

# LOSSPREVENTION LESSONS

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Provided by CalSurance® exclusively for Farmers Agents

*Keeping You  
Informed & Protected*

## 10 Tips to Reduce Your Exposure to E&O Claims

### 1.) Invest in Your Agency

- Hiring
- Training
- Technology

A competent agent, who is well trained and up to date, is better equipped to meet the needs of his or her clients. Investing in your professional development, staff, training, and continuing education are critical risk management and loss prevention components of your agency. Your staff functions as your eyes and ears in the marketplace. A well-trained staff that is equipped with current technology can help form your first line of defense against E&O claims.



### 2.) Get it in Writing & Put it in Writing

- Coverage requests and changes
- Questions regarding scope of coverage
- What if scenarios

It is one thing to know what an agent's duties are in a particular situation or for a particular client but in order for that knowledge to have value, it must be demonstrated in action. If faced with a "what if" call from your customer, determine whether or not the inquiry has any basis in fact and act accordingly. It is of little value to know that you must read and review policy documents if you fail to actually do so. Further, it is of little consequence to have standard letters prepared to issue to customers if they aren't actually sent. Written records of events and transactions are vital to any well run business and can make the difference between a large E&O claim and a claim with no payment. It is difficult to discover the truth when there is no written record of what occurred.



### 3.) Know Your Binding Authority

- Advise your staff
- Do not commit to coverage changes outside of authority
- Read all quotes, binders and policies

When looking to procure coverage, be sure that you know your authority. Be sure to go over all application questions; record responses and have your client sign. Review all quotes, binders and policy documents.



#### 4.) Disaster Preparedness

- Offsite data storage and back-up
- Contingency communication plan and In Case of Emergency (ICE) communication list
- Contingency equipment and Temporary power sources

Catastrophes and other disasters happen. The agent who is prepared is likely to weather the storm; the agent who is unprepared can quickly become a target for E&O claims.

#### 5.) Practical Matters Related to Impending Disasters

- Remind staff of limitations on binding coverage when a disaster is looming
- Be honest with customers in that you may not be able to bind coverage
- Do not promise service or actions that you cannot deliver

Some customers wait until the storm is barreling down on them to request coverage. Inquire about what generated the request for coverage change and ask if there is a claim/loss that has not yet been reported. Document the responses and follow through. If there is a natural disaster (wildfire, flood, wind event, etc.), remind the customer that last minute changes may not be honored by the carrier.

#### 6.) Be Careful with Your Conduct

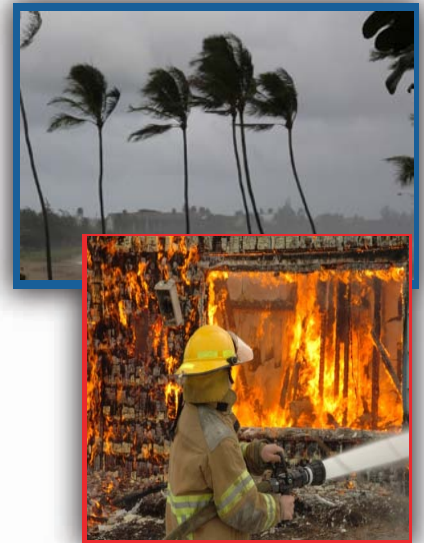
- Unfamiliar products
- Scope of Coverage
- Additional Duties by Express or Implied Agreement

When an insurance agent undertakes any duty for a customer, he has to act reasonably in carrying out that duty, whether it is a traditional duty or a duty created by a special relationship. Be careful that you do not create situations that increase your legal duties owed to the customer (intervening in cancellation; reminders to pay premium; agreeing to establish limits or sufficiency of limits). Be sure to always advise the customer when you cannot procure requested coverage and be particularly careful when selling unfamiliar products.

#### 7.) Assistance with Claims

- Direct the customer to his policy to review when and how a claim should be reported
- Forward the information to the carrier if notified without delay
- Maintain communication records regarding reported claims

Report all known claims to the insurer of record and direct the customer to do the same without exception. Never advise a customer to not report a claim. If you are no longer the agent/broker of record, remind the customer in writing that you cannot report the claim and they must refer to their policy to properly report the claim.



## 8.) Customer Service Procedures

- Offer coverage reviews at periodic intervals
- Use checklists
- Maintain best practices



Remind your customers that when they have a key life event (marriage, divorce, birth of a child, major purchase, new business venture), they should check in with your office. When you or your staff meets with customers regarding significant changes, a checklist is very helpful in establishing the needs of the customer and provides for future sales opportunities. Maintain records of client communication.

## 9.) General Office Procedures

- Clearly define roles for staff
- Phone, visitor, and mail logs
- Diary system



Identify who is responsible for performing what tasks and responsibilities, and it will eliminate guesswork and lower the odds that things slip through the cracks. A well run business will be able to identify communication with clients and customers with certainty. Your office should develop a practice of following up with customers with a diary system.



## 10.) Your Personal Protection

- Annual coverage review of your own insurance needs and requirements
- What is a claim, when and where to report a claim
- Storage and location of your personal business documents

Your E&O coverage is essential to operating a sound agency. E&O coverage can provide you with the peace of mind that should a claim arise, it will be dealt with and will have a negligible impact on your business operations. You should review your own E&O regularly regarding limits, terms and conditions. You should know when and how to report a claim and you should be ready to assist the carrier in the handling of any reported claim. All of your documents should be kept in a secure area, where they can be accessed if necessary.



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