Stack the Odds

Your first line of defense against E&O claims

By David Hulcher

Communication, documentation and consistency are all tenets of effective agency E&O risk management—and all share roots in the agency management system.

Effectively utilizing an agency management system can reduce potential E&O exposure, position an agency to build a quality defense against allegations and ultimately lead to overall revenue growth.

Eric Moberg, president & CEO of one of the largest agency E&O audit providers in the country, The Moberg Group, provides agency consulting services for hundreds of agencies each year. According to Moberg, agency management systems offer "exceptional tools to reduce E&O exposure, but many agencies just don't take advantage of them."

Here's where you can start:

Consistent documentation. If it's not in the system, it never happened. Require your staff to input customer interactions in a clear and concise way. A date stamp carries great credibility in the defense of an E&O allegation because it can't be manipulated once created.
Standardized customer letters. Create and store customized letters for use throughout the customer lifecycle to create consistency across the agency. This not only streamlines staff workflow, but also consistently incorporates preventative E&O language into communications such as disclaimers and confirmation of coverages both offered and rejected. The letters can also integrate with activities and suspense dates for critical follow-up.

Customer risk assessment. Some agency management systems offer integrated customer risk assessment tools such as customer questionnaires. With so many E&O claims stemming from "failure to procure/offer coverage" and "risk assessment errors," using risk exposure analysis tools is always a good idea. If your agency management system does not offer risk assessment tools, look into stand-alone tools available in the marketplace, such as the Big "I" Virtual Risk Consultant.

Analyze your business. Look to your agency management system reports to clue in to account-rounding and cross-selling opportunities. Customer data on limits or current policies can provide prospects for growth while generating standardized letters, providing E&O protection, boosting revenue and improving customer service.

Manage workflow. Agency management system activity reports provide a snapshot of day-to-day agency operations. Regularly monitoring activity reports ensures proper allocation of workload across agency staff and can reveal chronic backlogs that could lead to E&O claims if left unresolved.

Taking advantage of your agency management system to avoid E&O claims starts with knowing the capabilities of the system.

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