

LOSS PREVENTION LESSONS

January 2019

Keeping You
Informed & Protected

Provided by CalSurance® exclusively for Farmers Agents

Year in Review - 2018

It's difficult to believe that 2018 is already behind us. We hope that you finished out the year on a high note and that you are already on track for a happy, healthy, and prosperous 2019. As we've done in past years, we're going to take a moment to reflect on the loss prevention lessons that were distributed in 2018:



January 2018 – Commercial Auto - Scheduling Business Equipment

When selling commercial auto insurance, it is important that you schedule equipment on the policy. In this claim, the agent failed to schedule a trailer onto the policy. The trailer lost a tire and collided with a vehicle, injuring several passengers.



February 2018 – Verifying Application Information

You should always take care when assisting a customer with completion of an application. In this situation, an agent erroneously listed his customer's age as 40, when his age was actually 44. The discrepancy resulted in a reduction in the death benefit and a claim against the agent.



March 2018 – Verifying Coverage with the Customer

Coverage should always be verified with the customer.

In this claim, the agent failed to procure a commercial auto policy even though the customer had requested the coverage. An employee driving the company truck hit a pedestrian, causing multiple injuries.



April 2018 – Knowing an Insured's Operations

Here, an agent procured a BOP, telling the customer that it would cover all of his party rental business operations. Thieves stole thousands of dollars of supplies from the customer while the supplies were left at a park. An inland marine policy should have been written to supplement the BOP.



May 2018 – Scheduling Business Equipment

It is important to schedule business equipment, and this is a topic that is

frequently overlooked. A contractor contacted his agent to ensure that his valuable tools and toolbox, which was attached to the inside of his vehicle was covered. His agent assured him that he was covered. When the toolbox was stolen from his vehicle, it was quickly discovered that an inland marine policy would have been needed and the property should have been scheduled on the vehicle modifications endorsement.



June 2018 – Scheduling Specific Operations

Sometimes specific operations need to be scheduled on a policy. In this sample, an agent procured a CGL policy for a massage therapist. Unfortunately, one of the massage therapists injured a customer. When the claim was reported, it was discovered that the policy did not include a professional services endorsement that would have provided coverage for injuries resulting from massage services.



July 2018 – The Life Insurance Application

You should always take care to ask all questions on an application and record all answers accurately.

Furthermore, it is important to question any inconsistencies with your current knowledge about the customer.



August 2018 – The Importance of Follow Up

This cannot be stressed enough. In this situation, a customer with high net worth requested that a \$2.5M umbrella policy be bound. Unfortunately, the policy was not bound and the customer was involved in a very serious accident several weeks later.



September 2018 – The Theft of Valuable Property

In this example, thieves broke into the customer's home and stole jewelry, paintings, and coins valued at several million dollars.

Some of these items had been scheduled, but not all. The carrier paid content sub-limits and for all items that had been scheduled, but there was still a significant shortfall. Although there were disagreements over what coverage the customer had requested, there was no documented evidence either way.



October 2018 – The FAIR Plan

A standard homeowner's policy and a FAIR plan were written for this home.

When the home burned down, it came to light that the homeowner's policy had limits of \$1M, while the FAIR plan policy had limits of \$750K. The agent stated that the FAIR Plan would only allow limits of \$750K and that the customer was aware of this. Unfortunately, this was not documented and the customer disputed the agent's version of this story.



November 2018 – Flood Insurance - The Rate Hike

An agent wrote a flood policy through the NFIP for a customer. The rates were going to drastically increase when the customer reached out to the agent for

assistance. The customer never heard back from the agent and the agent admitted that the situation had slipped through the cracks. A storm hit before updated documentation could be provided to the carrier.



December 2018 – Prior Acts Coverage

Prior Acts Coverage Professional Liability and EPLI policies are typically written

on a claims made and reported basis. It is important to be aware of prior acts coverage for these types of claims. In this situation, an agent procured a replacement EPLI policy that was supposed to match the policy in force. The problem was that the new policy did not include prior acts coverage. When a claim was brought against the business owner a few months later, it was discovered that the claim would not be covered due to the retro date provision.

We thank you for taking time to review these loss prevention lessons each month and we appreciate your continued participation in the Farmers group sponsored E&O program. Do you have a great idea for a topic that we should cover in the future? Simply reply to this email and provide any comments.

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