

# ERRORS & OMISSIONS

## RISK MANAGEMENT ALERT

### **One Important Marketing and E&O Prevention Tool: The Declined Coverage Form**

by **Thomas Casella**, JD, MBA, SCLA

*Senior Risk Management Specialist, Utica National Insurance Group*

When I speak with insurance agents and brokers on the need to document the agency file with all client requests, communications (telephone, text, email, fax, etc.), carrier correspondence, coverage elections, claim notices and so on, I am often asked if there is an easier way, or a method that is 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. One document that can serve three important roles for your agency is the Declined Coverage Form.

Three ways that the Declined Coverage Form assists producers is 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 sign acknowledging their selection.

While the first two uses may be obvious, the third may be less so. Many agents and brokers that I speak with see this form mainly as an E&O prevention instrument that they have to complete to limit their risk; however, that narrow view 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 and 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 conversation that they do not want cyber coverage because of what they hear about the risk (which may be amorphous to them) and the dollar amount associated with the premium (which will impact their bottom line), so the client will be able to easily dismiss it. There is no onus on the client for their decision at this point. However, if the client is presented with a menu of options for coverages and limits, they have time to review and consider their options, and then are required to sign to decline certain coverages, more thought is likely to go into that decision. 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.

Taking this one step further, 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.

Using this one tool can help you provide your clients with the relevant coverage options available, thereby increasing their financial security, and your agency's sales, while also protecting your agency from E&O claims for failing to offer the correct coverage or sufficient limits. Capture efficiency by using the Declined Coverage Form for all of its benefits.

*This information is provided solely as an insurance risk management tool. Utica Mutual Insurance Company and the other member insurance companies of the Utica National Insurance Group ("Utica National") are not providing legal advice, or any other professional services. Utica National shall have no liability to any person or entity with respect to any loss or damages alleged to have been caused, directly or indirectly, by the use of the information provided. You are encouraged to consult an attorney or other professional for advice on these issues.*



Utica Mutual Insurance Company and its affiliated companies, New Hartford, NY 13413  
www.uticanational.com • 1.800.598.8422