

Using Checklists to Limit Your Errors & Omissions Exposure

AS A PROFESSIONAL INSURANCE AGENT, your clients look to you for advice on the proper coverage they need to protect their business and personal assets. It is part of your job to provide them with the information they need in order to make an educated decision. It is also your job to protect your own errors & omissions (E&O) exposure. One of the ways to do this is through the use of checklists, both for new business and renewals. Regular review of your clients' portfolios provides the personal connection not available through an online insurance carrier. Understanding and explaining the importance of a complete review of your clients' exposures and coverage needs is a sign of the professional insurance agent.

Insurance professionals spend a lot of time creating proposals and reviewing coverages and exposures for their clients. Unfortunately, at times, clients may have selective memories. After they suffer a loss that is not covered, they may not remember that you had in fact offered the proper coverage. Many an insured has claimed that they would have bought the coverage at any price if they had known about it. Having a signed checklist provides important documentation should there be a lawsuit that could impact your E&O.

Checklists should be completed and signed by the client, showing that they have been offered the coverage and either have declined or accepted. Examples of coverages that should be addressed with every client include Equipment Breakdown, Umbrella/Excess Liability, Flood, Replacement Cost on Contents, Scheduled Articles and Uninsured/Underinsured Motorists.

Equipment Breakdown – Virtually every client has an exposure that can be met by this coverage. In the past, “boiler and machinery” or even “mechanical breakdown” were sometimes deceptive terms. Clients and even some agents did not understand the scope of the coverage. Equipment breakdown coverage is not just for boilers or machinery – it can come in handy wherever something is run by electricity: phone systems, computers, and other machinery. Even the Global Positioning System (GPS) on a farm tractor can be covered under an equipment breakdown policy. Coverage is available for commercial and personal lines clients.

Excess / Umbrella Liability – In the past five years, nearly 1 in 10 businesses has suffered a liability loss of \$5 million or more. Judgments in excess of \$10 million are seen quite often. (www.chubb.com) Umbrella or excess liability provides increased limits, as well as potentially covering exposures that are not included in the underlying policy. How much liability coverage is enough? That is a question that should be answered by the client, and not the agent. Even when the companies you represent do not offer higher limits, there are excess and surplus lines markets that can provide the coverage. It is also important that the client understand the type of “umbrella” they have or are being offered. Excess liability poli-



cies are more limited and may not provide coverage for all of the client's exposures.

Flood – Recent weather events have shown that historical “flood maps” may not always be sufficient to determine whether there is a risk of flood at a given location. Floods can happen anywhere. It is also a common misconception that flood insurance is only available in flood hazard areas. In a similar vein, water and sump backup are commonly excluded, but coverage is readily available.

Replacement Cost on Contents – Building coverage is commonly written on replacement cost basis, but this is not always the case for personal property/contents. Coverage is available and should be offered.

Scheduled Articles – Coverage for high value items is limited in most standard insurance policies. Scheduled coverage may be broader as well as eliminate the deductible. This is an option the client needs to know about.

Uninsured / Underinsured Motorists Limits – These should be equal to the limits provided for Bodily Injury and Property Damage. Why would anyone want to provide higher limits to others than they are eligible to collect themselves? A good example of the importance of increased uninsured/underinsured limits is the August 2012 Progressive/Kaitlynn Fisher case that exploded on the Internet. (Joan Fisher et al v. Ronald Kevin Hope III)

Writing a new piece of business, or renewing existing policies, is just the start. Ongoing communication with your client and regular review of their exposures is essential to maintaining a long term relationship. Using checklists provides essential documentation of the process. Educating your clients and offering the best portfolio of coverage is another value added service of the true insurance professional.

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