

Risk Management

E&O premiums headed up, insurance brokers say

The cycle is nearly as predictable as the changing of the seasons: Every few years, the market for errors and omissions insurance shifts from a “hard” market that’s tough on policyholders to a “soft” market marked by falling prices, then back again.

After enjoying a soft market for the past few years, brokers must prepare for a hard market that’ll put more strain on the bottom line.

After a few years of plentiful coverage and falling prices, E&O premiums have begun rising, says Maria Treglia, vice president of Program Brokerage Corp, a division of HUB International Northeast, a risk management and insurance brokerage firm.

“Rates are definitely going up,” Treglia says. “That’s a direct effect of the bubble bursting.”

She’s seeing 10 percent to 30 percent increases in E&O premiums, along with a general trend toward tighter practices by insurance carriers.

Treglia says carriers have experienced more losses as homeowners frustrated by falling home values have grown more apt to sue.

“When the bubble was going on, everyone was happy, home values kept rising, and rates kept falling,” Treglia says.

Debbie Bindeman of Pearl Insurance agrees that lawsuits have grown more common during the bust.

“We definitely see more frequency of claims when the economy is bad,” Bindeman says.

But, unlike Treglia, Bindeman says she has yet to see E&O premiums rise.


“I can’t say they’ve gone up yet,” she says. “At least what I’m seeing, I haven’t seen that much change yet.”

Bindeman notes that low sales volumes leave brokers somewhat insulated from premium increases. That’s because E&O premiums are based on transaction levels over the previous 12 months.

With the E&O prices poised to rise, it’s a good time to shop around. Bindeman warns that you should consider factors such as a carrier’s customer service and track record.

And don’t jump at a low quote without scrutinizing the details of the policy.

“Compare the coverage,” Bindeman says. “Don’t just look at the price.”

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