



E&O Q&A

By Mary LaPorte, CPCU, CIC, LIC, CPIA

Agent's questions about Errors and Omissions, and how E&O losses can be prevented.

Q: We have been struggling to conduct internal audits. It seems that every time we have an audit scheduled, something happens that we are either too busy, or the people who are responsible for the audits are either not available or swamped. We understand the benefit, but are puzzled how agencies can pull this off if they are really as busy as we are.

Bobbi, Indiana

A: Bobbi, I want to commend you for recognizing how important this is for your operations management strategy. I also sympathize with your dilemma. It is not easy to find extra time in a busy agency to attack additional projects. Before addressing the lack of time, let me help the other readers understand the importance of internal auditing.

First, it is critical today to have written procedures which help employees understand how management expects each task to be handled. If your agency currently does not have written procedures, then development of these procedures should be a priority. Even when you have knowledgeable, experienced employees, there is no guarantee that agency standards are being upheld consistently. That is where auditing comes in.

Employees can be turned off by the term "audit" and tune out when we talk about them. No one likes the idea of someone looking over their shoulder, checking everything they do. The term "audit" could easily be replaced with "quality control" which might be easier for everyone to accept. It makes sense that good agencies are concerned about quality, and performing quality control reviews helps assure that everyone is performing at the level expected by management. The challenge is when and how to get this done.

While some agencies have been successful in conducting audits on an scheduled basis, perhaps quarterly or semi-annually, even the best laid plans are sometimes put aside when staffing or servicing challenges occur. The agencies which are most successful are those who do not schedule occasional audits, but conduct audits on a continuous, ongoing basis. One method is to assign this task to one or two individuals who might also have other duties to perform in the agency. Another option is to have employees perform "peer" audits.

Peer audits require that each individual is responsible for auditing the work of their co-workers or "peers." Management needs to carefully develop simple auditing checklists to be completed, and assign the accounts to be audited to each individual. Even if each person only audits one or two files per week, it is very beneficial overall. As employees become accustomed to auditing files as part of their regular workload, it becomes quite routine and should not interfere with completing other duties. Completed checklists should be returned to supervisors or managers who address any issues with the employee who handles that account.

By establishing a system of continuous audits, management can be assured that quality control is ongoing and that agency standards are upheld.

*Mary LaPorte is a consultant and educator with a strong background in Errors & Omissions loss prevention. Forward your E&O questions to marylp@lpinsuranceconsult.com
2016 LaPorte Consulting, LLC. All Rights Reserved*