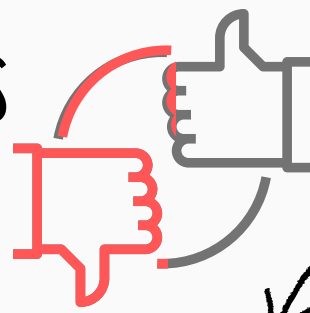


A CASE FOR AGENCY AUDITS & PROCEDURE REVIEW



COMMON
E&O ERRORS

CANCELLATIONS AND NON-RENEWALS

- Failure to offer to replace coverage upon cancellation or nonrenewal
- Historically calling a customer to advise of late payments on DB policies and then failing to do so, and a claim occurs after cancellation

- Failure to
 - provide timely notice of a claim to the carrier
 - adequately explain policy provisions or misleading an insured to believe coverage will be provided when it will not

CUSTOMER CLAIMS PROCESSING



ENDORSEMENTS



- Failure to:
 - identify or add an additional insured/loss payee
 - endorse all policies when requested to make a change
- Making a policy change based on an unauthorized instruction
- Exceeding binding authority.

- Errors on proposals
- Overstating the benefits provided by an insurance policy or the services offered by an agency

MARKETING AND SELLING



Watch out for producers over-promising what the agency can deliver



Audit your website and make sure you aren't overstating with phrases like "We'll make sure you're covered"

NEW BUSINESS



- Failure to:
 - adequately identify exposures including advising the customer of any coverage gaps, limitations, or restrictions
 - advise the insurer in a timely manner when coverage was bound by the agency on its behalf

- Failure to disclose the auditable nature of a policy
- Intentionally understating or misrepresenting the premium basis at the beginning of a policy

POLICY AUDITS



Utilize Electronic Renewal List

RENEWALS

1/4

Claims
Involve
Renewal

- Failure to:
 - procure a renewal policy
 - adequately identify and secure coverage for new exposures
 - adequately explain to the insured policy provisions or what must be done to secure a renewal
- Carelessness when entering information on renewal applications



Don't just duplicate coverage... instead understand exposure changes

- Payables not current
- Customer balances

ACCOUNTING

TIME = MONEY

Time your agency can expect if involved in an E&O claim.

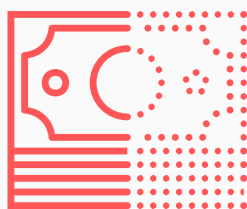
- Producing documents (multiple days depending on your document storage procedures)
- Completing interrogatories (1 to 2 days)
- Meeting with attorneys (2 to 3 days)
- Giving depositions (1 day to 1 week)
- Sitting in on witness depositions (1 day to 1 week)
- Going to trial or participating in settlement conferences (1 to 2 weeks)



DIRECT COSTS

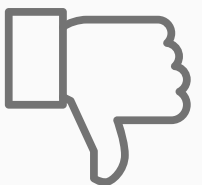


- Deductible on E&O policy
- Loss of the account
- Loss of productive sales and service time



INDIRECT COSTS

- Loss of focus on agency goals
- Impact on agency morale
- Reputation risk
- Potential loss of E&O coverage
- Cost of replacing lost account
- Claim may not be covered by E&O policy



HOW TO DIY...



1. Have a Procedure Manual
2. Invest in regular training for staff
3. Look at these reports for discrepancies/anomalies and investigate further:
 - Activity Pivot Table
 - Past Due Suspense Chart
 - Expired Policy List
4. Choose a wide variety of activities and follow completed steps through your management system to ensure staff is following the established procedures.