

Learning from Your Mistakes— The Sign of a Good Agency

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As we go through life, we were all taught that it was important to learn from our mistakes. There is no doubt that there is a lot to be said for this approach. After all, we are not robots—we do make mistakes. The key is, did you learn from the mistake? If not, you are probably destined to repeat that same mistake. For example, if you don't stop at a stop sign and an accident results, there is a strong probability that continuing to not stop at a stop sign will eventually lead to another accident.

How about within your business life, specifically within your agency? Do you learn from mistakes that were made there? As just about everyone would attest to, running an agency is not only challenging but it is also hard work. It is certainly conceivable that with the workload and demands that agencies face, mistakes can, and in fact, do happen. The key is to learn from these to avoid that mistake from being made again.

For example, in discussion with one of your personal lines clients; you bring up the issue of a personal umbrella. Your client advises you that they are not interested in an umbrella at this time. The conversation ends and life goes on. Because you were busy, there was no documentation put in the file reflecting the discussion. Your client suffers a significant liability loss and argues that when the topic of the umbrella was discussed, his recollection is that he advised you of his pool and said he wanted the extra coverage. How this matter was resolved is really immaterial and for that matter, there are hundreds of very similar type issues that you face in your agency. Now, if you had to do this scenario all over again, would you do it any different? How about a quick letter to the client reflecting the discussion about the personal umbrella and, based on your understanding, they are not interested in purchasing the coverage at this time. If this is contrary to their understanding, please advise immediately. It is short, to the point, but so effective. I would bet that if the client suffered a significant loss and you showed them the letter confirming the conversation, there is a good chance that the discussion would end there.

Now, I know that some of you are thinking that you have never had an E&O claim in your agency so you must be doing everything right. If you have never been faced with an E&O claim, I tip my hat to you, but let me ask: Are you good or are you lucky? And since there is probably a little luck in those good results, do you want to subject the future of your agency to luck? Mistakes do occur and deadlines get missed. While those are not necessarily good things, if you learn from them, you will be a better agency in the long run.

Now, let me offer a little insight into E&O underwriting. When we look at an agency for E&O (whether it is for new business or a renewal), if there has been a claim, a common question is asked of the agency principal, "What did you learn from the claim? What changes were made in the agency that will make us comfortable the same type of claim won't happen again tomorrow?" If they indicate that they added a procedure to better document or that they have implemented an annual campaign to all of their personal lines accounts advising in writing of the availability of personal umbrellas, those would indicate to us that they have learned from the claim. To an E&O carrier, this is indicative of a good agency. If you indicated that nothing was done, one could contend that the same type of claim could happen again.

Now, certainly not every mistake in an agency is going to wind up as an E&O claim. Actually, far from it. So, it is important that you find a way to uncover areas that can cause a problem down the road. Since many employees may not feel comfortable stepping forward with this information, it is important that you meet with your staff, whether all together or individually, to create an atmosphere that encourages them to be proactive in advising you of areas/concerns that they have where quality and timeliness could be improved. Having spent a few years as a CSR in an agency, I can tell you that good CSRs know the good, the bad and the ugly about the agency. You need to listen, but to really get the benefit of the discussion, you need to do more than just listen; you need to learn by making the necessary changes.

After all, learning from your mistakes is a sign of a good agency.