

## **Best Practices: Tips to avoid processing errors and ensure customer satisfaction**

Farmers agents are dedicated to helping people protect what matters most to them. As you work to put customers first, it's important to conduct business in accordance with all company policies, rules, and manuals, and with all applicable laws and regulations. With this in mind, below are ten tips on how to prevent certain processing errors or potential disputes within an agency:

### **1. Incorrect policy type selected or failure to update policy type**

Although it may be challenging to conduct business in accordance with applicable policies and avoid errors during busy times, you and your staff must remain vigilant; the failure to do so can lead to errors. Below is a hypothetical example of what to avoid:

An agent is preparing for an in-office appointment with a current customer for a Farmers Friendly Review at 11:00 a.m. At 10:55 a.m., the agent receives a call from a new customer looking for Renters coverage. As he speaks with the prospective customer, the current customer arrives. To expedite the call, the agent does not ask all questions on the application and instead assumes many of the common answers. After just a few minutes on the phone, the agent tells the customer to expect an email later that afternoon with a premium quotation.

A few weeks later, the customer who contacted the agent about the Renters policy calls about a claim from their renter who slipped and fell at their rental property. The agent then realizes that the customer owned the property and was looking for an owners, landlords, and tenants (OL&T) policy, not the processed Renters policy.

Prevention tip: Although responding to new business opportunities promptly is important, do not rush or skip questions or procedure as this can lead to errors. When gathering information to procure a policy a customer requests, always ask all application questions and do not assume anything in order to save time.

### **2. Endorsement not updated**

Some people may assume that the contents coverage on their Homeowners insurance policy will apply to any loss within the policy limit. The policyholder has a responsibility to read their policy and its exclusions; however, most customers find it easier to pick up the phone to call their agent with specific questions. Don't make the mistake of responding to questions without referring to the specific policy issued to the customer.

For example, a customer calls to inquire about her limit for jewelry coverage. Speaking from memory, the agent incorrectly represents that she is insured up to the available contents limit on the policy for jewelry; however, non-scheduled jewelry is actually sub-limited to \$1,500. The customer later files a claim because she left a \$7,000 ring in her locker at a spa, and when she returned to her locker, the ring was no longer there. The carrier rejects the claim for the ring as mysterious disappearance is only covered if the item was scheduled on a jewelry floater.

Prevention tip: Review the specific policy terms before responding to customer questions, and discuss the difference between scheduled and non-scheduled jewelry.

### **3. Unable to locate the signed coverage selection/rejection form, or coverage not added**

Signed coverage selection/rejection forms and waivers provide evidence of whether coverage was offered to a customer, coverage was rejected, or a lower limit was selected. Read below for an example of what can happen if you fail to retain a rejection or waiver form:

An agent receives a call from a new customer requesting an Auto policy. All forms are completed and signed; however, the policy did not include UMPD or UM/UIM coverage, and the agent did not retain a rejection or waiver form. A few weeks later, the customer is injured in a serious accident with an uninsured driver. A claim is submitted to the carrier, and coverage is denied. The injured customer then sues the agent and the carrier.

Prevention tip: Have a system in place to ensure that offers are made and documentation is maintained and submitted as required. Some state laws mandate the offer of certain coverages and retention of the completed coverage selection/rejection forms.

### **4. Endorsement required for coverage**

When long-time customers provide their agent with new information, it's important for the agent to ask follow-up or probing questions to clearly understand how the new information may relate to the customer's current policy. Below is a hypothetical example of what can happen if an agent fails to follow up after learning about a customer's change in circumstances:

Prior to the renewal of a customer's Homeowners policy, she informs the agent that she is now running her business at home. She

no longer rents office space and has set up a home-based office. As she is a business consultant, she asks whether or not her office equipment is covered by her Homeowners policy. The agent informs her that it is covered up to the limits on her Homeowners policy. The home is destroyed by fire, and the customer submits a claim. Included in the inventory are several computers, tablets, phones, fax machines, and research and reference books and materials. The customer is informed by the adjuster that the policy excludes coverage for her business personal property. The customer immediately calls the agent to challenge this limitation.

Prevention tip: Take time to discuss coverage limits and exclusions with customers. If a customer's circumstances change, ask questions to identify whether the customer may be interested in additional coverage options. Be specific and avoid vague or broad statements as these may be misinterpreted.

## 5. Rental endorsement not added

Documenting phone conversations with customers can help prevent misunderstandings. Below is an example of how summarizing a conversation with an insured may help avoid future disputes:

An insured decides to trade in her car. She calls her agent's office to inform him and to make sure that she will have "full coverage" for the new vehicle. The agent's staff member speaks briefly with the insured and reminds her to come by the office to finalize everything; she agrees. The insured never takes the time to visit the agent's office, the policy is not updated with the new vehicle, and it renews with the previous coverage.

Two weeks later, the customer is involved in an accident and discovers her policy has no rental reimbursement coverage, yet the insured insists that she was told by the agent's staff member not to worry, she had full coverage. The agency staff member's recollection is that she informed the insured that the coverage was only liability, collision and comprehensive. There is limited documentation in the agency file, and a dispute between the insured and the agent results.

Prevention tip: The staff member could have avoided this by sending a summary of her conversation with the customer to document what was discussed. The staff member also could have set a diary and reminded the customer to come in for a coverage review.

## 6. Agent request for changes not processed

Following underwriting procedures and guidelines is important for processing coverage changes. Below is an example of how a lack of coverage may be caused by an agent's failure to follow underwriting procedures:

A commercial building owner contacts her agent and advises that she has made recent building improvements and needs to increase the limits on the property. The agent requests the increase from underwriting. The underwriter sends several questions to the agent, who never responds. The building is damaged by wind, and the adjuster applies a co-insurance penalty because it is not insured to value as required for replacement cost coverage.

Prevention tip: When customers request changes, have a procedure in place to satisfy underwriting requests and to respond to the customer. Develop procedures that ensure that the entire transaction cycle is completed.

## 7. Incorrect deductible

When a customer requests a change in coverage, it's important to thoroughly discuss what the revised policy will cover. Below is an example of how a change request can cause an agent to lose a long-time customer:

A homeowner contacts the agent to discuss options regarding how to lower his premium without lowering his limits or otherwise reducing coverage. The agent reminds him that he had elected the lowest possible deductible and if he is open to an increase in the deductible, he can save some premium dollars. The agent offers a flat deductible of 2%, and the customer agrees.

When the customer has a water loss at his home, he learns that the 2% deductible is calculated by using the property limits on the home and that his deductible exceeds the loss. The customer is furious that he has to pay the entire cost of the damages out-of-pocket, insisting that the agent explained that the deductible was 2% up to a maximum of \$500. The customer moves his business to another agent at his next renewal.

Prevention tip: Answer customer questions as specifically as possible. Remember, customers may be unfamiliar with industry terms or how insurance policies work and may appreciate additional discussion regarding what is and is not covered.

## 8. Unable to locate PIP rejection/waiver form, or PIP not added

Customers may decide to waive coverage and later forget or challenge the decision when they are involved in a situation that would have been insured by the coverage they rejected.

For example, an insured looks for ways to reduce his coverage, including by waiving Personal Injury Protection (PIP) coverage. When a friend is injured as a passenger in his vehicle, the customer mistakenly fails to recall his decision to reject PIP coverage. Without proper documentation showing the customer's decision to waive coverage, this can turn into a challenging situation with the customer.

Prevention tip: Follow proper documentation procedures when customers choose to reject coverage (or select lower limits). Always use the coverage rejection/waiver forms, and retain copies of the signed forms in the customer file.

### **9. Vehicle change not made as insured requested**

It's important for agency staff members not to make representations of coverage to a customer by phone before confirming coverage will be bound. Below is an example of how such a representation may create a problematic situation:

An insured calls the agency to advise them that he has purchased a vehicle and is faxing over the information to add the new car to his policy. The CSR on the phone tells the customer that the vehicle will be added to his policy with no changes to the existing coverage. A few days later, the customer is involved in an accident.

The claim is initially denied because the vehicle is not listed on the policy because an inspection is required to add comprehensive and collision coverage for the vehicle. When the customer calls the agency, the CSR admits that she did not tell him that an inspection was needed.

Prevention tip: Agencies should not assure customers of coverage or policy terms without first ensuring that appropriate underwriting guidelines are observed, and following up with the customer in writing.

### **10. Insured's billing/policy address not updated**

Errors can be caused by failure to process coverage requests timely.

Prevention tip: Agents should immediately process customer and coverage change requests. Agencies should have checks and balances in place to log customer requests and confirm execution of requests.