Why Does Errors & Omission Insurance Cost So Much? And, Where Does The Pricing Come From?

Description

E&O pricing can be a mystery, but there is a method to the madness. The base price comes from you, the insured, when you list your gross revenue on the E&O application. The more you make, the more your insurance costs. This is because the insurance companies view higher revenue as more work and higher risk of making a mistake. Higher revenue will require more employees, the more employees you have, the less control you have. That opens the agency to a greater risk of an error or an omission.

Next, the claims come into play. Errors & Omissions Insurance is no different than any other insurance, one claim affects everyone. When there have been many claims in any particular industry, then the general pricing goes up, and we are in an industry that has been riddled with claims. So many in fact, that this year four of the big writers of this type of insurance just left the Title Agent E&O business completely, they are all non-renewing their policies. That leads to less competition, and then rates rise.

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If your company has claims, then you know your rate will increase. How much, depends on the type of claim and the amount of the claim.

A claim example:

Due to an incorrect opinion of title, from an independent attorney. This turned out to be a bad claim and had a bad effect on the pricing. The loss was only $78,000, but the underwriters looked at it very negatively.

The E&O underwriter stated â??*this is what these people do all day, and if they are writing bad opinions, instead of selling the title policy, then they really need to do better*â?•. This *type* of claim, caused the policy premium to soar from $2000 one year to $16,000 for the next two. Eventually the policy was moved to another insurance carrier for a more reasonable premium. Claims and premiums like this effect the whole market.

A few years ago, some of the E&O policies would cover wire fraud losses. Those losses caused rate increases and significant policy changes. Most of the E&O policies now specifically **exclude** any losses or claims associated with money in any way. It is best to obtain a Crime/Fidelity policy and A Cyber policy for this type of loss.

It is important to report all information about claims and revenue as accurately as possible; this accuracy will protect you in the event of a claim.

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Michele Blanco has been working as an Insurance Agent, supporting the Title Agent, Lawyers and Real Estate Industry since 1996. The support started minimally, with just the state required surety bonds, but she quickly realized that Title Agents needed more than just a bond. She independently developed a program offering of all insurances needed to fully protect these businesses.

Michele can help with all lines of insurance and bonds. She is an active member of the VLTA, MLTA and DCLTA.

Category

1. Underwriting

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