

NEW INDEPENDENT INSURANCE AGENCY

Helpful Hints for Completing an E&O Application



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PROFESSIONAL LIABILITY

The following helpful hints are intended for the Westport Insurance Corporation application, if you are applying for E&O coverage for a new independent insurance agency. Please read the instructions carefully as this will help move the application through the underwriting process in the most efficient manner.

Resume and Business Plan: We will need a current 10 year resume from each active owner and/or manager of the agency as well as a 5 year business plan. A resume will provide the underwriter with some history of your experience in the insurance industry. A business plan is not only an important tool for the E&O underwriting process, but also nearly every successful agency started with a clear vision and sound business plan. A business plan is essential for solid company relationships especially for a new agency with no track record.

Question 1— Applicant’s Legal Entity

1. a. Agency's **Legal Entity** Name: *(proposed First Named Insured)*

b. Organization Type: Individual Partnership Corporation LLC Other: _____

c. Federal Employer/Tax ID No.: _____

d. Is the agency a member of the state independent insurance agents' association? Yes No
If Yes, provide agency active directory ID No.: _____

e. Date entity established*: ____/____/____ (month/day/year)
**If less than 3 years, attach resume and business plan*

f. Is coverage requested for any majority owned additional insurance agency entities or trade names (DBA entities) that should be listed on the policy? Yes No
If Yes, complete the **Additional Entity Supplement** for all entities not currently listed on your current Westport policy.

E&O TIP FOR CAPTIVE AGENTS

The quote for a new independent agency will generally include a retroactive date of inception. This means you will have no prior acts coverage for "wrongful acts" that occurred prior to the effective date of your new policy. It is important that you contact your expiring E&O carrier for explanations of tail coverage.

1(a) - Sole proprietors should indicate the name of the agency and the name of the owner. All other organization types should indicate the full, legal name of the agency.

1(d) - If not a member of IIAM, leave the "agent active directory ID No." blank.

1(e) - The "Date entity established" will be the date you began or intend to begin operating your agency.

Question 6— Premiums & Commissions for the "Last 12 Months" & "Next 12 Months"

	Last 12 Months	Next 12 Months (Estimated)
6. a. Total P&C new & renewal premiums written annually	\$ _____	\$ _____
b. Total P&C new & renewal annual commissions	\$ _____	\$ _____
c. Total Life and A&H new & renewal annual commissions	\$ _____	\$ _____

The figures for the last 12 months will be "0" for a new agency or a captive agent starting a new independent agency. It is important that the figures listed in the next 12 months are good estimates for what you believe your agency will achieve over the next year. Keep in mind that P&C commissions are usually 10%-15% of the P&C premiums.



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Question 7— Number of Personnel

Only count each individual once. If an individual can be classified in more than one category, find one category that best fits.

7. a. Number of Personnel: *(each individual should be counted only once)*

	Full-Time	Part-Time
Active Owners, Officers, Partners		
Licensed Employee Solicitors, Brokers, Agents		
Licensed CSR's		
Non-Licensed CSR's		
Other Licensed Employees (Including Clerical)		
Non-Licensed Employees (Including Clerical)		
Exclusive, Non-Employee Producers		
Non-Exclusive, Non-Employee Producers		
TOTAL STAFF:		

- b. What % of licensed staff have agency experience? Less than 3 yrs. _____% 3-5 yrs. _____% >5 yrs. _____%
- c. What was the average turnover rate for the last three years? _____%

E&O TIP

- An exclusive non-employee producer is an independent contractor that places business only through your agency, using the agency's staff & physical facilities
- A non-exclusive, non-employee producer is an independent contractor that does not office with you and occasionally places business with your agency as well as other agencies or with his/her own companies.

Question 8— Type & Percentage of Insurance Placed

This section must be completed. New agency's should enter estimates for the "Current Year" percentages. The total for P&C Commercial Lines plus Personal Lines must equal 100% (not 200%).

The Life/Health percentages should only be completed if you listed Life and A&H Commissions in question 6(c). The total for Life Insurance and A&H Insurance must equal 100%.

8(c)—provide an estimated number of policies your agency expects to write in the next 12 months to produce the Gross Annual Premiums you are advising in question 6(a).

8. a. Type and Percentage of Insurance Placed (complete Current Year if different from Prior Year):

Commercial Lines (% of Total P&C Premiums)	Current Year	Prior Year	Life Insurance & Annuities (% of Total Life/A&H Commissions)	Current Year	Prior Year
Commercial Auto	%		Annuities - non-variable	%	
BOP/CGL/Package	%		Annuities - variable	%	
Umbrellas/Excess	%		Credit Life	%	
Property Coverage	%		Group	%	
Crop Coverage	%		Individual	%	
Workers Compensation	%		Other (List):	%	
Flood	%			%	
Wet Marine	%			%	
Livestock Mortality	%		A & H Insurance		
Medical Malpractice	%		Group – Carrier Insured	%	
Professional Liability Non-Medical	%		Group – Self-Insured	%	
Aviation	%		HMO/PPO/DSP	%	
Bonds - Surety/Contract	%		Individual	%	
Bonds - other	%		Disability – Individual	%	
Long-Haul Trucking	%		Disability – Group	%	
Other (List):	%		Other (List):	%	
	%			%	
	%			%	
TOTAL COMMERCIAL LINES:	%		TOTAL Life, Annuities, A&H	100%	
Personal Lines					
Auto-Standard	%				
Auto-Non-Standard	%				
Auto-Assigned Risk	%				
Homeowners & Standard Fire	%				
Non-Standard Fire/FAIR Plan	%				
Watercraft	%				
Umbrella	%				
Flood	%				
Farmowners	%				
Other (List):	%				
	%				
	%				
TOTAL PERSONAL LINES:	%				
COMMERCIAL + PERSONAL	100%				

b. Does the agency place insurance in more than 3 non-resident states? Yes No

If Yes, do the agency personnel have more than 3 years experience placing coverages in those states? Yes No

c. For all lines of business, what is the approximate number of policies in force? _____



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Question 9— Top Five Property & Casualty Insurance Carriers

9. a. List the top 5 agency-contracted **Property & Casualty Insurance Carriers** by annual premium:

Complete Name of Insurance Carrier	Years Represented	Annual Premium
		\$
		\$
		\$
		\$
		\$

b. (1) Indicate approximate amount of business agency places with carriers that are:

Rated less than B+ by AM Best: _____% Non-Admitted: _____%
 Not Rated (NR) by AM Best: _____% if "Not Applicable"

(2) Does the agency have a procedure to notify policyholders of carrier's rating or adverse change? Yes No

E&O TIP

The entities listed in Question 9(a) are carriers you will place business with directly—not through an MGA, broker or other retail agency companies.

- 9(a) - List the top five carriers you have either formed contracts with or plan to form contracts with over the next 12 months. Indicate the number of years represented ("0" is acceptable) and the estimated annual premium volume for each carrier.
- 9(b1) - Use estimations over the next 12 months. If there will be no placements by your agency with carriers rated less than B+, not rated or non-admitted, then check the "Not Applicable" box.
- 9(b2) - Answer "Yes", if your agency will be implementing a procedure to notify policyholders of carrier's ratings or adverse change within the next 12 months.

Question 10— Percentage of Property & Casualty Business Placed

10. a. Percentage of **Property & Casualty** business placed:

- (1) **Directly with carriers** (other than as a broker, MGA, or surplus lines broker) _____%
- (2) **Through any other third party** (i.e. a wholesaler, surplus lines broker, other retail agencies) _____%
- (3) **As a broker** (including surplus lines) _____%
- (4) **As an MGA** _____%
- Number of sub-producers? _____ **TOTAL:** _____%
- Are E&O Certificates of Insurance required from all sub-producers? Yes No

b. List agency's top 5 **Property & Casualty Brokers, MGA's or Intermediaries** by annual premium: (✓ if "None")

Name of Broker, MGA or Intermediary Through	Annual Premium
	\$
	\$
	\$
	\$
	\$

E&O TIP

The total estimated premiums identified in question 9(a) plus the premiums identified in question 10 (b) should not exceed the total estimated Gross Annual Premiums identified in question 6(a).

- 10(a1) - Indicate the estimated percentage of business you expect to place directly with carriers over the next 12 months.
- 10(a2) - Indicate the estimated percentage of business you expect to place through wholesalers (MGAs, surplus lines agents, and other agents & brokers) over the next 12 months.
- 10(b) - List the top five entities you have either placed business with or plan to place business with over the next 12 months, along with the estimated annual premium volume for each entity.



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Question 18— Office Procedures for all locations

18. Office Procedures for all locations:		Yes	No
a.	Are incoming documents date-identified?	<input type="checkbox"/>	<input type="checkbox"/>
b.	Does the agency maintain a policy expiration list?	<input type="checkbox"/>	<input type="checkbox"/>
c.	Is there a procedure to use a coverage checklist on commercial proposals?	<input type="checkbox"/>	<input type="checkbox"/>
d.	Is there a procedure to maintain written documentation of all rejections of coverage?	<input type="checkbox"/>	<input type="checkbox"/>
e.	Is there a procedure to periodically review renewal risks for needed changes in coverage?	<input type="checkbox"/>	<input type="checkbox"/>
f.	Is there a procedure to document that policies and endorsements are checked for accuracy prior to delivery?	<input type="checkbox"/>	<input type="checkbox"/>
g.	Is there a procedure for documenting telephone conversations?	<input type="checkbox"/>	<input type="checkbox"/>
h.	Does agency use a diary/suspense/follow-up procedure? If Yes, confirm type: <input type="checkbox"/> Automated Procedure <input type="checkbox"/> Non-Automated Procedure	<input type="checkbox"/>	<input type="checkbox"/>
i.	Does applicant have a specific orientation program for new employees?	<input type="checkbox"/>	<input type="checkbox"/>
j.	If multiple office locations, do all locations use a centralized agency management system? <input type="checkbox"/> n/a	<input type="checkbox"/>	<input type="checkbox"/>
k.	If multiple office locations, do all locations use same workflow procedures? <input type="checkbox"/> n/a	<input type="checkbox"/>	<input type="checkbox"/>
l.	Do you encrypt or use other measures to protect personal data when transmitted?	<input type="checkbox"/>	<input type="checkbox"/>

Each question must be answered "Yes" or "No". Answer "Yes" if you will be implementing over the next 12 months.

Question 19— Errors and Omissions Loss Control Seminar

19. Have required agency personnel participated in a Westport/IIABA state-sponsored Errors and Omissions Loss Control Seminar in the past 3 annual policy terms? Yes No

E&O seminars are the basic foundation of agency E&O risk management. Attending IIAM's E&O loss control seminar titled "E&O Risk Management: Meeting the Challenges of Change" may qualify your agency for a 10% E&O Premium Credit for 3 years, subject to remaining claims free. Visit IIAM's website, www.iiamd.org, to register for the next E&O Risk Management seminar and review the staff attendance requirements to qualify for the 10% E&O Premium Credit.

New Independent Insurance Agency Submission Checklist

- Completed E&O Application
- 10 year resume (be sure to include the date you received your P&C and/or Life/Health insurance license as well as any degrees and professional designations held)
- 5 year business plan
- Completed Supplements
 - Life/Health Supplement—only needed if Life/Health Commissions exceed P&C commissions or exceed \$500,000
 - Additional Insured Supplement—to identify additional named insureds and/or majority owned entities
 - Employment Practices Liability— if hiring employees



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