

LOSSPREVENTION LESSONS

February 2015

Provided by CalSurance® exclusively for Farmers Agents

Keeping You
Informed & Protected

Understanding Claims Reported After Contract Termination

As a Property and Casualty Insurance Agent, you may be primarily selling policies that are written on an occurrence basis. It is important to note that most E&O policies are written on a claims made and reported basis, which differ from occurrence policies in several important ways. Most importantly, occurrence based policies will respond to a loss that occurs during the policy period, regardless of when the claim is made against you or reported to the carrier. With a claims made and reported policy, there are multiple dates that you must keep in mind.

- The retroactive date is the first important date to be aware of. The error must have occurred after your retroactive date;
- The error must have also occurred prior to your termination of your E&O coverage;
- And, the claim must be made against you and reported within your E&O policy period, or ERP if applicable. If a claim is made against you or reported to the E&O carrier after the expiration of your E&O policy or applicable ERP, the E&O policy will not respond.

Here is an example of how the above information could play out in an E&O claim situation:

A former Farmers Agent called Lancer Claims to report a claim. He had just received suit papers naming him in an action by a former customer. Shortly before his retirement, the Agent wrote a commercial brokered business policy for a business complex with three separate buildings. As requested by the customer, coverage was only put in place for two out of the three buildings. Three years after the agent's retirement, a fire occurred at the premises and heavily damaged all three buildings in the complex. The customer alleged that he had requested coverage for the complex and subsequently filed a suit against the former agent, the new agent, and the insurance company. Unfortunately, the former agent's automatic Extended Reporting Period (ERP) had expired and he had failed to purchase an additional ERP. Therefore, his prior E&O policy did not respond and the agent had to pay for his own legal defense costs, which quickly soared to over \$25,000.

A key benefit of the current Farmers Sponsored Group E&O policy is an automatic Unlimited ERP for claims involving Farmers products at no additional charge upon termination (provided the termination was not "for cause"). Furthermore, an additional ERP is available for purchase to provide extended reporting coverage for brokered business. For additional details, contact the CalSurance Customer Service line at 866.893.1023.



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