

Messes and Mistakes

Avoid careless reasons for an E&O claim

By Barbara Rocco & Kristina Miller

No one wants to look foolish in a professional setting. But a number of foolhardy practices result in real-life errors & omissions claims against insurance agents. Here are a few tips that can help you make sure your agency never has to field an E&O claim it could have avoided.

Never overlook licensing. One agency principal allowed an unlicensed employee to place coverage for clients. When the Department of Insurance found out and investigated, the fact that this employee was in the process of obtaining his license did not save the day. Insurance licenses are a necessary prerequisite to selling or servicing insurance policies. Make sure all employees who need licenses have one in good standing.



Never mislead your clients. A client asked their agent to confirm whether certain health care providers were in or out of network. Unbeknownst to the agent, the client had already planned a surgery and mistakenly thought their policy contained an out-of-network cap. When the client received a bill for uncovered health care costs, they blamed the agent, maintaining that the agent told them the policy involved such a cap.

Remember: As an agent, you procure coverage for your client, but you cannot guarantee the outcome of a claim.

Never fool with the attorney/client relationship. An agency's client was involved in a car accident with an uninsured vehicle. After sustaining significant injuries, the client decided to pursue an uninsured motorist claim under their personal auto policy and hired an attorney to represent them. The client was displeased with the counsel's

representation and called their agent to express their frustration. The agent encouraged the client to fire the counsel on the basis that he didn't know what he was doing. The agent also said the client didn't need an attorney to settle the claim. The attorney found out about this conversation and filed a suit against the agency, alleging that the agency interfered with his ability to represent his clients.

Never make foolish assumptions. In another claim, a new client approached an agency to procure a commercial auto policy for multiple vehicles. The agency's producer had many phone calls with the client to obtain the required information on all vehicles. The agency failed to memorialize these conversations in the file. After the client accepted a quote, the producer filled out the application himself and sent only the signature page to the client, assuming all the information he entered into the application was correct. Later, an accident occurred that totaled a trailer, leading to a dispute regarding the value of the vehicle. Make sure your agency properly documents every file and sends entire applications to all clients for review.

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