

Utica National's Errors & Omissions

RISK MANAGEMENT ALERT

We KNOW
for Insurance Agents



Use the Declined Coverage Form as an Important Marketing and E&O Prevention Tool

The importance of documenting your agency file with all client requests, communications (telephone, text, email, fax, etc.), carrier correspondence, coverage elections, claim notices, etc., cannot be overemphasized. Documentation can take time and effort – so is there an easier way or a method not as disruptive to the sales workflow? While there are no shortcuts to establishing and maintaining an E&O preventative culture within your agency, efficiencies are available.

The Declined Coverage Form can serve three important roles for your producers by providing a means to:

- 1. Review to ensure that they have covered all of the relevant coverages for the client in a convenient proposal form** – which works especially well if working from a line/industry specific risk checklist);
- 2. Document for E&O prevention purposes by holding clients accountable for their coverage elections;**
- 3. Market coverages and limits by informing the clients, in writing, as to what is available, which forces them to consider the available coverages and limits, and acknowledge their selection with their signature.**

A Sales and Marketing Opportunity

While the first two uses may be obvious, the third may be less so. Many agents and brokers can see this form mainly as an E&O prevention instrument that they have to complete to limit their risk. However, this misses the enormous marketing and sales opportunity that the Declined Coverage Form offers. This one document puts into context the risks that a particular client faces, plus the coverages and limits available, which may assist in limiting the financial impact of those risks.

For instance, it is much easier for a client to say in a conversation that they do not want cyber coverage because of what they hear about the risk (which may be vague to them) and the dollar amount associated with the premium (which will impact their bottom line). As a result, the client will be able to easily dismiss it. There is no onus on the client for their decision at this point.

However, more thought is likely to go into the decision if the client is presented with a menu of options for coverages and limits, has time to review and consider their options, and then is required to sign to decline certain coverages. Agents and brokers that use the form in this marketing context report that clients will call them asking for more information on coverages that were not initially sought.

Making It Easier and Faster

Having the Declined Coverage Form in an electronic format with e-signature functionality will further streamline your agency's process, digitalize your documentation (which is helpful for E&O defense purposes), and speed up the process time, as the document will be sent and returned electronically. This is in keeping with the industry trend for faster service with more options.

CLAIM EXAMPLE

The agency's client alleged a special relationship with the insured. The agency had secured coverage for a number of operations for the client, but did not obtain coverage for the operation of a small airport the client owned. The agency informed the client on numerous occasions that there was a gap in coverage regarding liability coverage for the airport. The agency file was well documented to that effect.

An underlying loss occurred – an injury to a plane passenger who is now a quadriplegic as a result of injuries sustained in a plane crash at the airport. The client then claimed because of a longstanding special relationship, the agent had a duty to secure the coverage. While the agent had advised the client of the need to secure coverage, the client claimed confusion. The client and the injured party agreed to a \$10,000,000 consent judgment, and the client filed suit against the agent. Other insurance had already paid the injured party \$2,000,000 on behalf of the plane owner. The case against the agent was settled for \$200,000.

A much greater duty is owed to a client when there is a special relationship between agent and client. When a long-time insured repeatedly ignores advice concerning coverage, have the client sign a rejection-of-coverage letter.

TAKEAWAYS: Using this one tool can help you provide your clients with the relevant coverage options available, which can increase their financial security and your agency's sales, while also helping to protect your agency from E&O claims for failing to offer the correct coverage or sufficient limits.

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