

Year in Review

Keeping an eye on the past to avoid future mistakes

By Matthew Davis

As 20th-century writer and philosopher George Santayana famously declared, “Those who cannot remember the past are condemned to repeat it.”



No argument here. Insurance underwriters and claim managers share the conviction that the surest way to predict the future is to study the past.

Let’s take a look at the most recent year of errors & omissions as a way of avoiding this year’s claims.

Process step. Recommendation errors have been on the wane for several years as a percentage of all claims. Unfortunately, they have been replaced by application errors and policy change errors—the latter of which have increased as much as recommendation errors have decreased.

Failure to comply with underwriting guidelines, add additional insureds or duplicate prior coverage are all noteworthy application loss drivers, yet roughly one-third of all application errors last year involved providing inaccurate or incomplete information to the carrier.

The solution: Be sure you can prove who supplied the information to the carrier, even if it’s done electronically. If your customer does not see, much less sign, the application, plan on losing that fight in court.

Policy change errors, on the other hand, tend to result from inadequate follow-up by the agency once a change is requested. No matter how clerical or insignificant it may seem at the time, treat every request as essential to keeping the business.

Coverage type. As in years past, claims involving commercial general liability, commercial property, auto and homeowners’ policies continued to dominate the E&O landscape in 2018.

In all four categories, the most common error consisted of failure to procure the coverage requested, but after that the story diverges somewhat.

Claimant type. The great majority of claims are pursued by agency customers—90% on average over the past several years. In 2018, only about 7% of E&O claims were brought by carriers and other third parties.

Error type. 2018 saw some modest overall declines in the percentage of claims resulting from inaccurate or incomplete information being provided to the carrier and failure to recommend a coverage type, which made up 20% of all claims the year before.

Filling the gap were claims arising from failure to adequately explain policy provisions and failure to communicate the insurer's requirements to the customer—cases in which the agency's error is substantive rather than a simple failure of documentation.

That can be a problem even in an "order taker" state if you have taken on the burden of managing those communications through a special relationship or agency agreement.

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