

the E&O angle

E&O issues and advice

Road Map for Claims Prevention

Don't get overwhelmed—here's the path toward preventing E&O claims.

By David Hulcher

What does E&O claims prevention mean to your agency and employees? If your agency has young commercial lines sales executives, it probably means nothing. It probably ranks far behind, "How can I write more business?" The reality is that E&O claims prevention probably doesn't mean much to agency employees and it should! Until sound E&O claims prevention practices are stamped into your agency's corporate culture, it will be difficult to reduce the chances of an E&O claim. It takes commitment at the top to make this shift in thinking.

The first step is educating employees on the importance of E&O claims prevention. Employees should understand that having an E&O claim can result in the payment of a significant E&O policy deductible, increased future E&O premiums for the agency, damaged client relationships, and lost productivity.

As a starting point, examine these client processes in your agency and analyze any E&O exposures that may exist:

1. Marketing and Advertising: Senior management should review all advertising and marketing materials without exception. Make sure that materials don't over-promise the benefits of policies and that they are compared carefully with the actual policy language.

2. New Business Process: There are many E&O exposures hiding in the new business process which includes account reviews, taking the insured's application, and delivering a proposal. Using surveys and checklists to review a prospect's exposures to loss will help insure a thorough review. Coverage recommendations that are accepted and rejected should be documented.

Insureds should always review every question on the application themselves with you there as a resource for questions. No agency employee should sign an application on behalf of the insured. Misrepresentations on the applications often cause carrier denial of claims—a serious E&O exposure.

The proposal process is a great opportunity to show the professionalism of the agency. However, customers should make coverage decisions. All proposals should include disclaimers that policy terms will take precedence over their proposal. The client should always initial next to the coverage rejected and sign the proposal sheet.

Never go outside of your agency's binding authority. A log of the binding authority the agency has with each carrier should be maintained and distributed to employees. The binders should be done the same day as requested and never be a longer period than allowed by state law.

Policy delivery is another opportunity to interact with clients and to review their coverage decisions. When policies are received from the carrier, review each policy against the application, proposal and binders to verify that the coverage requested is in place. It also is good to review the coverages that are offered and rejected by the client.

3. Policy Changes: Confirm requested policy changes with the insured in writing. Your staff should know to only accept policy changes from the policyholder and not a third party. If coverage is reduced or eliminated, the policyholder should provide a signed acknowledgment.

4. Claims Handling: When a client has a claim, they want help quickly. After all, that is why they pay their premiums. Set expectations for the claims process is the first step for your agency. Make sure the insured understands their duties under the policy. Never confirm or deny coverage—that is the carrier's job.

5. Renewals: Don't fall into the routine of renewing policies as is—your client's operations change over time. The renewal process should not be unlike that used for new business. It is an excellent time to revisit coverage that was previously rejected and to have the policyholder acknowledge their ongoing rejection if not accepted.

6. Cancellations and Non-renewals: Policies can be cancelled for a number of reasons while compiling with state-specific regulations. Advise your employees of these regulations the make sure they are familiar with them. In general, cancellations are handled by the insurers. Your agency shouldn't directly contact customers who receive notices of intent to cancel for nonpayment. Instead, conduct an exit interview with clients to determine why coverage was terminated. Contacting clients for late payment increases the standard of care that you must provide to all of your clients. This activity can help determine the level of service the customer received to make certain that the level of service remains high.

Increasing the awareness of E&O exposures within the agency—and making employees understand the importance of sound procedures—has benefits, both financially and from an efficiency standpoint. Taking time to look at each step in a client's lifecycle will help you focus on E&O claims prevention without being overwhelmed. Agencies that truly make E&O claims prevention part of their corporate culture will be favored by their E&O carrier. **IA**

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Deal Makers

10 Top Sales Cues, Marketing Tips, Deal Closers

By Emily Huling

1. **Forget it.** Don't beat yourself up for forgetting insignificant details. New knowledge crowds out the old and we let go of information we no longer need. Forget the old, learn the new.
2. **Share the shifts.** Keep your clients informed about the insurance marketplace and the impact of changing conditions on their business and buying choices.
3. **You didn't tell me!** The number-one reason for E&O claims is that agents don't tell clients about a specific coverage. Use a checklist to review all pertinent coverages with clients.
4. **Ask: "Why are we here?"** For meetings of 30 minutes or more, set objectives and create an agenda. Both parties can review the topics and choose how to spend time.
5. **Do your homework.** Working at home is necessary and convenient. Create a work environment that is professional and well organized to be mentally on the job.
6. **Wear a badge of honor.** Buy a permanent name badge that includes your company logo and name. Wear it proudly at all networking events.
7. **Breathe easy.** Uncertain as to whether your breath is smelling sweet? Always carry breath mints and remove all doubt.
8. **Keep traffic under control.** Create a spreadsheet to track your company submissions. Include submission date, effective date, current carrier, premium, lines of business, producer and need-by date.
9. **Create a mission control center.** Take charge of your renewal account strategies. Brainstorm strengths, opportunities and threats to the account with your client-handling team. Lay out an action plan and execute.
10. **Get what you want.** "You can have everything in life you want, if you will just help enough other people get what they want." —Zig Ziglar **IA**

Huling, CIC, CMC is the author of a new book, *Selling from the Inside: Creating a Front Line That Adds to Your Bottom Line*. To order your copy, call 888-309-8802; emily@sellingstrategies.com; www.sellingstrategies.com.

Deal Breakers

Laura's sales call is rained out.

By Dan Seidman



I'm from St. Louis and I'm not vain, but my Southern-girl skin is just too white during summer months.

In order to appear fit and healthy on all my sales calls, I would use some of that fake suntan lotion. You know the stuff: Your friends get a kick out of it when you show up one day with two weeks worth of sun on your face.

My trip to the drug store had led me to believe that this lotion really must be valuable because it was really expensive. So I selected the cheapest tube I found and began wearing it. And I felt great. You know how that mental boost can really change your attitude on sales calls? My magic tube did just that. I was confident and looking like a successful professional when I got in front of prospects.

And then my luck changed—like the weather.

I started this summer day with a tan blouse, white skirt and white pumps—a new outfit that showed off my new skin color quite well. My appointment was downtown and I had to walk a couple blocks from my parking space. Just then a rare summer shower started.

Briefcase over my head, I sprinted into the building and walked to the elevator, my big smile countering the big smiles greeting me.

"Are you okay?" the receptionist asked. I told her I was a bit rained on, but ready to go. She led me into a full board room.

I strode up to the president, who also said, "Are you okay?" That was strange. Then he pulled a handkerchief out of his pocket and handed it to me. I'm thinking, "who uses these anymore?" as I wiped the rain off my face.

I looked at a hanky, brown with fake suntan lotion. I also looked down at my blouse and skirt and shoes, all streaked brown with my wonder gel. So I also know how silly my face must have appeared since I just smeared my tan all over a gentleman's handkerchief.

In an instant, that mental boost blew out of the room, leaving me feeling silly and incompetent. My presentation was pretty bad. Who would want to work with a clown like me? I learned that I needed to love the real me and not depend on false boosts of self confidence.

POSTMORTEM: Laura also learned that an investment in yourself should be a quality purchase. If she'd bought a better brand of suntan cream, she could have been more confident and happy. If you begin to see personal purchases as investments (just as your customers should see their purchases from you), you'll change how you buy. What you wear is considered a reflection of you. Choose quality over cheap and you'll never regret it. **IA**

Check out Seidman's book, *The Death of 20th Century Selling*. Visit www.salesautopsys.com/book.html.