Before you change carriers, conduct the "mirror test"
—Paul Walters, E&O Claims Manager, Utica National Insurance Group

As a professional insurance agent, you have a commitment to provide your clients with the best coverage at the most competitive price. To do this, sometimes you must switch carriers. There are, of course, as many reasons to switch carriers as there are insurers.

It could be because: a) the present carrier is non-renewing a policy; b) the client is new to your agency or wants a better price; or c) the current insurer finds fault with the account's loss history.

No matter what prompts the switch, one thing above all must be considered: Does the new policy provide at least as much coverage as the old policy? In other words, does the new policy pass the "mirror test"?

Many carriers use standard policy forms, but this doesn't mean the coverages are comparable. The only way to avoid coverage gaps is to compare the old and new policies—side by side, line by line.

Many endorsements and conditions attached to policies will drastically change the final interpretation of coverage. Never assume that because the basic forms are the same that the protection is identical.

The first thing to consider when comparing old and new policies is premium.

If the new policy is considerably less expensive, it may not provide the same coverage. Reasons for price discrepancies may include higher co-insurance requirements, no replacement cost provisions, lower sub limits, exclusionary language that greatly restricts certain types of liability exposure, and coverage omissions.

Put the new policy to the "mirror test." If you find discrepancies, make sure your client is aware of the coverage differences. If possible, confirm this in writing.

Suppose you're asked to find coverage for a client who is new to your agency.

Merely asking the client about the old policy limits or looking at a copy of an old "dec" page is not enough. Request a complete copy of the previous policy so you can thoroughly compare it to the new policy. Make sure grants of coverage, limits, endorsements, and added exclusions by endorsement are identical.

If the new policy doesn't provide as much protection, the potential for an E&O claim exists.

Take, for example, the case in which an agent failed to replace "business property of others" coverage in a CPP. The client, a contract packager of beauty products, naturally possessed products manufactured elsewhere. A theft occurred and a claim was submitted.

The new carrier provided very limited coverage for items in the client's care, custody, or control, whereas the prior policy provided full coverage for this type of loss. Using an offset for the limited amount paid by the new carrier, **the claim against the agency settled for $120,000**.

Another E&O claim that should never have happened involved a long-standing commercial customer who owned several buildings near a river. The prior CMP policy provided flood coverage for all of the buildings, up to 50 percent of blanket limits. The new policy, which contained a limitation on flood coverage, paid only in excess of any coverage provided by NFIP for each of the buildings.

In essence, the new policy would pay only after incurring $500,000 in damages for each building. Two buildings were damaged when the river overflowed, with $269,000 in damage to one structure and damages totaling $369,000 to the other. But because the loss for each building was less than $500,000, the carrier denied payment. **The claim against the agency eventually settled for $575,000.**

Regrettably, both of these losses could have been avoided had the new policies passed the "mirror test." The best way to avoid an E&O claim is to conduct a rigorous comparison of old and new policies. The time it takes at the outset will save you head—and heart—aches later.