



Allstate Answers Pleas from NAPAA and NAB for E&O Reform

Allstate agents across the county recently received some very welcome news about their 2016 Errors and Omissions policy renewal: Allstate has implemented changes that will positively impact the E&O program.

Agents that have been around since 2010 have seen their rates nearly double. During this same period, NAPAA has seen a marked increase in the number of agents experiencing claims that the company has turned over for payment under the agents' E&O coverage. In essence, it seems as if Allstate has been overzealous in using agent policies to subrogate losses and recover amounts paid. Since this behavior reduces the company's loss ratio and claim-handling expense, there has been little incentive for Allstate to help agents avoid the kinds of policy changes that have produced the claims, many of which have been caused by failing to comply with underwriting guidelines.

In an ideal world, independent contractors would know all the rules and would not make the kinds of mistakes that have occurred. But in reality, agents may not fully understand, for example, that cars on the ineligible car list not only apply to new business, but to renewal business as well. If they did understand, but added an ineligible vehicle anyway, Allstate's system wasn't catching it. This failure to monitor endorsement activity has led agents to conclude that either risks are acceptable, if they go through Allstate's system unimpeded, or that the system is so unsophisticated, it is easy to manipulate.

NAPAA leadership was determined to inform both Allstate and the agency force of this flaw, so in 2013 and 2014, NAPAA published this series of articles in *Exclusivefocus* that addressed the issue:

[Errors and Omissions – What You Don't Know Could Cost You](#)

[What You Can Do About Soaring E&O Rates](#)

[Support Your Errors and Omissions Policy with a Proactive Plan](#)

NAPAA leadership feared that E&O rates would spiral out of control unless proactive measures were taken. The *Exclusivefocus* articles presented the problem, gave examples, and called upon the agency force, the company and the NAB to take steps to rein in the problem:

- **For Agents:** Maintain ongoing diligence in product knowledge, underwriting rules and RMPs; strict adherence to underwriting guidelines and continuous staff training;
- **For the National Advisory Board (NAB):** Take up the issue with Allstate and press for changes; and
- **For Allstate:** Incorporate endorsement technology that warns agents of underwriting violations, and take responsibility for the losses incurred because of its failure to reject unacceptable endorsements.

Following negotiations between Allstate and Allianz (the E&O carrier) for the 2016/2017 policy year, Allstate has agreed to assume greater financial responsibility, and Allianz has agreed to cap the premium increase at three percent. Allstate is also forming a centralized management group to review E&O claims before they are submitted to the E&O insurer. In addition, the company has begun to flag policy endorsements which do not meet the RMPs, and will measure and monitor out-of-pattern trends, which will improve loss control in future years.

Kudos to Allstate and the NAB for working toward these improvements! NAPAA is pleased with the results of this effort and for the role it played in achieving them.

The views we express here on this site or in any of our other official communications are solely those of NAPAA, and do not reflect the views or the opinions of Allstate Insurance Company, or any of its affiliates.