



Is your insurance agency staff afraid to report a potential claim to management?

In my prior life at an agency in the Utica area, this was basically the culture; bring a potential claim to the boss's attention and the pink slip was next. So what did we do? If an issue / problem developed, we didn't say anything. Essentially we prayed that the problem would go away; sometimes, it did, sometimes it didn't.

Bottom line, there are a number of problems with a culture like this. The language in your E&O policy may require that these matters be reported for coverage to be triggered. In addition, **failure to notify the carrier does not allow for the involvement of the E&O carrier to assist in resolving the matter.** And after all, this is a major benefit of dealing with a quality and proven E&O carrier. They are there to provide more than just a policy. They are there to provide expert advice and guidance as issues or problems develop.

By reporting the incident to the carrier, first, you have now protected the agency in case the incident develops into a claim. The E&O carrier will then determine whether any further discovery is necessary. This may involve reviewing the file in question or actually discussing the matter with the agency staff involved. Actually in many cases, the E&O carrier may feel that no further action is necessary.

To reinforce this, look to discuss this topic at an upcoming staff meeting. The discussion should include what the E&O policy covers and what it does not. Many E&O carriers have expanded their coverages to include a host of supplementary coverages such as Disciplinary or Regulatory Proceedings. Your staff may not be aware of these additional coverages.

Strongly stress the importance and benefit of providing timely notice to the E&O carrier of potential E&O claim matters. Although the agency staff member may feel confident that they did not do anything wrong, you still may have a customer that is extremely upset and you are of the belief that they may be pursuing some legal action against the agency. Also, mistakes do occur; after all, we are human. Make sure that you communicate to the staff that if they made a mistake, they will not be fired if a problem develops.

When you bring the matter to the carrier's attention (by phone or in writing), include sufficient detail to properly inform the carrier and to also comply with any policy conditions regarding this matter.

Some agents have advised me that they are, at times, reluctant to notify the E&O carrier of these issues due to their concern about the potential fallout (increase in premium, change in deductible, etc.). While I understand that this is an issue, bottom line, you should notify the carrier to ensure that policy provisions and conditions are complied with and to enable the E&O carrier to get on top of the matter early on. **As any attorney or trained E&O professional would advise – err on the side of caution. There really is no other way.**

Curtis Pearsall is President and Founder of Pearsall Associates Inc., a Risk Management Consulting firm specializing in helping agents protect themselves. He is the former SVP of a Agents E&O program where he oversaw their Underwriting, Marketing Services and Claims divisions from 1987 to 2009. Mr. Pearsall holds the following designations: CPCU, AIAF, ARM, AU and CPIA.