

LOSS PREVENTION LESSONS

March 2016

Provided by CalSurance® exclusively for Farmers Agents

Keeping You
Informed & Protected

Be Familiar with what You Sell

Professions require a certain amount of training and expertise. As an Insurance Professional, you should be well trained and familiar with the ins and outs of the products that you sell. Imagine the surprise when E&O claims professionals hear an Agent utter the following regret time and time again, "This is the very first policy like this that my agency has ever written". As past experience has shown us, there is a much higher risk associated with selling products that you are unfamiliar with.

An agent had been selling personal lines insurance policies for several years and was well versed in the nuances of personal lines business. He began courting a personal acquaintance for both his personal risks and his commercial risks from his real estate investment properties because he knew that delving into commercial business would increase his bottom line. One day, he received a call to move the personal lines coverage to the agency. The client told him that if he were happy with the service on his personal lines risks, he would move his commercial risks as well. The agent and his staff did an excellent job of servicing the customer's personal lines risks and within several months the customer moved his commercial exposures to the agency. The first request was for a course of construction insurance policy on an investment property. The customer requested \$400,000 for the existing structure and \$50,000 for the remodeling work, most of which would be cosmetic in nature. The agent procured the policy, but shortly after coverage was bound, the property was destroyed by fire. When the claim was reported, it was discovered that the agent did not select the proper coverage for the existing structure. A claim was made to the E&O carrier with over \$400,000 paid under the agent's E&O policy.

It is vital that you understand your professional limitations as well as those of your staff. If you are trying to grow your business, you should strive to pursue new opportunities, but such growth should come after thoughtful consideration and planning. While it is impossible to eliminate the risks associated with being an insurance professional, it is possible to manage such risks. Here are some suggestions that you should take into consideration when asked to procure coverage that you or your agency staff may not be familiar with:

Get Competent

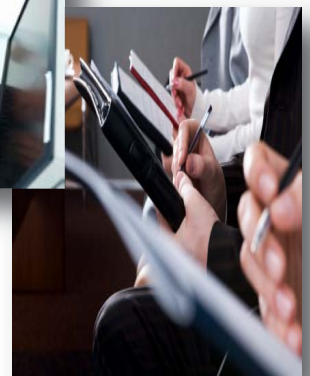
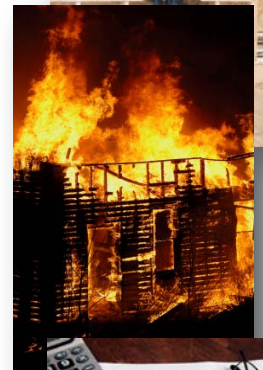
- Anticipate your customer's needs and identify growth opportunities.
- Plan your growth.
- Interview others who are already selling these lines of business to see if you want to invest the time and energy to be in that market.

Get Help

- Invest in proper training and education for you and your support staff.
- Review prior applications, policies, and claims histories before venturing into new business.
- Seek the advice from and associate with a more experienced agent or district manager until you are comfortable with the product.

Get Out

- Know when you are over your head.
- Advise your customer in writing that you cannot sell or service particular product lines if necessary.
- Refer your customer to other sources who are better equipped to service their insurance needs.



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