

# Utica National's Errors & Omissions

## RISK MANAGEMENT ALERT

We KNOW  
for Insurance Agents



## Auditing Your Agency Can Help Determine Its Future

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**As new people enter the insurance industry, making sure they know and honor your agency's expectations is vital. Implementing an auditing program is an effective way to do this.** While you might think, "We don't need to audit the staff. They know what they are supposed to do" or "We don't have the time for an audit," these are simply excuses for not doing something that could determine your agency's future.

### WHERE TO START

**While a solid P&C auditing program may involve 12-15 issues, agencies not currently performing any auditing should consider identifying 5 or 6 main processes that get to the heart of a strong E&O culture.** Since auditing essentially involves verifying compliance levels with stated procedures, develop a document that clearly details the expectations and procedures agreed upon by the appropriate staff.

The following are among the most important procedures to include as they have been shown to be primary issues in an agency's defense if an E&O claim develops:

**Annual P&C exposure reviews** – This is considered the closest thing to a "silver bullet" in preventing E&O claims because the vast majority of E&O claims involve a loss where there is no coverage in place. The goal should be for all Personal Lines and Commercial Lines accounts to be subject to an annual exposure review. For renewals, it is common for agencies to develop a questionnaire provided to all clients. Plus, by doing this, you will sell more insurance.

**Submissions/Proposals** – Use standard checklists and applications to ensure a complete and accurate submission. Utilize a standard proposal template that includes all of the key disclaimers and language for "other coverages to consider." Brokers-of-record (BOR) should be treated as new business and subject to the same procedure as other agency new business. Take advantage of our [policyholder discount on Rough Notes Pro](#) for access to checklists and exposure analysis templates.

**Documentation of client purchase decisions/client discussions** – This is one of the most important things you can do. It is no longer acceptable to simply put notes in the system. Client purchase decisions, coverage changes, and overall discussions must be documented and memorialized back to the client. This documentation should be part of the client file and will help to avoid any misunderstandings, which is especially crucial at the time of a claim.

**Policy checking** – A significant number of E&O claims could be avoided through a proper procedure for policy checking. Do more than just compare the premiums. The file must include who checked the policy and what was done with the findings.

**Certificates of Insurance (COI)** – Claims arising from improperly completed certificates account for around 8% of all E&O claims. Issue certificates in compliance with state laws, with requests to provide coverage for Additional Insureds properly evaluated and handled.

**TAKEAWAYS** – Developing procedures for these items and auditing how well those procedures are being followed are a great start to a quality auditing approach. If agents were diligent in their handling of these key parts of the sales and marketing process, probably 60% of E&O claims would never happen or would be resolved with the agency having no liability.

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