

ERRORS & OMISSIONS

RISK MANAGEMENT ALERT

COMMON CAUSES OF AGENTS' E&O CLAIMS – PART IV

Certificates of Insurance and Failure to Place or Renew Coverage

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This installment of our series on [6 common causes of E&O claims](#) » addresses claims related to certificates of insurance and failure to place or renew coverage. What can you do to avoid these claims?

Certificates of Insurance (COIs) are a frequent source of easily preventable E&O claims.

- **Don't** issue a COI until you've checked whether the policy has been cancelled or if any endorsements have been added that may modify coverage.
- **Don't** issue a COI listing an additional insured who has not yet been endorsed to the policy.
- **Don't** assume the carrier will approve the additional insured.
- **Do** have a second person review the COI for accuracy prior to release.

An account can slip through the cracks for a variety of reasons – resulting in new business not being bound, policies not renewed, or unprocessed endorsement requests.

- **Do** confirm that the carrier received your coverage request. Follow up as needed.
- **Do** review the binder and policy carefully when you receive them to ensure they match the terms quoted.
- **Do** have a process to ensure that premiums are quickly provided to the appropriate carrier.
- **Do** handle mid-term requests to change coverage quickly, and follow-up frequently until the request is completed.
- **Do** be clear to the client that coverage is not in effect until the carrier confirms coverage and, if applicable, **do not** promise that the coverage will be back-dated.
- **Do** treat accounts that are being non-renewed as a priority, keeping a short diary to ensure coverage is replaced prior to the non-renewal date.
- **Do** let the insured know as soon as possible if you may not be able to provide an acceptable replacement, allowing them sufficient time to shop the coverage.

Continued

COULD THIS HAPPEN TO YOU?

Certificate of Insurance – In this E&O claim, the Personal Lines carrier for the agency's client found out the client's car was being used for commercial purposes and decided to non-renew the policy. Non-renewal notices were sent to the agency and the client. Sometime after the notice was sent, the agent sent certificates of insurance to the client indicating coverage was in force. The client had an accident and damaged another car, claiming he never received the non-renew notice and stating that he believed he had coverage because the certificate indicated he did. The carrier disclaimed and the client sued the agency. The case settled for \$3,500.

LESSON: Do not issue a certificate of insurance unless there is an in-force policy in effect.

Failure to place/renew coverage – In this E&O claim, the agent let a client's Workers' Compensation coverage lapse, even though the client (a subcontractor) had given the agency a check for the premium. This caused the general contractor's insurance rates to increase, as the laws of that state mandate if a subcontractor has no coverage, the general contractor becomes responsible for the Workers' Compensation. The general contractor had to pay the additional costs for Workers' Compensation to cover the client's employees. A claim was made against the agency's client by the general contractor for the increased costs. In turn, the agency's client made a claim against the agent for failure to have the coverage in place. The claim against the agent was settled for \$132,540.

LESSON: Give renewals top priority, especially if the agency has received the client's renewal premium.

FOR MORE INFORMATION, REVIEW THE PREVIOUS ARTICLES IN THE SERIES:

[Part I: 6 Common Causes of Agents' E&O Claims »](#)

[Part II: Failure to Obtain/Maintain Proper Coverage »](#)

[Part III: Failure to Give Accurate Information/Advice »](#)

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