

TECHNICAL ADVISORY

TA 128

September 18, 1998

SUBJECT: Agency Procedures for Year 2000 E&O Exposures

BACKGROUND: IIAL has provided members with information regarding Year 2000 issues on a number of occasions. In addition to potential operational issues, the millennium bug presents two potential agents' E&O exposures. First, if the agency does not properly update agency management computer systems, computer problems could result in errors or omissions in handling customer accounts. Second, Year 2000 exclusions attached to insurance policies could result in E&O claims by customers against agents for the failure to address Y2K coverage issues.

MAIN POINTS: An important issue agencies must face is the potential for E&O claims arising out of Y2K problems. To protect both your agency and your policyholders, agents need to take appropriate action:

- Update your agency computer systems (hardware and software);
- Advise your customers of potential Year 2000 exclusions on insurance policies;
- Educate agency staff on Y2K insurance coverage issues.

To assist you in notifying customers of possible Year 2000 exclusions on insurance policies, Employers Reinsurance Corporation has provided the enclosed sample notice. If you have not already mailed a similar Y2K notification to your customers, please do so as soon as possible.

IIAL has scheduled Year 2000 insurance coverage seminars to assist you in educating agency staff on Y2K coverage issues. The seminars will be taught by John Eubank on an advanced level for experienced staff in a three-hour format. Seminars are scheduled for the following dates:

December 1, 1998	New Orleans
December 4, 1998	Lafayette
January 18, 1999	New Orleans
January 19, 1999	Baton Rouge
January 20, 1999	Lafayette
January 21, 1999	Shreveport
January 22, 1999	Monroe

**NECESSARY
ACTION:**

If your agency has not already implemented Y2K loss control procedures, you need to do so as soon as possible. Update your computer systems and advise your policyholders of potential Y2K problems by using the enclosed sample letter. Mark your calendars now for staff training on Y2K coverage issues at the scheduled IIAL seminars. As long as your agency has implemented Y2K procedures, the IIAL E&O coverage through Employers Reinsurance will provide E&O coverage without a Y2K exclusion. If your E&O coverage is not with IIAL-ERC, you should check with your E&O carrier about coverage.