

LOSS PREVENTION LESSONS

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Provided by CalSurance® exclusively for Farmers Agents

*Keeping You
Informed & Protected*

Standardizing Office Procedures

While there are many ways to avoid or mitigate against E&O claims, standardizing office procedures can substantially reduce exposure to your agency by promoting consistency and continuity. Agents need to develop a business code of conduct and memorialize it in the form of an office procedure manual. By doing so, you'll have a resource that is readily available to your entire staff and will ensure that all your employees know what is expected of them. Here are some guidelines that can be used in constructing a manual for your agency:

Personnel

Each employee within your organization should have a job description outlining their role and responsibilities. Establish each employee's scope of authority so they clearly understand what they can or cannot do within your agency. In addition, set regular staff meetings to update your staff on recent changes in your agency, market conditions, updates to underwriting guidelines, or other relevant information. Meetings should be followed by a brief recap of the topics that can be shared via email with your staff and will provide a record of your discussion. While this may all appear time consuming, a staff that is educated, informed, and provided clear expectations will help curtail E&O exposure.

Agency Standardization

Take a moment to reflect on how you want your agency to operate, this is an important part of putting together effective agency standards. Routine tasks should be placed under a microscope to ensure that everyone is doing things efficiently, correctly, and consistently. For example, how do you answer the phone? How are phone calls recorded? Do your voicemails advise the caller that coverage cannot be bound or altered by voicemail? How is incoming mail or email processed? How do you handle payments? How are client complaints addressed? What type of letters are issued and when? How do you handle claims when they are reported to the agency for submission to the carrier? This is not an exhaustive list, but you can easily see there are MANY recurring tasks that can be standardized to impact the level of liability if an E&O claim were to be pursued against your agency. Consider the following claim example:

A customer contacted the agent's office to procure a renters policy with a \$50,000 limit. The customer indicated that she wanted to make certain that she had adequate coverage for her contents, including some jewelry and furs that she had recently acquired from her mother.



The producer explained to the customer that they could write the coverage but explained the policy contained sub-limits for jewelry and furs. However, for an additional premium, they could expand the limits for those items. The customer indicated that they were not interested in purchasing any extra coverage. Two years later the customer calls the agency to report a theft loss at her residence. The claim is reported and the insurance company issues payment for the loss. Given that some of the items stolen were jewelry and furs, the carrier only paid up to the sub-limit for those items. The customer then brought a claim against the agency, alleging that the producer never disclosed the sub-limits, seeking the difference between the actual loss and the amount paid.

Unfortunately for the agency, the producer did not follow-up their prior conversation in writing. Had the producer followed-up that conversation with a letter outlining that additional coverage was offered but declined by the client, the E&O carrier would have been in a much better position to defend the claim.

Documentation

One of the keys to a successful defense where E&O is concerned is documentation! How you and your staff document events within your agency is extremely important. Each client file should be maintained in a similar fashion and should include the application, declaration pages, policy, client correspondence (sent and received) and any other related documentation. In addition, it is important that you are aware and comply with your state's requirements for retaining customer records.



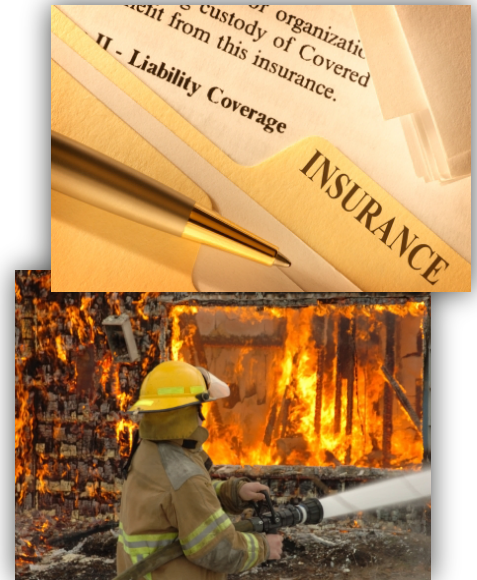
Diary System

Invest in a system that can effectively track and trigger reminders for follow-up activities. Every task that requires follow-up needs to be diaried and the file needs to be labeled with a date and the task that should take place on that date. Each day, the diary must be reviewed to see what activities are to be completed. Establish a method for documentation that verifies that the task has been completed. It is also important that reports can be generated and/or all employee's diaries can be accessed to be certain that diaries are maintained and are not delinquent. Examples of activities that require follow up are: upcoming renewals, pending inspections, outstanding quotes, or correspondence received that requires a response.

A customer contacted their agency to advise that they just finished a construction project on their home, which added an additional 500 square feet to the property. The agent took down the information and indicated that he would need to come out and inspect the property before increasing the coverage on the policy. The agent was preparing for a vacation and told the client he would inspect the property upon his return. The agent wrote himself a note reminding him that he needed to inspect the property and placed the note inside the client's file. The agent did not utilize a diary

system. Approximately, three months later the agent was contacted by the client, informing him that the subject property had suffered a fire and it is likely a total loss. Upon opening the client file, he found the note regarding the inspection that had never taken place. Unfortunately, the policy limits were never increased to match the added square footage and the client was underinsured for the subject fire loss.

Had the agent utilized a diary system, he would have come back to the office from his vacation to a reminder which would have prompted him to complete the inspection and make the necessary changes to the policy before the loss.



LOSS PREVENTION TIPS

Finding the time to put together a comprehensive Office Procedures Manual can be challenging. However, in terms of combating E&O exposure to your agency, it is time well spent. Standardizing office procedures defines roles, establishes expectations, promotes employee accountability, improves documentation, establishes controls and assists in accurately recreating event timelines which may have occurred month or years ago. Procedures provide a foundation to draw upon when faced with trying to defend allegations made by your customers and can provide valuable defense to a claim.

 **CalSurance**[®]

681 S. Parker Street, Suite 300
Orange, CA 92868

Phone: (866) 893-1023 Fax: (866) 893-1198

E-mail: farmers@calsurance.com

California License # 0B02587