

# LOSSPREVENTION LESSONS

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Provided by CalSurance® exclusively for Farmers Agents

Keeping You  
Informed & Protected

## Take the Time to Inspect

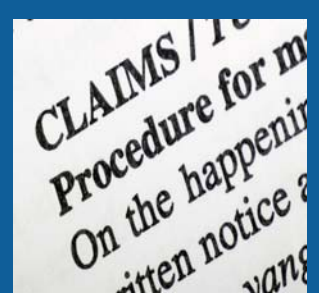
Often times while investigating a claim, the insurance company will discover that the policyholder has risk characteristics that did not meet the underwriting guidelines. Agents frequently advise the claims adjuster that they were aware of the risk characteristics, but submitted the risk in spite of the ineligible features. The next step the insurance company takes is to hold the agent liable for the damages.

Why is binding the carrier to an ineligible risk a common issue year after year? We hope the real life claim example below provides you with insights regarding why these claims arise and what you can do to avoid this type of situation.

An Agent bound a landlord's policy on a property in a residential area. She knew that her client owned other residential rental properties occupied by single families and she had no reason to assume that this property was any different. Although she was aware that the underwriting guidelines required a thorough inspection of both the exterior and interior of the premises, she was satisfied with having one of her employees do a quick drive-by to take some pictures of the exterior of the home for her files. It was a Friday afternoon, she had several other appointments to get through and most importantly, she didn't want to inconvenience her client. From the pictures that her employee took, the residence appeared to be well kept so she assumed that she didn't have anything to worry about.

Six months later, there was a fire at the residence. The client called her and began telling her that one of the elderly occupants had managed to get cigarettes into his room and had fallen asleep with the cigarette on the bed. Luckily, the smoke detectors were in working order and the caretakers had been able to put out the fire with minimal damage to the property and no injuries to the occupants. As the agent listened to the client's story, her stomach began to churn. She quickly realized that her client had been operating an elder care and boarding home, which was an ineligible class of business for the carrier. She also realized that this use of the home would have been apparent, had she conducted an adequate interior inspection. The insurance carrier resolved the claim from the fire loss and then sought recovery from the agent's E&O carrier.

Have you ever been tempted to cut corners during the course of your business as an insurance professional by not conducting an adequate inspection, or worse yet, conducting no inspection at all? It can be tempting given the fact that there never seems to be enough time in the day. You may not get burned the first time around, but all it takes is one claim to impact your business. Not to mention, your employees can begin to pick up bad habits as well and suddenly you are left with a book of business that is full of holes. At some point, it becomes only a matter of time before an E&O claim can arise, however, the fact that it is easily avoidable should offer some solace. By taking the time to conduct an adequate inspection whenever the underwriting guidelines require that you do so, you can greatly reduce the chance that you will bind the carrier to an ineligible risk.



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