

ERRORS & OMISSIONS

RISK MANAGEMENT ALERT

6 Common Causes of Agents' E&O Claims

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Why do insurance agents receive errors and omissions (E&O) claims? Often it is for failing to execute basic transactions that take place many times each day in your agency. The following are some of the most common reasons that agents experience E&O claims:

- 1 FAILURE TO PLACE/RENEW COVERAGE**
For a variety of reasons, an account can “fall through the cracks,” leading to coverage not being bound. Often, this is only discovered once a client submits a claim and realizes there is not coverage in place. Alternatively, coverage may be bound, but not at the terms expected.
- 2 CERTIFICATES OF INSURANCE**
Many claims begin with a mistake made on a certificate of insurance. This can be the result of listing incorrect limits, including additional insureds that are not covered under the policy, or confirming coverage when the policy has been cancelled.
- 3 FAILURE TO OBTAIN/MAINTAIN PROPER COVERAGE**
For P&C agents, this is the most common source of E&O claims. When a client doesn't receive the coverage they requested or expected, they look to the agent for relief. A lack of a thorough risk analysis is often the root cause of these problems. For renewals, failure to recognize and communicate coverage changes can result in a coverage gap for your client.
- 4 FAILURE TO GIVE ACCURATE INFORMATION/ADVICE**
When an agent is not effectively communicating the product they are selling, a client may believe that they were not provided with adequate information to make an informed decision on coverage. This can be of particular concern when an agent works with a wholesaler on a product they lack expertise in. Limit recommendations can be a pitfall for agents when a client finds out they do not have sufficient coverage for a claim.
- 5 FAILURE TO NOTIFY OF CANCELLATION/REPLACE COVERAGE**
When agents set the precedent of notifying clients of pending cancellations, failure to do so can result in a claim when a client has a loss after the cancellation. Failing to offer to assist the client in replacing the cancelled coverage can be another area of exposure.
- 6 REPORTING OF CLIENT CLAIMS**
Claims that are reported to the agent, but not forwarded to the carrier in a timely manner can result in a denial of coverage. Additionally, an agent may not report the claim under all policies that could respond. This is often an issue when excess or umbrella coverage is in place. An agent may advise a client that “they will be covered” or “there is not coverage” rather than instructing the client to submit the claim to the carrier for coverage determination.

Many claims can be successfully defended with good, uniform procedures and thorough documentation. Instituting appropriate loss control measures can help agents avoid claims while better servicing their clients.

In upcoming articles, we will explore each of these common causes of E&O claims in more depth and provide guidance on loss control measures. For now, check your office procedures to make sure your agency is not making any of the mistakes noted above.

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