

10 Ways to Prevent E&O Claims

The best defense against an E&O exposure starts with you. Here are 10 ways you can prevent an E&O claim:



- 01 Put It In Writing**
 - Review your notes from meeting or telephone conversations with your clients.
 - Summarize main points and responsibilities.
 - Always document your notes via email or agency management system.
- 02 Listen To The Client**
 - Don't ask leading questions so that the response is simply what you want to hear or need to hear in order to write a policy.
 - Promptly handle problems or complaints.
 - Summarize the client's needs. Confirm your summary with client in writing.
- 03 Don't Assume Anything**
 - When co-brokering business with colleagues, confirm each person's responsibilities.
 - Ask other brokers for evidence of their E&O insurance.
 - Don't skip any questions or answer any questions yourself when filling out an application for friends or neighbors.
- 04 Don't Generalize**
 - Avoid common statements like, "This policy is just as good as the old one," or "Everyone covered by the old plan is covered by the new one."
 - Avoid using phrases like, "For all your insurance needs."
 - Be specific.
- 05 Stay In Your Area of Expertise**
 - Know your products thoroughly.
 - Have all proper licenses.
 - Consult with experts on law, accounting, real estate, etc.
 - If you choose to broker business, do it with companies whose products you know.
- 06 Do Your Own Due Diligence**
 - Investigate the financial standing of any company whose products you are selling, if you are not selling through your primary company.
 - Check on the company's reputation for denying claims or underwriting "after the fact."
 - Check reputation of MGAs and wholesalers.
- 07 Standardize Policies and Procedures**
 - Set up a manual of all routinely-followed procedures and business handling.
 - Document in writing each employee's scope of authority.
 - Develop checklists and diaries to ensure the timely completion of tasks.
 - Devise a system to learn about complaints/comments so that you are aware of problems promptly.
- 08 Train Your Staff**
 - Create and maintain a training checklist for new employees.
 - Document employee files regarding completed training, dates of training, subject matter, grades, etc.
 - Train employees on policies and procedures and on company products and underwriting guidelines.
 - Emphasize loss prevention.
- 09 Stay Current**
 - Designate one person to maintain files on changes in federal and state laws that affect your business.
 - Keep track of all staff license renewal dates.
 - Subscribe to trade journals and maintain a library.
 - Attend professional meetings regularly and participate at professional conventions.
- 10 Think Defensively**
 - Maintain a defensive, professional attitude.
 - Learn from other professionals such as doctors, lawyers, and accountants. Get a second opinion, have a witness present, etc.
 - Prepare for possible court cases five years into future.
 - Carefully store files, maintain ex-employees' addresses and phone numbers for possible reference, etc.

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