

LOSSPREVENTION LESSONS

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Provided by CalSurance® exclusively for Farmers Agents

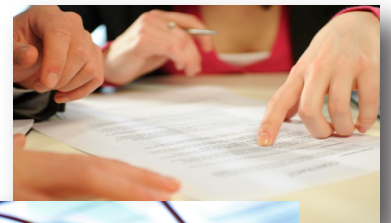
*Keeping You
Informed & Protected*

Prior Acts Coverage

There are a number of policies that are written on a claims made and reported basis as opposed to an occurrence basis. Professional liability policies and Employment Practices Liability Insurance (EPLI) policies are some examples of policies that are typically written on a claims made and reported basis. For these types of policies, it is vital that you understand the dates that are important to trigger coverage. One of the most important date is the prior acts date. For coverage to be triggered on a claims made and reported policy, the error must have occurred after the prior acts date. A number of agents have gotten themselves in trouble when selling these policies because the coverage bound has not matched the prior acts date requested by the customer.

A customer called his Agent who had recently entered the insurance industry by purchasing his book of business from the prior agent who had recently retired. He currently had an EPLI policy in force that the prior agent had sold to his office. The premium was high and he wanted to see if the new agent could shop it for him to get a better rate. The Agent procured a new policy with a rate that was about 30% less than the current policy in place. This almost sounded too good to be true so the customer called the agent to ensure that the coverage would match the policy in force. The Agent assured him that he had personally reviewed the policy and it would meet his needs.

Unfortunately, about three months after the new policy was bound, a prior employee brought a claim against the business owner. When the claim was reviewed by the EPLI carrier, the adjuster explained that coverage would not be triggered because the prior acts date was the date of inception of the policy. The customer became enraged, stating that the agent had assured him that these claims should be covered. However, a review of the policy showed that the retroactive date on the policy was the effective date, meaning that any acts committed prior to the inception of the new policy would NOT be covered. Unfortunately, this new agent found out the hard way that claims made and reported policies are not as simple as he thought. It is important to always keep this in mind when writing policies that are not written on an occurrence basis and get assistance when working with policies you are not familiar with.



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