



## Are You Identifying All Of The Personal Lines Exposures?

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Generally, some E&O experts feel that predominately personal lines agencies are better E&O risks than their commercial lines counterparts. For the most part, this is true. After all, there is more standardization among personal lines policies and there are also fewer types of coverages. However, in analyzing the data closer, it is extremely evident that personal lines agencies actually generate more E&O claim activity per 100 agency people, probably somewhat due to more transactions. The biggest key is that the average size E&O claim in personal lines is much smaller. As with commercial lines, **the #1 cause of E&O claims in personal lines is Failure to**

**provide the proper coverage.** Actually just slightly less than half of the claims.

What is the silver bullet to addressing this issue? Very honestly, the answer is some type of checklist that would assist you in identifying the various exposures that your personal lines customers. On the surface, you may be thinking how many exposures can they really have? In some recent research that I did, **there were two that really caught my eye that certainly have the potential to cause problems now and down the road: Home based business and collectibles.**

According to studies, there are more people working out of their home today than ever before. In checking Dept of Labor data, **of the over 7million that work out of their homes, almost 5 million of those have a home based business.** 5 million home based businesses! While there are a number of reasons for this trend, it will be interesting to see that with today's price of fuel, whether this will spur even more home based businesses?

A couple of agents that I spoke with on this subject stated that their customers are not inquiring about coverage for their home-based business. One reason for this may involve a fact stated in a recent study by the Insurance Information Institute, the Dept of Labor and RLI Corp. That study revealed that 48% of home-based business owners say that they rely on their homeowners insurance to protect their businesses. While there is some coverage under a homeowners policy for this exposure, typically around \$2,500, it certainly begs the question on whether this amount of coverage is adequate for the value of the property that home-based businesses have. Probably not. Also what about the potential for professional liability exposures where that specific coverage is needed?

So, how do you solve this issue? Well, there are probably at least two approaches that will help uncover this issue and not only help you sell more insurance but also provide greater protection should an E&O claim be made against your fine agency.

An education-focused newsletter that goes out to all of your personal lines clients addressing this issue is a good first step. Covering how the homeowners policies responds to this exposure and what the approximate cost would be to secure more specific coverage (Businessowners) should be included. A periodic mailing to your customers with a checklist that lists this exposure, among others, is a great means to identify those customers that have this exposure. It also will prove valuable in the event that a claim is made against your agency and the client states that they assumed that their homeowners coverage was adequate.

**Collectibles.** In a recent well-written article in *Insurance Journal* on this subject, I was amazed to learn that there are **over 2,500 collectible clubs**, ranging from the Barbie collection to baseball cards to various figurines and so on. Suffice to say that the chances of at least a few of your homeowners customers having a collection of some type are extremely high. As with the issue of home based business, an education focused newsletter would be valuable to educate your customers on what is covered by their homeowners policy and what is not. For example, while theft may be covered, is breakage? Is the value at a level that an independent appraiser should be brought in? After watching a few of those TV shows on antiques and collectibles, it is amazing to hear the values that these items are worth. Without a fine arts schedule of some type, in the event of a fire, I would guess that some customers are not going to be happy with their settlement. Who are they going to come after? Possibly you as their insurance agent alleging that you should have advised them on the proper means on protecting their valuable collectibles. Also, a mailing to your customers with a checklist that lists collectibles is a great means of identifying this exposure among your personal lines customers.

So if your agency is involved in personal lines, take the necessary means to educate your customers and advise them how to protect themselves properly. You may just sell more insurance as well.