

# LOSSPREVENTION LESSONS

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*Keeping You  
Informed & Protected*

## *The Consequences of Taking Shortcuts*

Given that we never seem to have enough hours in the day, it may be tempting to use shortcuts when conducting your insurance business. Simply put, shortcuts can be a recipe for disaster. The problems may not become immediately apparent but an office that uses shortcuts can get slammed with multiple costly E&O claims in the long run. Let's take a look at a claim that ended up as relatively minor, but under similar circumstances could be much larger. The agent knew that his client needed a mobile home policy, but he was having difficulty setting a time for a meeting with the client to discuss the particulars. He didn't want to spend a great deal of time on this issue as it wasn't a particularly large account for the agent so he abandoned his attempts to set a meeting. He discovered that the owner had taken out a loan for \$35,000 and placed \$10,000 down to make the purchase a couple years ago. He made the assumption that the home would be valued at roughly \$45,000 and wrote the policy without doing any further due diligence; mailing the necessary documents to the client so that he could sign, return, and provide payment.



The client relied on the agent's expertise and assumed that he had done his due diligence in placing the coverage without any input from him regarding the value of the home (or the coverage specifics for that matter). About nine months later, the mobile home was hit by a semi-truck. The claim was adjusted and the mobile home had a value of \$53,000, which meant that the agent had under insured the mobile home by \$8,000. The agent's E&O picked up the \$8,000 difference due to the agent's failure to provide adequate coverage. However, the agent was left to pay his deductible and the disgruntled client went elsewhere for his future insurance needs.

Had this agent done his due diligence, the home would have been insured at its value as opposed to roughly 20% under its value. We must remember that home prices (including mobile home prices) fluctuate in value and it is not adequate to insure a home/mobile home at the price that the client paid several years ago. From a broader prospective, it is important to establish office policies about how particular situations are handled. For example, difficulty in setting a time to meet with a client should result in written correspondence being sent to the client to provide some available timeslots for a meeting. Although shortcuts may save some time in the short run, the time and cost spent in the long run dealing with the claims that will inevitably arise makes it a losing proposition.



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