

Errors & Omissions Agency Acquisition Checklist

Are you planning to buy an agency or a book of business? Our Agency Acquisition Checklist provides tips you can use to help you make sure the business you purchase is properly covered by your Errors and Omissions Coverage and help you avoid E&O claims.

ERRORS & OMISSIONS COVERAGE

Review your policy and determine how long you have to add the purchased entity to the policy. This typically ranges from 30-90 days.

Obtain the last E&O application and 5 years of loss runs for the entity you will be purchasing to provide to your E&O carrier. Obtain details if there have been any claims or regulatory actions against the agency.

Include details when contacting your E&O carrier if you will be using the acquired agency name(s) or adding a new business name in relation to the purchase.

Require the seller to purchase Extended Reporting Period Coverage (also referred to as Tail Coverage) and provide you with proof it has been put in place by the closing date. Keep a copy of this endorsement in your records. As a buyer, you do not want to cover the prior acts of the agency that you are purchasing.

BOOK OF BUSINESS

Identify all clients that will be included in the acquisition. This should include lines of business written, commission/fees, years as a client, and state(s) written in.

Perform an audit of their files/records to determine how their processes and documentation vary from your best practices.

Review their current agency management and document management systems to determine how you will best be able to integrate their data with your systems.

STAFF

Have a training plan in place if you are acquiring staff as part of the purchase. Training can help transition them to your policies and procedures.

Meet with your staff after auditing the seller's book of business to make the staff aware of any work necessary to bring those accounts/records in alignment with your own E&O loss control/risk management practices.

Instruct staff to review the accounts as they work renewals, too. Do not assume they have the correct coverage in place and simply renew accounts.

BUSINESS PLACEMENTS

Contact the carriers you have in common to confirm that you have binding authority on the business you will be acquiring and address any changes that may need to be made to your existing contract.

Contact the carriers that you do not have contracts with to obtain a contract and arrange for temporary binding authority, if needed.

Review carrier ratings for any new markets to ensure they align with your practices and procedures. Develop a plan to move the business to more acceptable markets if the carriers do not meet your rating standards.

Identify any relationships with wholesalers or MGAs. Determine if you will need to establish contracts with them. Contact them to verify what steps you will need to take to move the business to your agency.

LICENSES

Obtain a list of all licenses held by the agency and staff. Determine if your agency must acquire any additional licenses to handle the business you are purchasing.

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