

Three Keys to E&O Loss Reduction

There are three keys to help you reduce E&O exposures:

- Education**
- Consistent Procedures**
- Documentation**

Management should take a hard look at where each employee is with education. A more knowledgeable employee is a lower E&O risk. Agencies need clear written procedures for every workflow. Last, but not least, document. All employees should understand the requirement of clear concise documentation in each customer file.

REDUCING E&O WITH EDUCATION

Education is one of the three keys in reducing E&O exposure. Every licensed agent is required to have some continuing education (CE) on a regular basis. Rather than allow each employee to pick the CE class that is the easiest, challenge them instead to obtain education which will make the agency stronger. Encourage professional designation programs which create a well-rounded insurance education and which will contribute to making the agency more knowledgeable and professional.

PERSONAL LINES – NAMING BOTH SPOUSES AS NAMED INSUREDS

In most Homeowner's and Auto policies, "you" has broader coverage than anyone else under the policy. "You" also has more rights under the policy. "You" is typically defined as the named insured and resident spouse. This is built in protection for the spouse who was not named in the declarations. This automatic protection only works when the spouse is resident of the same household. What happens then, when the husband and wife separate, and one of them resides elsewhere? Or what if one of them maintains a residence in another location for a variety of other reasons? They lose this automatic status as "you".

In order to provide adequate protection and policy rights for both spouses, it is important that each are named in the declarations. This is important even when the mortgage, lien or property ownership is only in the name of one spouse. Mortgagees sometimes demand that the policy match the names on the mortgage. This is largely due to their misunderstanding of how the policy will protect their interest, and is an unreasonable request. An agent could be

held responsible for failing to provide adequate protection for an unnamed spouse. Always name both spouses on personal lines policies unless the unnamed spouse agrees to sign a waiver accepting less coverage and rights.

USING COMMERCIAL COVERAGE AND EXPOSURE CHECKLISTS

One of the best ways to help you uncover exposures and identify commercial coverage needs is by using a checklist. Some checklists are very detailed and many pages long. Others are only one or two pages long. The problem with a short checklist is that you cannot list all of the possible commercial exposures and/or coverages on one or two pages. The problem with a long checklist is that no one wants to use them!

Consider the fact that although a short checklist will not include everything, because it is user friendly, it will more likely be used. In using a 1-2 page checklist, the user should be aware that when one area is checked, there may be an array of other questions necessary to uncover other exposures in that area.

Some agents like to have an insured "sign off" on the checklist to prove that all of the areas were discussed. Use caution not to mislead the insured into thinking that they have now covered "everything", as not everything can fit on a checklist. If you determine you want to use the checklist in this way, be sure to include appropriate disclaimer language explaining that there could be other exposures and coverages that were not discussed nor included in the checklist. Even when not signed by the insured, the checklist is still a valuable tool and a fundamental part of the risk review process.

DOCUMENT, DOCUMENT, DOCUMENT

One of the three keys in reducing E&O exposure is good documentation. Although everyone has heard that documentation is important, not all agencies have developed specific documentation procedures.

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Using your agency management system is the easiest way to document something in your customer file. Communicate to staff that all documentation should be clear, concise and easily accessible in the customer record. Any conversation with or regarding a particular customer should be documented.

Copies of letters, waivers, documents and e-mail relating to that customer should be attached to the customer file. Work with your staff to develop standards in documentation and include them in each written procedure.

DOCUMENTATION FOR THE "DOCUMENTATION IMPAIRED"

Everyone knows how important it is to document conversations relating to the customer's coverage. Most agencies require that such documentation be entered into the agency management system. Customer Service Representatives (CSRs), and Account Managers usually do a pretty good job of this. Yet every office has a few "other" employees who struggle with how to document in the system. Whether these other employees are producers or managers, they typically do not have ongoing use of the management system and lack the confidence or know-how to document. The solution is e-mail.

When necessary to document something, have them send an e-mail to the CSR or Account Manager who handles that account. The e-mail should then be attached to the customer record in the agency management system by the CSR or

Account Manager. This not only creates good documentation, but helps to keep the service person "in the loop" as to what has transpired on an account. In some cases a copy of the e-mail could be forwarded to the insured as confirmation of the conversation that took place. This creates even stronger E&O protection.

COMMERCIAL PROPOSAL TIPS

Agents use proposals to present new or renewal coverage and premium options to the commercial prospect or customer. Here are a few tips to keep your proposal E&O free:

Always include disclaimer language stating that the proposal is not a complete representation of coverage, and to refer to the policy for specific coverage information.

Avoid the use of the term "all risk" in your proposal.

Do not list exclusions in the proposal unless you include disclaimer language to explain that the policy may include these exclusions and others.

Include the date in the footer of each page. This will prevent someone from taking one page of the proposal out of context in the future.

Consider including a sign-off page which would allow the customer to acknowledge coverages that were offered and refused.



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