



Stay in Your Lane

Dabbling in unknown coverage may do you in

By James Redeker

Whether it's to please a large account, appease a family member or diversify their business, many insurance agents agree to place coverage that is outside either their area of expertise or their

geographical comfort zone.

Due to their lack of expertise or lack of knowledge about the area where they are placing coverage, these agents are at risk of committing an error. This is a dangerous practice.

Swiss Re Corporate Solutions has witnessed claims in which a large client purchases their own airplane, yacht or summer home on the coast. The client asks their agent to procure coverage for the new acquisition.

While the agent is not comfortable placing the coverage, they are even less comfortable sending their prized client to a competitor for the coverage. Instead, they muddle their way through, obtaining what they believe is the coverage their client needs.

Not until a loss occurs is the coverage flaw discovered:

- The owner/pilot of an airplane does not meet the qualifications the policy requires.
- The homeowners policy on a coastal home does not include wind or flood coverage.
- The yacht now located on the bottom of the Gulf of Mexico has a docking restriction: within 100 miles of the owner's address, which the policy lists as Indiana.

In each of these real-life examples, Swiss Re's insured agent had to go back to a large client and explain why there was no coverage for their loss.

Another common dabbling error is when an agency decides to expand their book of business by branching into a new area of coverage. In an attempt to broaden their footprint, an agent may approach prospects who require coverages of which the agent is unaware.

In these scenarios, Swiss Re's insured agents have failed to procure pollution coverage or hired and non-owned auto coverage, just to name a couple examples.

The common thread across most of these claims: When a loss occurs, the missing coverage is so obvious that we are unable to find an expert witness who will say our insured agent met the standard of care. The damages are often high, and the impact of the claim on the agency is dramatic.

The good news is there are ways to lessen or even avoid these dabbling errors.

When placing a type of coverage for the first time, go through a broker who is knowledgeable about the coverage. Although you must split the commission with the broker, consider that cost as investment in an education and peace of mind.

Another good source of information is the Big "I" Virtual University (independentagent.com/vu), which is full of white papers, articles and checklists for many types of coverage in many geographical regions. If you have a specific coverage question, you can use the VU's Ask an Expert service for help.

As a member of the Big "I" family, you have a wealth of information and expertise at your disposal for no additional charge, starting with this simple piece of advice: Even a little dabble is too much.

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