

# ERRORS & OMISSIONS

## RISK MANAGEMENT ALERT

### Do Not Expose Your Agency to Liability from Flood Exposures

Although claims resulting from floods typically increase during seasonal weather events, floods can occur at any time. Insurance agents and producers need to be knowledgeable about the National Flood Insurance Program (NFIP) to ensure that their customers are well informed on this exposure. These five tips can help you to reduce your agency's E&O liability from flood exposures:

1

**Knowledge.** Agents need to have working knowledge regarding flood insurance. If agents or producers are not familiar with the NFIP, training should be provided.

2

**Explain.** Floods are a foreseeable event, and the damages can be devastating. Explaining to customers that flood events are generally excluded under basic property policies is not only important for quality customer service, it can help avoid an E&O exposure for your agency.

3

**Options.** Ensure that every proposal containing property coverage includes an option for flood coverage. Indicating the premium per location and having an "accept or decline" option will force the customer to consider the coverage while informing them of the risk and the cost.

4

**Document.** All offers for flood insurance need to be made in writing. Customers invariably allege that they would have accepted the flood coverage had it been offered, if they have an uncovered loss. Merely discussing the option and asking the customer if they want flood coverage will not protect your agency.

5

**Signature.** If the customer does decline coverage(s), make sure they sign your proposal document and keep it in your agency file. This document will be crucial to your agency's defense if you need to litigate an E&O claim.

**Failure to offer flood insurance may result in an E&O exposure for your agency. Remember, if you didn't document it, it didn't happen.**

We KNOW

for Insurance Agents

E&O

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