

LOSSPREVENTION LESSONS

July 2021

Provided by CalSurance® exclusively for Farmers Agents

Keeping You
Informed & Protected

An Overzealous Security Guard

An agent wrote a commercial general liability (CGL) policy for a company that provided security services to a movie theater and the surrounding parking lot. The policy Renewed for several years without issue. One summer evening, a customer had parked in an area that was designated as "No Parking". A security guard approached the vehicle and asked her to move, but the customer refused as the parking lot was full and there were no other spaces to park in. With the customer's refusal to comply, the security guard drew a weapon and placed the customer under a citizen's arrest.

The customer was outraged by the situation and filed a lawsuit against the security company. Unfortunately, during a review for coverage under the commercial general liability policy, it became clear that numerous misrepresentations had been made on the application for CGL coverage. The application stated that the security company had no employees or armed guards; both representations were false. When asked about the representation, the owner of the security company blamed his insurance agent for the error and stated that he had never even seen the application nor had he been asked the questions. After all, how could he have a security company without employees or guards? The agent acknowledged that she had signed the application on the customer's behalf after obtaining authority to do so. The security company provided proof of a worker's compensation policy written around the same time by the same agent that listed various employees and armed guards.

The insurance agent stated that she was unaware that the security company had employees or armed guards. When confronted by the worker's compensation policy that she had written at the same time for the company, she had no explanation. Given the issues here, the claim was referred to the E&O provider and handled under the agent's E&O policy.

There are some important lessons to be learned from an incident like this. First, an agent should always be very careful when assisting a customer with completion of an application. If information contradicts firsthand knowledge or other policies that have been written, any potential conflicts should be clearly documented with explanations. Additionally, the customer should always review and sign the application to affirm all information included on the application.



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
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."