



## Planning

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"Plans are nothing. Planning is everything."

*Dwight Eisenhower; President, General of the Army*

I recently attended my daughter's graduation from St. Louis University (Go Billikens!) and the commencement speaker was the United States Ambassador to Ireland, Kevin O'Malley. A double SLU graduate (Business, Law), he began his comments with a simple statement from former President Dwight D. Eisenhower: "Plans are nothing. Planning is everything." The President's statement referred to the United States' battle plans during World War II. They were continually being revised to address changing circumstances. The Ambassador's message to the graduates was while you may think you have a plan for your life, that plan will change as your circumstances change.

The same is true for you as an insurance professional. While you may have a business plan in place, change in circumstances may cause you to modify your plans. As you plan for your agency's future, your staff's future, your own future, circumstances, mostly in the form of market forces, cause you to change your business plan to adapt to those forces.

And the same is true about agency risk management. Over the last 25 years, think about some of the things that have changed the way you do business and helped you to change your risk management. One of the first was the change from agency billed policies to direct bill policies. Until the late 1980's to early 1990's, virtually all insurance agencies sold the carriers' policies and also collected the premiums. Then, carriers began the process of "direct bill", especially for renewals. From a risk management standpoint, this was one of the best improvements as it did two things: 1) took the agencies out of the money handling business, which was a significant cause of E&O loss due to discrepancies regarding payment of premiums, and 2) it removed the agency from the process of notifying the customer when the premium was due and cancellation of the policy for failure to pay, one of the largest areas of E&O loss at the time.

Unfortunately, we still see some claims involving the notification of insureds when their premium is due, even though the agent has no such duty to do so, but they're due to the agencies not adapting to changes in the market which have removed them from this part of the transaction and continuing to insert themselves when they have no such duty. Numerous articles are available on the IIABA Virtual University and E&O Happens if you want more information about how to avoid this exposure.

Another significant area that has just recently been on the rise is that insurance carriers are no longer requiring agents to submit signed applications for insurance policies they write for their customers. In fact, many carriers' online systems may not even allow agents to submit applications or the applications they submit do not match the criteria used to underwrite or price the risk. While the carriers may believe this streamlines the process, it eliminates the ability to defend an E&O claim when a dispute arises as to the risk that was being insured. However, we have seen many agencies that have adapted and are planning their own internal systems to create appropriate documentation even when the carriers have not done so.

Yet another area that is causing E&O exposures is that of technology in general. Agency websites, Facebook, smart phones, tablets and many other forms of technology were unheard of as little as 15 years ago. Now, they are everywhere and makes planning for these technologies crucial to conducting business. You should especially take into account how your agency can protect its information and itself from E&O claims arising from new technology.

As General Eisenhower said, "Plans are nothing. Planning is everything." Protect your agency from potential E&O claims by planning continually to adapt as circumstances change in your business.

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