

Importance of Buying Extended Reporting Period for Errors & Omissions Claims

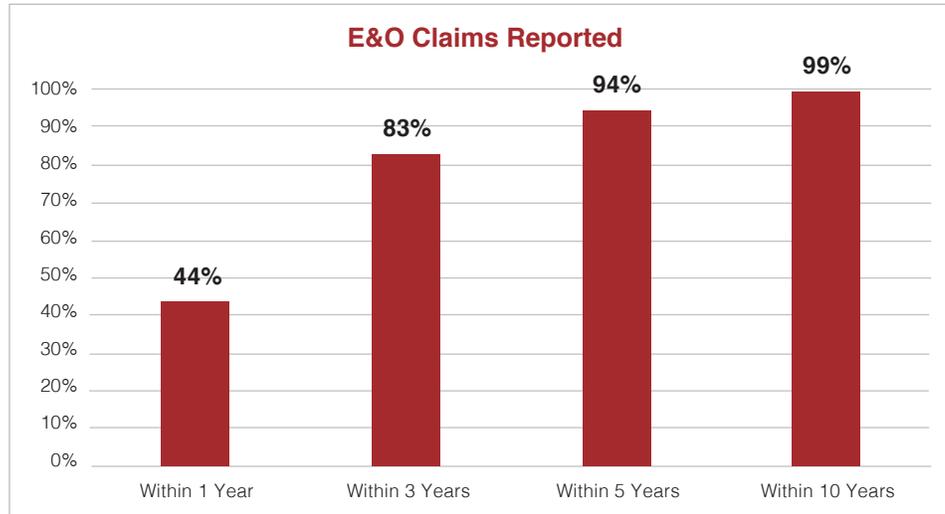
When errors and omissions (E&O) coverage is approaching termination, careful consideration should be given regarding options for purchasing **Extended Reporting Period Coverage**. In a recent study of Utica National's Agents' E&O claims reported from 2014-2017, the analysis focused on the date of the agent's error compared to the date the E&O claim was made against the agency. Less than half (44%) of the E&O claims reported were reported within 12 months of the actual date of the loss. Stretching the time period to three years increased the percentage to 83%. However, there is still a significant number of claims (17%) reported after three years.

Typically, when a loss occurs and is reported to the carrier, there is a lag time where the carrier is evaluating the claim and determining whether there is coverage for the loss or not. If there is no coverage, the claim is subsequently denied. At that time, the client typically starts to have some discussion with the agency as to why there was no coverage. This is when attorneys may get involved.



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For the agencies looking to sell, there is a key provision that needs to be extensively considered. Most claims-made policies refer to this provision as an "**Extended Reporting Period**," also known as tail coverage. This coverage allows an insured to report claims that are made against the agency after a policy has expired or been canceled with the condition that the wrongful act that gave rise to the claim took place before the policy expired or was canceled.



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