

# Utica National's Errors & Omissions

## RISK MANAGEMENT ALERT

We KNOW  
for Insurance Agents



## Treat BORs the Way They Should Be Treated

While securing business via a broker of record (BOR) might not be an everyday occurrence for your agency, it is somewhat common. There are many reasons why quality agencies have had success getting a signed BOR – such as knowledge of the particular class of business or that the agency's new client simply outgrew the capabilities of their current agent/broker. **However, there is still much more work to do when you successfully secure an account via BOR.**

### THIS IS YOUR ACCOUNT

**Some agencies believe the “heavy lifting” has been done once an account has been secured via BOR and renewed “as is.” However, you could be simply duplicating the mistakes of the prior agent.** For example, suppose the current policy property limit is insufficient due to the prior agent not getting updates on exposure changes or inflation. Your agency takes over the account via BOR and the account is renewed “as is” or possibly with a light increase of 3%. The client suffers a property loss and, because of the property limit not meeting the 80% threshold, they suffer a co-insurance penalty due. In addition, this is not just a building issue – an insufficient contents limit could cause the client to suffer a penalty and not be compensated to the degree they expected.

*Whose E&O exposure is this? It is now your liability since this is now your account.*

### HOW CAN YOU HELP MINIMIZE YOUR EXPOSURE

Your goal is to achieve the necessary level of consistency for handling BORs while helping you to avoid E&O issues moving forward. These tips can help:

**Have a procedure.** Agencies that have a procedure manual will frequently include a section dedicated to BORs, listing the essential procedures to be handled, by whom, and the time frame for each. If your agency does not have a procedure manual, design and document the process/expectations for bringing on an account via BOR and use those same components. Communicate this procedure to all staff and place it in your agency's shared drive for easy reference.

**Perform a review of the “new” client.** Include a comprehensive exposure analysis review to determine current exposures, values, and what is and isn't insured. Oftentimes, this was done before the client agreed to give you the BOR, which is a big part of why you got the BOR. Promptly conduct the analysis if it was not done before. The carrier will usually require new applications to be completed and the information must be accurate.

**Get a signed letter.** Time constraints might not allow the proper exposure analysis to be done prior to the effective date of coverage. In these situations, many agencies send the client a letter stating that the agency is not responsible for any deficiencies on the present program and will not assume any responsibilities until the agency has had the necessary time to review the program. If your agency takes this approach, ensure the client signs the letter as acknowledgement and that the letter is returned to you. Yet even with this letter, performing the exposure analysis must be a high priority.

**Check with the carrier.** Just because the signed broker of record letter was secured prior to the effective date of the renewal coverage does not necessarily mean the agency is immediately recognized as the BOR. Check with the carrier to determine when you are officially recognized as the BOR. The current agency is typically allowed a certain number of days to secure a rescission of the broker of record. Check with your carriers for their specific rules regarding Broker of Record/Agency of Record.

**TAKEAWAYS:** BORs do happen, so have procedures that detail the expectations and a solid understanding of the key issues that must be addressed. This can help you minimize the chances of E&O issues.

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