

Rat Race

4 ways to grow your business, not potential E&O claims

By David Holt

Every insurance agent or agency feels some degree of pressure to grow their business. In fact, that pressure is felt in the broader world. We hear comments all the time like, “In this league, if you’re not improving, you’re getting worse,” from the pundit on ESPN. Or, “What’s your five-year plan to grow your business?” from the speaker at the seminar. And, of course, in the movie “The Graduate,” the character giving Dustin Hoffman advice: “Plastics!”

Unfortunately, growing your business can carry risks. While I am not able to offer tips to make you rich—no “plastics!” here—here are four things to keep in mind to avoid potential errors & omissions claims as you look to improve your business:

1) Don’t try to do too much. Let’s say a customer informs you that he has purchased a vacation home out of state in Texas and needs to insure it. Rather than find an agent in Texas, you might decide to take care of it yourself to show the customer your can-do spirit.

However, you might not know that homes on the coast are considered Tier 1 properties, and



standard homeowners policies don’t include losses from windstorms. If there is a significant wind loss and no coverage, an E&O claim is likely.

2) New practice areas require new expertise. You may decide to grow your business by branching out into new aspects of insurance. An agency that already sells liability insurance to construction companies might look at developing a construction bond practice. The agency should keep in mind that such bonds can have very technical requirements.

Rather than try to reinvent the wheel, it is best to develop that new part of the business by bringing in someone who already has experience with bonds and can avoid pitfalls.

3) Avoid overpromising in your marketing. As part of growing your business, it is natural to put your best foot forward when marketing your agency. There is nothing wrong with a little boasting. However, avoid statements such as “we are your risk managers” or “we will assess all your risks and make sure you have proper solutions.”

If there is litigation over an uncovered loss, an attorney may take those statements out of context to argue that you agreed to take on additional duties and that their client relied on you.

4) Hire adequate staff. When the focus is on bringing in new business, do not let plans for servicing that new business become an afterthought. If the workload gets too heavy for you or your staff, tasks may get delayed or missed. That ultimately results in E&O claims.

What’s more, even if you and your staff do not make any mistakes, being too busy can mean that you do not document what you have done. Maybe you called a client and confirmed they did not want to increase limits, but you did not send a confirmation email and did not leave a note in the file. If there is a loss that exceeds the client’s policy limits, the lack of documentation could become an issue.

By all means, consider steps to grow your business, but remember to include steps to avoid potential E&O claims. And don't forget: Plastics!

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