


## Small Actions Can Prevent Big Agency E&O Claims

Implementing sound E&O risk management processes into agency operations may seem overwhelming. Agency staff is busy servicing customers and focused on growing agency revenue. The good news is that agencies with solid operational E&O procedures in place are also likely to be more profitable. Below is a list of some steps that agencies can implement to help reduce E&O exposure. To keep from getting overwhelmed, consider implementing one per month, as opposed to all at once.

- **Assess Customer Needs:** Understanding your customers' operations can help agency staff uncover areas of exposure. To do this, agents need to know the right questions to ask. Risk assessment questionnaires can guide producers in their conversations with customers and E&O coverage checklists can document coverage that is offered.
- **Offer Coverage:** When it comes to E&O claims against agents, it's always interesting to hear testimony from customers saying they would have bought the coverage if only it was offered to them. Most often, customers come to the agency with an idea of the type and amount of insurance they need and are looking for the best price.
- **Offer Increased Limits:** It's the customers' responsibility to determine insurable values and preferred limits. However, why not include increased limits with every quote? E&O claims often stem from inadequate limits so higher limits can be the difference between a covered and uncovered claim.
- **Don't Renew As-Is:** Agents work so hard to attract new customers, which is no doubt a difficult task. But once the customer is written there is danger in putting their renewal on autopilot. Customer exposures change over time and so do their coverage needs. How often is agency staff working with renewals to assess their exposures? Is coverage that may have been offered during the new business process being offered at renewal?
- **Review/Audit Customer Files:** You've heard it in E&O seminars that the three most important things an agency can do is document, document, document. Good documentation in customer files is tremendously important, but does your agency have it? Make it a routine to periodically pull some customer files to check if they have the level of documentation that would help defend the agency should an E&O claim occur. Consider a peer review process.
- **Stay Current on Coverage:** Insurance coverage is complicated and it is constantly changing. Last year, ISO introduced changes to the commercial property form and 2013 will bring changes to the CGL and BOP forms. Agency staff needs to stay abreast of changes in coverage and educate customers accordingly.
- **Create a Culture:** E&O risk management is not something that the agency staff should turn off and on. It needs to be a culture that permeates agency staff year round. Hold staff meetings about the importance of E&O risk management, share articles, periodically audit files and make it part of the employee performance review discussion.
- **Handle Customer Claims Expeditiously:** It is astounding how many E&O claims involve agents failing to handle customer claims properly. The common error is failing to forward the claim to the carrier on a timely basis. When claims reports are taken by the agency and not delivered to the carrier the same day with appropriate follow-ups set in the agency management system, the agency not only puts itself in jeopardy of an E&O claim but also of losing its reputation with customers.
- **Attend an E&O Class:** Only good things come to those who attend an E&O seminar put on by Big "I" state associations. Swiss Re Corporate Solutions data shows that no matter the size, business mix or geographic region, those agencies that attend are much less likely to have an E&O claim. Agents can also get discounts on their E&O premium and CE credits are often filed for the seminar.

Implementing any of the above steps can help any agency reduce exposure to E&O claims and improve customer service. Remember, small steps taken over time can make a big difference in reducing agency E&O exposure. 

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—D.H.