

# LOSS PREVENTION LESSONS

June 2019

Provided by CalSurance® exclusively for Farmers Agents

Keeping You  
Informed & Protected

## A Gas Station Slip Up

A customer operated a gas station and convenience store. The owner had leased the property to the customer and a condition of the lease required the owner to be listed as an additional insured (AI) on the commercial general liability policy. The customer did their part by reaching out to his agent to request it. Unfortunately, an Agency Producer noted the request in the file, but failed to forward the request to the Insurer so that the AI endorsement could be issued. A few weeks went by and the customer followed up to request evidence of the AI endorsement because he had not received a response from the Agency. The Agency Producer confused this customer's account with another account. He inadvertently issued a certificate of coverage reflecting that the AI had been added to the policy when in reality no such endorsement had been issued. No additional underwriting would have been required, but a set premium should have been collected and remitted to the carrier along with the request to bind the endorsement.

This oversight came to light due to a lawsuit that was brought against the gas station's operator as well as the owner of the property. An elderly woman suffered an injury while exiting her vehicle on the premises. She slipped on some concrete that had been soaked with oil that had presumably leaked from another customer's car. Unfortunately, the woman's injuries were very significant and she had to be rushed to the hospital. She survived, but she came out of the hospital with medical bills and other negative long-term effects caused by the fall. After being served with the lawsuit, it was quickly discovered that no AI endorsement had been bound and therefore the owner of the property would NOT be provided with a defense under the customer's CGL policy. The matter was quickly reported to the E&O carrier for handling.

Like most E&O claims, this could have been prevented with better office procedures. A certificate of coverage reflecting an endorsement should NEVER be issued unless the Agency is absolutely certain that the endorsement has been bound. Office staff should be required to review the actual endorsement while generating the certificate as opposed to attempting to rely on their memory to issue an endorsement. Additionally, a diary/follow up system should also be utilized by the agency so that follow ups are initiated by the agency as opposed to the customer.



**CalSurance**<sup>®</sup>

Domiciled in California, License # 0B02587

681 S. Parker Street, Suite 300, Orange, CA 92868  
Phone: (866) 893-1023 Fax: (866) 893-1198  
E-mail: [farmers@calsurance.com](mailto:farmers@calsurance.com)  
California License # 0B02587

"All statements, contained herein are subject to all terms, conditions, exclusions, and endorsements of the actual policy. To obtain a copy of the policy, visit <http://farmersagentsbenefits.com>, click Resources, then click on the Errors & Omissions tab."