

SIMPLE STEPS TO REDUCE YOUR E&O COSTS

By: Lisa Robinson, CIC

Your Errors & Omissions policy is a critical component of your business operation. E&O premiums have risen significantly in the past few years due to increased litigation against real estate firms. There are many factors that are taken into consideration by an underwriter in the development of your E&O premium. The following information will assist you in your efforts to reduce your E&O premium.

FACTORS THAT DETERMINE YOUR PREMIUM

Underwriters will assess the amount of risk your firm generates based on some of the following characteristics:

- **Residential vs. Non-residential activities** (property management, land/lots and commercial)-Anything outside of residential may result in a surcharge to your premium.
- **Size of firm/Number of agents**-additional credits available for larger firms.
- **Claims/Department complaints**-less claims allow for more premium credit.
- **Total gross commission income**-as your revenues grow your premium will increase.
- **Years of prior acts coverage**-credits will apply for limited prior acts coverage.
- **Limits of Liability carried and deductible level**-your premium will increase for higher limits of liability and lower deductible levels.
- **Optional coverages**-enhanced coverages/endorsements will increase your policy premium.

RISK REDUCTION TOOLS THAT POSITIVELY IMPACT YOUR E&O RATES

The following activities undertaken by the firm and its agents will allow for additional credits to your E&O rate:

- **Attendance of loss mitigation/risk reduction seminars**
- **Continuing education classes**
- **Use of standard contracts and disclosure forms**
- **Use of Home Warranties**
- **Use of Home Inspections**
- **Professional Designations**
- **Experience of Agents and Broker**
- **Years in Business**
- **Standardized policies and procedures**