

LOSSPREVENTION LESSONS

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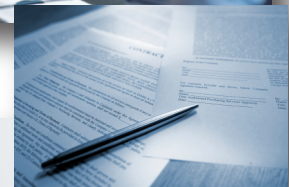
The Life Insurance Application

Often agents will assist their customers during the application process for life insurance by explaining the relevance of certain questions and offering assistance in completing the application. When providing this type of assistance for a customer, it is vital that you ask all questions on the application and record the answers accurately. It is also important to question any lack of disclosure inconsistent with your current knowledge about the customer. Oversights on this critical process have caused problems for agents down the line.

Several years ago, an agent was assisting his customer with a universal life application. The policy was bound and all seemed well until the policyholder passed away. The beneficiary attempted to collect the life insurance benefits but after a brief investigation, the carrier denied coverage due to material misrepresentations related to the policyholder's health history. Initially, the agent stated that he couldn't recall health complications of the customer and indicated that he had completed the application exactly as instructed.

After being informed of this, the beneficiary decided to do a little digging of her own. She located emails from her late father to the agent that clearly showed that the agent was aware of his health issues before the application was completed. Although the emails didn't prove that the agent had failed to complete the life insurance application as requested, it nonetheless demonstrated that the agent had knowledge of the health issues facing his customer. As a result, the agent's E&O insurance stepped in.

The conversation that occurred during the actual application process was not recorded, so this at first looked like a simple disagreement about what was discussed. However, it is evident that certain aspects of the customer's health were not disclosed on the application. Given that the agent assisted the man with completion of the application and had knowledge of medical issues from the prior emails, this was a clear oversight. When faced with a similar situation, you should utilize all information that you have available. When offering assistance to your customers with applications, take additional care to explore any potential contradictory information being entered on the application.



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