

Utica National's Errors & Omissions

RISK MANAGEMENT ALERT

We KNOW
for Insurance Agents



When Using Wholesalers, You Don't Want to Assume

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Agencies countrywide are reporting a wide variety of issues symbolic of a hard market. These include increased premiums, reduced capacity, restrictive policy terms, and stricter underwriting from carriers, to name a few. While the impact of the current market will vary based on the location of the agency and its customers, all agents are dealing with a different market today compared to five years ago.

Many agents are using wholesalers and the Excess & Surplus Lines (E&S) market more due to market conditions. A recent report by the Wholesale and Specialty Insurance Association (WSIA) notes that the U.S. surplus lines market continued to grow in the first half of 2023, rising 15.9% to reach nearly \$36 billion.

Effectively using the wholesale marketplace includes knowing that it has some uniqueness that agents must understand and account for. Putting specific processes and procedures into place can help minimize the potential for errors and omissions (E&O) problems. Wholesalers are a key segment of the industry. Due to how wholesalers do business and the potential differences among wholesalers, agencies must be aware of these differences and not assume that all wholesalers are the same. Dealing effectively with your wholesalers can be a crucial issue to minimize your E&O exposure.

The following tips can help:

- **Get the application.** The markets some wholesalers are willing to quote are based on a standard generic application, while others might require a specific carrier application. Know this information up front to avoid any potential delays. Wholesalers often navigate a high volume of accounts which may impact their turnaround time and may not have the flexibility to backdate coverage if terms are not secured before the renewal date. Review the application when you receive it from a client and address any incomplete information or obvious discrepancies prior to submitting it to the wholesaler to ensure the account can be quoted in a timely manner.
- **Be diligent in your follow-up with your wholesalers.** The last thing an agency wants is to get the proposal the day before the coverage will be effective. This timeframe does not allow the agency to properly review the proposal and note any pertinent issues/coverage exclusions or limitations.
- **Review proposals from wholesalers for any differences.** When the agency sends in an application to various wholesalers, it is common for there to be a difference in the coverages. Analyze proposals and note any differences. Offer the client multiple proposals to enable them to choose.
- **Clearly know binding requirements.** Procedures and expectations to bind likely differ between wholesalers. For example, say you want to bind a risk at 4:00 p.m. on a Friday. Can you do it or will the wholesaler advise you that they need payment and necessary affidavit forms before they can bind? Clearly know the rules of engagement when working with wholesalers – and factor these rules into your handling of the risk. Look for wholesalers who will provide you with an account current for your business. This will take away some of the potential headaches.

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- **Don't assume that coverage is bound.** Your retail agency is not an agent for the markets accessed through the wholesaler and, therefore, you do not have binding authority. Do not advise your client that coverage is bound until you receive confirmation from the wholesaler that it has been bound.
- **Don't assume the policies are correct.** Policy issuance in the industry continues to be a significant area of concern – some agencies cite that there is at least one error on every policy they receive. Check policies to determine if they have been issued per the agency's instructions.
- **Remember that the wholesaler may not have all of the facts.** Wholesalers are essentially only handling a specific issue, a specific coverage. Do they know the entire story of the account? No. For example, with Personal Umbrellas, there is a requirement regarding the amount of the underlying coverages (Auto, Homeowners, Boat, etc.). When an agency asks the wholesaler to write a Personal Umbrella, the wholesaler will provide a proposal that probably stipulates what those underlying limits need to be. A standard market may follow up on this issue, but there is no guarantee a wholesaler will. instructions.

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