



10 Tips to Avoid E&O Claims

Reduce Risk, Prevent Loss,
and Stay Protected

1. Put it in Writing

- Document conversations with clients, particularly those that include new information, changes, or promises made.
- Review your notes from meetings or telephone conversations with your clients. Summarize the main points. Assign responsibilities and deadlines to specific individuals.
- File and save a copy of your notes and send a copy to your client.
- Save or type voicemail recordings and messages containing important client information. Add these communications to your client file.
- Utilize a voicemail service and/or educate staff as to how to answer client calls and accurately take messages.

2. Listen to the Client

- Don't ask leading questions to elicit a response you want or need to hear to write a policy.
- Promptly handle problems or complaints.
- Summarize the client's needs and confirm your summary with the client.

3. 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.
- Know you can deliver when you promise, "Don't worry, I'll take care of everything."

4. Don't Generalize

- Avoid vague or general statements that can be misinterpreted.
- Use clear, specific language.
- Common statements and phrases to avoid include: "This policy is just as good as the old one." "Everyone covered by the old plan is covered by the new one." "For all your insurance needs."

5. Stay in your Area of Expertise

- Know your products thoroughly.
- Have and maintain all proper licenses.
- Consult with experts about items outside your expertise (e.g. law, accounting, real estate, etc.).
- If you choose to broker business, do so with companies whose products you know.

6. 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 the company's reputation for denying claims or underwriting "after the fact."
- Check the reputation of Managing General Agents (MGAs) and wholesalers.

7. Standardize Policies and Procedures

- Set up a manual of all routinely-followed procedures. Introduce this manual to all new employees and keep copies available to staff in online shared folders or as printed materials on every employee's desk.
- Document, in writing, each employee's scope

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of authority.

- Develop checklists or utilize project management software to ensure the timely completion of tasks.
- Set up personal and shared employee calendars.
- Maintain and organize files using a traditional filing system or an online filing database.
- Set up a manual for forms and templates with instructions outlining the appropriate use of each.
- Set up a procedure for handling multiple forms of payment, including credit card payment and checks.
- Create a system to receive immediate notification of complaints/comments so they may be promptly addressed.

8. Train your Staff

- Devise a training checklist for new employees.
- Document employee files regarding completed trainings, dates, subject matter and grades of training, etc.
- Hold staff meetings or conference calls every one to two weeks. Send a pre-meeting agenda and follow up with post-meeting notes.
- Train employees on policies and procedures, company products, underwriting guidelines and any other applicable information.
- Emphasize loss prevention.

9. Stay Current

- Designate one person to maintain files and notify employees of changes in federal and state laws that affect your business.
- Track all staff and company license renewal dates.
- Subscribe to and maintain a library of trade journals.
- Regularly attend and/or participate in professional meetings and conventions.

10. Think Defensively

- Maintain a defensive, professional attitude.
- Learn from other professionals who face liability issues such as doctors.
- When transacting business, consider a second opinion or have a witness present.
- Prepare for possible court cases five years into the future.
- Carefully store files, telephone and email communications.
- Maintain ex-employees' contact information for possible future reference.

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