# Idea Exchange: Agency Errors & Omissions

## Beware the Hidden E&O Risks of Remote Work

*By Laura Gookin*

Independent insurance agencies with a blended remote and in-person work environment are discovering errors and omissions (E&O) issues that were rarely seen when everyone was in the office. Whether it's employees working longer hours than intended from the comfort of home or fewer checks and balances because there is less face-to-face interaction, the latest trends have created new risks since pre-COVID 2020. At the same time, the market hardening that followed the pandemic is challenging agencies, prompting leaders to adjust their approach to E&O risk management.

**Agency Operations**

Once upon a time agency staff members could gather around the water cooler to discuss the issues of the day. Agency leaders could be reasonably confident that staffers were up to speed and understood current industry trends. Now it can be more difficult to get all of the agency's players together to cover timely topics in a half-hour, and it might not be as apparent when someone is not on the same page – particularly if they are calling in from home, off camera.

Agency employees who are processing binders, policies and certificates of insurance from home may not be able to quickly turn to a supervisor or co-worker with a question. If the remote worker doesn't get a timely response to a phone call, email or IM, they might not get the process right. Delays in getting answers also can lead to increased processing times and risks of errors.

In addition, while employees may like flexibility, and productivity and convenience might be enhanced with remote work, at-home team members who just don't put the work down could wind up overworking, leading to burnout, subpar performance or wage-and-hour violations.

**Marketplace Contraction**

But it's not just shifts in agency operations that are affecting E&O risk. The pandemic – similar to the Sept. 11 terrorist attacks – has altered the market, notably through contraction of coverages and limits, increases in premiums, shifts in underwriting requirements and uncertainties in claims.

With this market hardening, agencies might need to take renewals to 10 or more markets, compared to the standard three, to get the best options for insureds. This approach is tremendously time-consuming, but an agency that doesn't shop insurance could face issues for failure to procure the proper coverage. In effect, "renew as expiring" rarely exists after the pandemic.

Increased prices and deductibles also might prompt agencies, by necessity, to move insureds and even books of business. Although the marketplace is forcing this action, agencies should be aware of the risks involved.

**Details, Details, Details**

One independent agency learned the hard way how a simple error, the result of the factors just discussed, can create significant E&O risk. The agency had several properties to be renewed on a package policy. The incumbent carrier increased the deductible from $50,000 to $500,000, but the employee working on the renewal package solo typed up a new certificate with the $50,000 deductible from the prior-year coverage in the client file.

The mistake was not caught until a property insurance claim came in for $177,000. The insured expected $127,000 of the loss to be picked up by insurance – after the $50,000 deductible.

This situation quickly led to an E&O claim against the agency. It was resolved as an "E&O carrier will pay" claim because there were no defensible facts, as the fault was solely with the agency.

Another E&O risk area within a remote or hybrid work environment is late reporting of claims. Previously, when a client notified the agency about a claim, the agency could typically get the claim to the carrier on the same day. Once the pandemic arrived, a variety of factors led agencies to delay forwarding claims to carriers. That trend continues, and it's adding to E&O risk for agencies.

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**Risk Management Tips**

Independent agencies can take steps to reduce their E&O risk profile. For example:

- **Document declined coverages.** This might require a refreshed process and focus, but it is important to get signoffs from clients about coverages they decline. These declinations can occur in various lines, but especially wind and flood, as they are separate policies, tend to be costly and carry high deductibles.
- **Create a checklist of processing steps for use by all staff, whether remote or in the office.** This increases the chances of all staff operating consistently, regardless of where or when they are working.
- **Use a carrier processing center for processing efficiency and E&O risk management.** Some carriers make a processing unit available without charge or at a reduced rate, depending on production.

If an agency's operations have altered in response to the pandemic or post-pandemic challenges, leadership must analyze their firm's new risk profile. Then, adjustments can be made to workflow protocols to minimize the risks, and the E&O policy can be reevaluated for potential coverage gaps. IJ

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