

LOSSPREVENTION LESSONS

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Keeping You
Informed & Protected

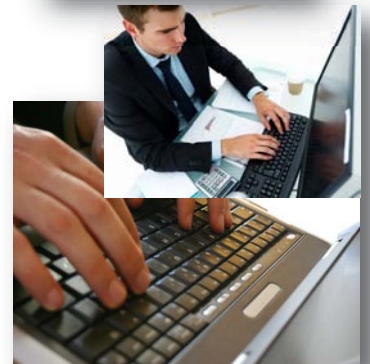
The Travel Radius

A customer owned a commercial construction service that had business operations which spanned several states. When the customer called to bind coverage for the business, the agent asked the questions on the application and recorded the customer's responses. When they came to the question regarding the radius of operation, the answer was recorded as a maximum distance of 250 miles. The policy allowed for a 300 mile radius so the agent believed that the policy would provide sufficient coverage for the customer.

Coverage was bound and renewed for a few years without incident until one day one of the employees struck a pedestrian, causing serious injuries. As the investigation got underway, it was quickly discovered that the loss occurred well beyond 300 miles from the business. When questioned about this, the agent was adamant that the customer had specified that the furthest he would ever need to travel in the course of his business was 250 miles. He even recalled the binding process and mentioned that he had specifically warned the customer regarding the travel radius since the policy only allowed for a 50 mile margin of error considering the 300 mile radius maximum. He stated that the customer was unconcerned by the travel radius limitation.

On the other hand, the customer had a vastly different recollection of events. The customer was adamant that the agent had never asked a question regarding the travel radius. Furthermore, the customer was able to produce an email that was sent to the agency during the binding process with an attached loss run, showing a small loss that had previously been reported at a similar travel radius. The customer freely admitted that there were instances where his employees had to travel up to 500 miles and stated that he would have never bound a policy with a 250 mile travel radius restriction. Unfortunately, the agent's office did not have any further documentation to collaborate the discussion and the claim had to be submitted to the E&O carrier for handling.

Documentation plays a vital part in every E&O claim. A quick email summarizing a discussion that has taken place can go a long way in making a claim defensible and having verifiable proof of a conversation that took place. It is particularly important to summarize any concerns that you have in the binding process, particularly if the customer overrides your concerns or glosses over them. Remember that memories fade over the years and it is easy to conflate two similar conversations that took place with different customers. Additionally, an agency should rely on all information that they have at their disposal, including loss runs. In this instance, the loss run hadn't been reviewed closely by the Agency. The loss runs were also not sent to the carrier when coverage was bound. If the carrier had received a copy of the loss run, the loss out of radius would have likely been questioned and the agent could have found another policy that would meet the customer's needs.



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