverage questions from the customer. If it is the service center, is it documenting the coverage discussions with the customer in the event that an E&O claim is made for misrepresenting coverage?
- **Out of sight, out of mind:** The insurance needs of customers change over time and agents can't fall into the habit of renewing accounts as is. How will the agency coordinate with the service center to offer additional coverage options or increased limits? Carrier service centers can relieve the agency of routine servicing contacts so that the agency has time to proactively reach out to the customer to learn of any changes in his situation and values, and needs for changed coverages or limits.
- **What if the client develops a need not covered by the carrier?** It is critical to understand how additional exposures will be discovered and managed if the carrier does not offer that particular type of coverage. Whose responsibility is it to uncover exposures to loss, once the account is handled by the service center? How will exposures be addressed if the carrier does not provide that particular type of coverage?
- **Translation of basic E&O risk management:** With your agency's normal workflow and procedures, you use basic E&O risk management processes, such as E&O coverage checklists that the customer signs, proposals that contain disclaimers and thoroughly documenting all conversations with customers. How does this translate to the carrier service center? Do they include disclaimers on their customer communications? Discuss with the carrier if it would be willing to incorporate some of these risk management methods into its operations. Carriers may be receptive because this helps reduce their E&O exposure as well.

Agencies need to analyze carefully the benefits and costs of doing business with carrier service centers. It starts with understanding what they offer and how the workflow will affect the agency's operation and the customer's experience. Some carrier services centers may be better than others, and that will specifically influence whether working with a carrier service center may increase E&O exposure. At the end of the day, thoughtful consideration of integrating carrier service centers into agency operations will help the agency reduce E&O exposure. 

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Keeping It in the Service Center

Even when clients have been moved to a service center, a good percentage of calls can continue to be received by the agency. Most account managers take these calls, rather than forwarding them to the service center. This results in ambiguity as regarding E&O, as well as simply being a waste of time and money for the agency, since there is a cost for using these services. It is important to make certain that if the transition to service center is complete, business is to be handled through the center only. It is in these "shared" areas that it can be difficult to determine who made an error and who's E&O will apply in the event of a claim.

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