

LOSSPREVENTION LESSONS

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Keeping You
Informed & Protected

Only the Applicant Should Sign

A longtime client called his agent to request procurement of a life insurance policy. The client had carried many policies with the agent over the years including, auto, home, and business insurance. However, this was the first life insurance policy that he had ever requested. The client advised that he was unavailable to come into his office to complete application because he had a very busy schedule. He asked if his wife, who would be the beneficiary could come in and take care of it. This should have raised a number of red flags with the agent, however, since he had a longstanding business relationship with both the husband and wife, he moved forward. The wife came in and completed the application, forging her husband's signature.

About a year and a half later, the man died of a heart attack. Since the applicant was within the two year contestability period, the insurance carrier investigated the death benefit claim. The insurer discovered that there were various misrepresentations on the application, including several undisclosed health issues. The life policy was rescinded and the claim was denied. The woman claimed that she had no idea that her husband had any health problems and that she had been instructed to complete the application by the agent and had done so to the best of her abilities. She also advised that her agent had instructed her to sign her husband's name on the application. Although this recollection of events didn't match what had happened, it was clear that the agent was aware she had indeed completed and signed that application on her husband's behalf.

It is important that you adhere to the underwriting guidelines for all insurance carriers that you represent and do not make misrepresentations or cut corners during policy procurement. You should never allow anyone beside the applicant to complete and sign an insurance application. Another party (even if it is a spouse) cannot be expected to accurately disclose all relevant health information on an insurance application. Conducting your business in this matter can jeopardize your business and leave you vulnerable to E&O claims.



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