

LOSSPREVENTION LESSONS

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Flood Coverage as a Complement to Homeowners Coverage

Water intrusion damage resulting from storms is the underlying cause of a substantial volume of E&O claims. In this claim, a large storm brought an outpouring of rain over the course of several days. Unfortunately, there was a river bed adjacent to the client's property, located on slightly higher ground. Typically, this river bed was dry, but the vast amount of rain pounding the area over several days caused water to jump the banks without any regard for properties located in the vicinity. As the client watched helplessly, water ran down from the flooded river bed and pooled up against the foundation of his home. This water would have led to serious structural problems if swift and costly corrective action wasn't undertaken. The client quickly contacted his agent to file a claim so that he could get the situation resolved, only to discover that there was no flood policy in force; only a homeowner's policy had been bound on his property.



The client was adamant that he had requested coverage for all perils including flood. He had recently switched his insurance policies to the new agent and although the agent had no recollection of coverage specific request, the agent had records of his prior coverage on file and the client had carried flood coverage in the past. During post loss discussions with the agent, the agent was unable to articulate what types of water related damage would be covered by a flood policy versus what types of water damage would be covered under a homeowner's policy. This newly contracted agent admitted that he didn't have a good grasp on the products and the types of perils that would be covered under one policy versus the other. He stated that he had been operating under the assumption that the homeowner's policy would cover the type of damage presented under this claim. E&O stepped in and handled the claim accordingly as the agent had breached his duty of care owed to his client.



Too much water in the wrong place can cause serious damage to personal property as demonstrated here. Mold that can result from the water damage is another consideration. Homeowner's policies will typically cover certain types of water damage within the interior of a home. A roof leak or a busted pipe may qualify as covered water damage under a homeowner's policy. However, in order to have coverage for water damage from an external source, a separate flood policy may be necessary and should be offered under those circumstances. Furthermore, all agents should be familiar with the products that they offer to their clients. Newly contracted agents should take additional care in reviewing the products they offer, so that they know what types of losses are covered under each type of policy that they sell, and can ensure that their clients are adequately protected. Claims like this can be easily prevented through education. If there are certain aspects of policies which you don't have a good understanding of, take the time to inquire with your DM or take some time to study them in depth. It may take a few readings for the information to sink in, but as the old saying goes, "An ounce of prevention is worth a pound of cure."



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681 S. Parker Street, Suite 300, Orange, CA 92868
Phone: (866) 893-1023 Fax: (866) 893-1198
E-mail: farmers@calsurance.com
California License # 0B02587

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