

# Title Company E&O Insurance

## The Complete Guide

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This guide is for the title professional who wants to make confident insurance decisions.

By the last page, we will have guided you through -

1. **The Basics:** The components of E&O coverage and why it's important
2. **The Variations:** The important differences between E&O insurance across the industry
3. **The Decisions:** How we recommend building your proper insurance plan

### Make this guide personal:

Your Business Name:

Your First Name:





## 1| The Basics

# E&O Coverage Components and Importance

, welcome to your complete guide for Title Agent E&O coverage.

Our first objective is for you to know the intent of errors and omissions (E&O) insurance and how a policy is structured. Knowing these “basics” will help you understand the risks that can be offset by E&O insurance and help you navigate an insurance policy to find the information you need.

### Intent of E&O Insurance

#### *What is the purpose of E&O?*

E&O insurance is for service-focused professions. It provides coverage when someone suffers damage they believe was caused by the professional services they received from

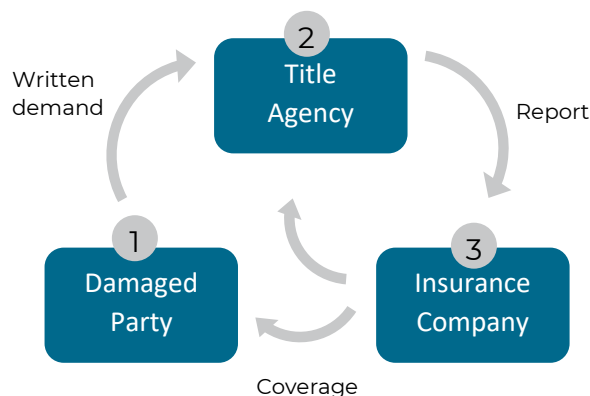
This is the inherent risk that all service professionals face.

#### *What does E&O coverage typically include?*

Coverage afforded in an E&O policy typically addresses the damages someone suffered, as well as investigation and litigation costs that arise for you, the insured. However, we will see how coverage can vary greatly in the coming sections.

#### *What risks are offset with E&O?*

You will serve a multitude of clients throughout your career. One transaction with a client who is negatively affected (whether or not your agency was at fault) can lead to substantial repercussions. Selecting proper E&O insurance is an important business decision to offset the financial impact of these risks you face as a title agent.



# E&O Policy Components

While all E&O insurance has a basic intent, the policies are a little more complex when specifying coverage.

Below are the components of an E&O policy and what each section communicates. Knowing these components is key to understanding where differences arise between policies and will also help you navigate your policy for clarification when you need it.

## 1 | Declarations Page

The high-level overview of your coverage amounts, the amounts you are responsible for, your retroactive date and your policy period.

**“Insured:**

**Coverage Amounts:**

\$1,000,000/\$2,000,000

**Deductible:** \$5,000

**Premium:** \$10,000

**Retroactive Date:** 1/1/2015

**Policy Period:** 12:01AM  
1/1/21 – 12:00AM 1/1/22”

## 2 | Insuring Agreements

Statements that detail what the insurance company is agreeing to insure.

Throughout this section, many words within these statements will be highlighted for further explanation in the next section.

*Example:*

“**We** agree to provide coverage for the **professional services** performed by **you**”

## 3 | Definitions

This ‘dictionary’ of the policy gives further meaning to the Insuring Agreement section. And these two sections often give the most insight into the true, deeper intent of coverage the insurance company is offering.

*Example:*

“**We** – The insurance company  
**Professional Services**  
– The insured’s services including...  
**You** – The Insured”

## 4 | Exclusions

The outline of scenarios the insurance company is *not* agreeing to insure.

*Example:*

“**We** will not provide coverage for intentional, unlawful acts”

## 5 | Endorsements

Overlaying changes to your *entire* policy. Endorsements, also referred to as “Riders”, can either limit or expand coverage in small or large ways.

*Example:*

“The Insuring Agreement is amended to read....”

## 6 | Conditions

Renewing, cancelling, giving notice of a potential claim or actual claim, and other important processes are outlined step by step in this section.

*Example:*

“The Insured must notify the insurance company of claim through this process...”



## 2| The Variations

# E&O Insurance Differences in the Industry

Like any other product or service you purchase, there are variations when selecting E&O insurance. However, unlike most purchases, these variations can have substantial positive or negative impacts on your business.

Fortunately, you are here to learn about these differences and how to approach this decision so you can be confident in your coverage.

### E&O Insurance Differences

When you select E&O insurance, remember you are selecting –

- The insurance professional who will guide you through that coverage and through important business decisions ①
- The insurance organization that will serve you throughout your lifetime as a client and guide you during claim time ①
- A policy's promise of coverage ②
- The amount of coverage and cost ③

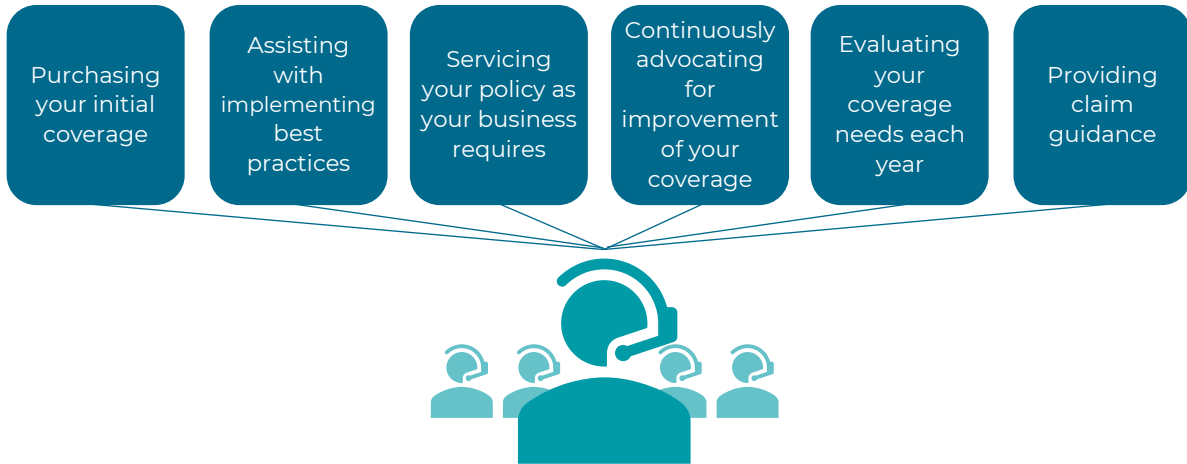


Each of these selections can be categorized into three overall categories that will frame your decision: **Insurance Advising**, **Policy Language** and **Cost Factors**.

You will face positive and negative variations in each of these areas. We will review each of these in detail so you can be aware of the variations and prioritize what is important.

## E&O Insurance Differences | Insurance Advising

The insurance professional and organization you select impacts every step of the insurance process, and can have significant positive or negative effects in each stage:



There is no replacement for an insurance expert advocating for you every step of the way. For perhaps the most important decision, here are the different areas to consider when selecting an insurance organization and professional, and the most advantageous choice (in our experience):

<b>INSURANCE COMPANY RELATIONSHIP</b>	<p><b>Insurance Company</b> Represents its own insurance products</p> <ul style="list-style-type: none"> <li>✗ Limited to insurance company selection</li> <li>✗ Claims support is through the insurance company without outside consultation beforehand</li> <li>✓ Potentially quicker process times</li> </ul>	<p><b>Insurance Broker</b> Represents insurance products from multiple insurance companies</p> <ul style="list-style-type: none"> <li>✓ More selection among industry offerings</li> <li>✓ Claims support prior to engaging the insurance company</li> <li>✗ Potentially longer process times</li> </ul>
<b>INSURANCE PRODUCT EXPERTISE</b>	<p><b>Specific Product Expertise</b> Focus on one insurance product</p> <ul style="list-style-type: none"> <li>✗ No insight into multiple coverage intents and potential overlaps</li> <li>✓ Very knowledgeable in one product</li> </ul>	<p><b>Broad Product Expertise</b> Assists with multiple insurance products</p> <ul style="list-style-type: none"> <li>✓ Insight and synergy between all necessary coverages</li> <li>✗ May be less familiar with uncommon products</li> </ul>
<b>INDUSTRY EXPERTISE</b>	<p><b>Broad Industry Expertise</b> Assists with all industries</p> <ul style="list-style-type: none"> <li>✗ Only superficial understanding of the many industries without specific knowledge</li> </ul>	<p><b>Specific Industry Expertise</b> Focus on one or subset of industries</p> <ul style="list-style-type: none"> <li>✓ Deeply familiar with nuances in your industry and profession to provide better guidance</li> </ul>
<b>COVERAGE IMPROVEMENT</b>	<p><b>Reactive</b> Make coverage changes to their product reactively or when the market forces</p> <ul style="list-style-type: none"> <li>✗ Can leave you exposed for a period of time</li> </ul>	<p><b>Proactive</b> Influence coverage and encourage proactive and continual improvement</p> <ul style="list-style-type: none"> <li>✓ More likely to maintain relevant and proper coverage over time</li> </ul>
<b>RESOURCES</b>	<p><b>Dedicated Advisor</b> Low support system to advise and service your company</p> <ul style="list-style-type: none"> <li>✗ Potentially slower production of important documents upfront and throughout the year as your business requires</li> </ul>	<p><b>Dedicated Advisor and Team</b> High support system to advise and service your company</p> <ul style="list-style-type: none"> <li>✓ Faster production of important documents upfront and throughout the year as your business requires</li> <li>✓ Potential of providing helpful reminders and education for you throughout the year</li> </ul>

## E&O Insurance Differences | Policy Language

You've learned that E&O policies contain different sections, statements, and definitions. This language ultimately describes the promise of coverage you are purchasing and answers the first question at claim time: "Is there coverage?"

Discussing with an insurance professional how the policy language aligns with the **coverage intent**, your **specific professional services** and how you conduct business, and your **industry's evolutions** over time can help you either identify red flags or help you build confidence in the coverage.

Review the table for the variations to look for within these areas and for questions to begin the discussion with your advisor.

LANGUAGE ALIGNMENT	VARIATIONS AND WHAT TO LOOK FOR	QUESTIONS
<b>REINFORCEMENT OF THE COVERAGE INTENT</b>	Identify restrictive or supporting language within policy sections. <ul style="list-style-type: none"> <li>• Words that clarify the what, how and who such as "resulting from," "only if," and "actual or alleged"</li> <li>• Overly broad wording</li> <li>• Contradictory language between policy sections</li> </ul>	Clarify coverage intent. <ul style="list-style-type: none"> <li>• What scenarios is the coverage intended for?</li> <li>• How is &lt;example scenario&gt; handled?</li> <li>• What exclusions should I be aware of?</li> <li>• How does this language affect the coverage?</li> </ul>
<b>SPECIFIC TO YOUR PROFESSION</b>	Identify language that neglects or acknowledges certain aspects of your business. <ul style="list-style-type: none"> <li>• Overly vague references that can be used across professions</li> <li>• Specific and comprehensive references to your business</li> </ul>	Determine applicability to your profession. <ul style="list-style-type: none"> <li>• How are my services as a &lt;example service&gt; addressed?</li> <li>• Does this insuring agreement or definition align with my profession?</li> </ul>
<b>EVOLUTION WITH YOUR INDUSTRY</b>	Identify current or outdated language based on your current industry landscape. <ul style="list-style-type: none"> <li>• Aspects that have evolved with your industry               <ul style="list-style-type: none"> <li>- Regulations (<i>CFPB TRID 2015</i>)</li> <li>- Risks (<i>wire fraud 2015</i>)</li> <li>- Shifting customer needs (remote online closings 2019)</li> </ul> </li> <li>• Outdated statements that no longer apply to the industry</li> </ul>	Compare the evolution of the policy to the evolution of your industry. <ul style="list-style-type: none"> <li>• What new industry regulations, shifting customer needs or new risks entering the industry has the policy last adapted to?</li> </ul>

There is much more to a policy than the coverages listed on the declarations page. Never accept general statements about coverage without insight into the policy language.

# E&O Insurance Differences | Cost Factors

Now, let's address what most of the insurance industry will have you focus on: Cost.

Fortunately, now you know a better way to begin your insurance evaluation and the most important factors on which to base your insurance decision.

Before you get to the point of evaluating cost, you have solidified your confidence in both your insurance professional and in the policy to answer "yes" to the first question at claim time, "Is this covered?" Now you can move on to your next consideration, "how much is covered?"

Let's review the cost factors during purchase and over your lifetime as an insurance client.

## Cost Factors in Your Policy

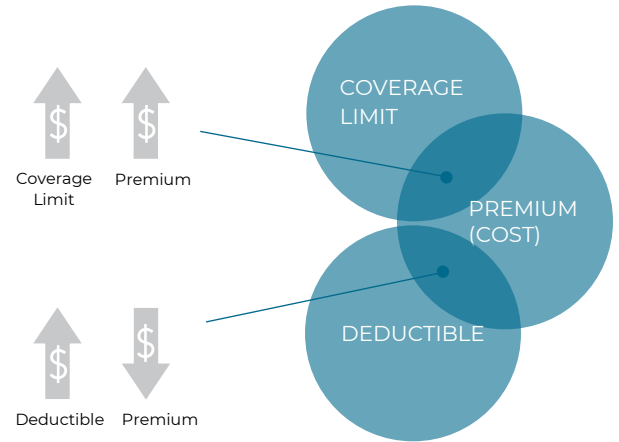
**Coverage Limit** – Maximum amount of coverage provided by the policy for one claim (per occurrence) and during the policy period for all claims (aggregate).

**Premium** – Annual cost of the policy.

**Deductible** – Amount you are responsible to pay at claim time before coverage begins.

Based on your risk tolerance, clients, and your financial threshold, you will choose your coverage limit and deductible. This will determine how much is paid by the insurance company and you once coverage is confirmed for a specific claim. Other than the details of your business, these two amounts will affect the premium of the policy. A higher coverage limit will increase the premium while a higher deductible will decrease the premium.

While the cost of an E&O policy will differ across the industry, this variation is arbitrary. Having an insurance advisor who knows the industry and advocates on your behalf is important to help you navigate these variations in the long run.



## Cost Factors Over Years

As your business grows and you serve more clients, your risk inherently increases; therefore, your insurance premiums will generally increase to take on that risk.

Your coverage is meant for events that would otherwise be catastrophic to your business. The best way to manage your insurance costs is to manage your risk of having a claim. Consider implementing these practices to manage your overall risk:

Risk Management Processes	Business Partner Selection	Using Caution
<ul style="list-style-type: none"><li>• Checks and balances</li><li>• Formalized procedures</li><li>• Current best practices</li></ul>	<ul style="list-style-type: none"><li>• Clients, vendors, business partners, employees, other parties</li></ul>	<ul style="list-style-type: none"><li>• With every transaction</li><li>• Be mindful of your scope of work</li></ul>



### 3| The Decisions

# Building Your Proper Insurance Plan

You know the basics – the intent of E&O coverage and the policy components.

You know the variations – the differences you will encounter in insurance advising, policy language and pricing.

Now it's time to make confident insurance decisions for

The best approach to your insurance decision is to have the mindset of building a proper insurance plan. A proper insurance plan is built according to your business and your personal coverage preferences. It requires your engagement, sharing and openness to learn.

## The Steps to Proper Insurance







Your Resource  
**Stewart Insurance**

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Our team is dedicated to properly insuring you and your business.

Connect with a business insurance advisor to build a proper insurance plan for

We will –

- Engage with you to understand your business and coverage preferences
- Work with our insurance company partners to provide your desired coverage
- Discuss and build a proper insurance plan together
- Ensure your service expectations are met year-round
- Be your advocate during claim time
- Continue to influence beneficial coverage for you, year after year

Connect and join the properly insured. Become a Stewart Insurance client today.

