

Tricks of the Trade
*5 E&O loss control habits
of highly effective
agencies*
By Brian Butcher

Stephen Covey's popular book, "The 7 Habits of Highly Effective People," has been a business and self-help go-to for nearly three decades.

In a similar vein, I contacted several agency risk managers, agency principals and Westport's panel defense counsel and asked, "What practices and procedures best serve an insurance agency with respect to reducing or eliminating their errors & omissions exposures?"



Here are the five behaviors and habits I encountered most frequently:

Culture. Agency principals and management shape every corporate behavior by the type of culture they create and nourish. The agency principals I spoke with emphasized the importance of immediate and formalized training for new employees, highlighting behaviors that are particularly important to the agency. Continued employee training is also crucial in order to keep staff abreast of new developments and underscore appropriate risk management practices.

Documentation. Any professional liability claims handler will affirm the importance of frequent and meaningful documentation when it comes to defending an E&O claim. The agencies I spoke with devote special attention to documenting important conversations with their clients via file notes, emails and letters. The application process is particularly important—a careful review of all initial and renewal applications for accurate information and necessary signatures significantly reduces E&O exposure. It's equally important for agency personnel to check and double-check all correspondence—email, letters, file notes—before sending and recording them. A good test: Think about how the email or file note would look to an independent party, several years down the road. In the event of legal proceedings, most jurisdictions require agencies to produce this file information.

Diary. The successful agencies I spoke with use effective and efficient diary systems that enable monitoring and follow-up on key documents, meetings, renewals, quotes applications and more. This also includes diaries for management to periodically review employee work and confirm adequate coverage for employees while they are sick or on vacation.

Checklists and workflow. It is important to ensure consistency in the way employees perform their jobs. A good checklist helps provide direction.

Audits. A variety of parties can complete an audit, including internal/quality managers, outside consultants and defense counsel. Most of the agencies I spoke with combine periodic internal audit procedures with independent external audit procedures. The key is to make sure additional people review processes and workflow, and to have at least one independent set of eyes review agency practices and procedures.

The most successful agencies take risk management very seriously. That means creating and nurturing a highly effective company culture that expects buy-in from everyone, top to bottom.

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