

# LOSSPREVENTION LESSONS

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*Keeping You  
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## *Declarations Page: Road Hazard or Road Map?*

The original purpose of the Declarations (Dec) Page was to provide a basic overview of the insurance policy. Even in its simplest format, the Dec Page provides some of the purest data available to an insurance agent. It can be a tremendous aid in marketing, customer service, and risk management. However, when used carelessly, it often becomes Exhibit 1 in an E&O claim. Take these examples:

**Road Hazard:** A customer (contractor) calls the office to ask for a Certificate of Insurance (COI) to replace the HVAC units in a condominium complex for a general contractor. The Customer Service Representative (CSR) asks the client to forward the insurance requirements to the agency, which show that \$500,000 limits are necessary. Upon receipt, the COI is prepared and placed on the agent's desk for review and sign off. The agent reviews the request and issues the COI, without realizing that limits of only \$250,000 have been procured by his inexperienced CSR.



Within days of binding coverage, there is a large fire and the retailer is sued in a product liability suit. When the carrier reviews the tender, they provide a defense to the retailer, but the policy limits are quickly exhausted and a claim is tendered to the agents E&O to pick up the difference. Had the agent taken five minutes to review the Dec Page, he would have seen the inadequate limits listed. E&O indemnification for this claim exceeds \$100,000.

**Road Map:** A customer contacts an agency to review its commercial automobile policy prior to its renewal. The customer is looking to decrease cost, albeit not at the expense of reduced coverage. During the policy review, the agent learns that the customer is performing services for clients that were not in the original description of operations and beyond the mileage radius covered under the policy. The agent provides another copy of the Dec Page to the customer and provides quotes for expanded coverage. He advises that he can increase his deductibles on certain coverage, which would keep the premium level.



The customer rejects the quote and elects to make no changes to his policy. The agent follows up in writing with an e-mail of the quote, another copy of the Dec Page and a reminder that he is not covered for the newly disclosed driving distance. A few months into the renewal, one of the customer's drivers causes a fatal accident and a claim is reported. The carrier denies coverage to the customer given the agent's actions and his documentation of the discussion. The customer ultimately sues the agent, but the case is dismissed. E&O indemnification for this claim is zero.



Both the Road Map and the Road Hazard scenarios clearly show that a Dec page can and should be a touch point for agents when providing information about coverage to a customer. Dec Pages can help answer many questions that may arise regarding the insurance transaction. Of course, agents should refer the customer to the policy or to the carrier for the "Is this covered?" inquiry. Nevertheless, customers expect their insurance agent to be able to answer basic questions regarding limits, renewal/expiration dates, deductibles, etc and answers to those basic questions can be found on the Dec page.

## LOSS PREVENTION TIPS

Agents are reminded that the information on a Dec page can be a Road Map to an enhanced customer service experience or a Road Hazard straight to an E&O claim. Dec Pages provide a much better overview of coverage parameters than relying on your memory.



681 S. Parker Street, Suite 300

Orange, CA 92868

Phone: (866) 893-1023 Fax: (866) 893-1198

E-mail: [farmers@calsurance.com](mailto:farmers@calsurance.com)

California License # 0B02587

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