



## How To Increase Your Profits and Reduce Your E&O Exposure

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As we begin a new year, tradition has it that we should look at ourselves, both personally and professionally, and identify changes that will make our lives more fulfilling and enjoyable. While most people attempt this in their personal lives, there is no doubt that a New Years resolution in their business life can be just as significant.

**As the owner of the agency, ask yourself and your employees to respond to a**

**series of statement, such as:**

- I feel trained on all of the products my agency offers
- Each time I speak with a client about coverage, I take the time to make sure that they understand what I am saying
- I have a standard procedure to conduct a risk survey on all of my clients at least annually
- I document all conversations that relate to any current, past or prospective client

**There is no doubt that if you or your staff answer “no” to any of the above questions, this would be a great place to make a New Years Resolution. Every one of these are key to avoiding E&O claims.**

**Training** – Face it, despite insurance being a great industry to be a part of, not too many people go to college looking for an insurance degree. As a result, it is necessary to make sure that your staff is trained not only in the technical part of their job but also in general PC and people skills. Work with each staff on a development plan. Ask them what areas they feel inadequate in and give them the training necessary to turn that deficiency into a strength.

**Education of your clients** – There are numerous approaches to take here. Certainly periodic newsletters to your customers educating them on the various insurance terms as well as typical exclusions will ensure that they understand their coverage. There is no doubt that it will also lead to additional sales as many will request coverage for an area that is excluded. The last thing you want is for one of your customers to have a loss only to find out that the loss is not covered. Wouldn't you rather they know before the loss?

**Exposure Analysis Checklist** – Whether you are a personal or commercial lines agency, it would be beneficial to periodically review their exposures to make sure that they are properly covered. If a client does not want a particular coverage, getting them to sign off verifying this will provide you with a solid defense should they later allege that this coverage was never discussed. There is a good chance that you will identify an exposure that the client wishes coverage for and this will lead to increased sales, which then leads to increased profits. With personal lines, a survey once a year can be very effective. With commercial lines, visiting your customers at renewal time is an excellent time to have this discussion. Most of the agency management systems either have an exposure analysis checklist built in or readily available.

**Documentation** – This is probably the root cause of many E&O claims. In many respects, stressing the necessity of documentation with the staff can result in a significant reduction in your E&O claim exposure. In looking back over the last 18 years that I have been involved with the Utica E&O program, many a lawyer has stated that if the agent would have just documented the conversation, the claim against the agency would not have either not happened or if it did, the end result would have been totally different. If your case goes to the court room, without documentation, the jury will be left to rely on the statement of the parties.

These four areas can have a significant impact on reducing your E&O exposure while at the same time increasing the profits of your agency. When was the last time you had a real heart to heart conversation with your staff on issues such as these. Start off the year with a staff meeting to emphasize the importance of your staff in the bottom line result of the agency and look

for their support and input to make the agency more professional and customer oriented in 2006.

As Utica celebrates its 40th year of providing this essential coverage, we are just as committed as ever before to helping agencies reduce their E&O exposure. In 2005, claims frequency has dropped to its lowest level in 18 years. Make a strong commitment in 2006 to reducing E&O claims. It is easier than you may think and you may just increase your profits along the way.