

LOSSPREVENTION LESSONS

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Keeping You
Informed & Protected

Put it in Writing

Occasionally, an error made many years or even decades ago will come back to haunt an agent. One such claim arose out of the servicing of a homeowners policy that was originally written in the 80's. When the agent began servicing the account in the 90's, he attempted to do his due diligence by reviewing the policies in the newly acquired book of business with clients and making changes as necessary. With regard to the file in question, he had very detailed notes documenting conversations he had with insureds and their intention to have a fine arts and jewelry floater added to their homeowner's policy. The agent advised that in order to procure a jewelry floater, they would need to submit jewelry appraisals.

Unfortunately, he never heard back from the clients and failed to utilize a diary system to follow up; therefore, the endorsement was never added to the policy. In early 2013, the clients called to inform the agent that their safe had been stolen, which included some valuable jewelry that they had requested coverage for many years prior. The clients recalled the conversation that they had with the agent several years earlier and wanted to make sure that the jewelry floater was added and coverage was in force for the stolen jewelry. After a quick review of the policy, the agent informed them that the endorsement had never been bound because they had never provided the necessary jewelry appraisals as requested. As you would probably guess, the clients adamantly denied that the agent had ever informed them that an appraisal was necessary and advised that they assumed that the coverage had been in force all this time. Although the agent felt that he had acted appropriately with regard to the matter, the enraged clients disagreed and filed suit. The claim settled for roughly \$10K, an amount much less than the value of the jewelry, but it was an experience that the agent would not want to relive.

This claim illustrates some very important issues with respect to E&O coverage. It shows that agents must always be cautious when conducting their business. The agent acted appropriately in attempting to review all policies upon inheritance, but it appeared that the homeowner's policy in question had gone for many years without a review when the loss occurred in 2013. On the positive side, the agent had a well-documented file, a luxury that is not always present, particularly on claims that are decades old. This bolstered the agent's defense during litigation and enabled the claim to settle for less than it otherwise would have. However, it was clear that the agent fell short in his duties to his client in terms of follow-up. A verbal follow-up with items necessary to bind coverage that a client has requested is inadequate. Had this agent submitted written correspondence to the client advising what was needed in order to bind the coverage, it would have been very difficult for the client to pursue the matter.



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