

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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Informed & Protected

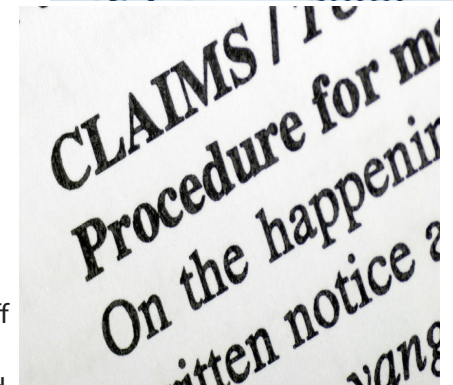
The Importance of Well Defined Office Procedures

A customer maintained all of his insurance business with his longtime agent for many years. This included his homeowners, personal auto, life insurance, as well as his commercial insurance for his new landscaping business that had started earlier in the year. Unfortunately, in only his first year of business, tragedy struck as some of the customer's employees were removing a tree at a property. As they were cutting down the tree from the premises, the weight of the tree shifted in the wrong direction and fell on one of the employees, causing a permanent and painful disability.

When the customer called his agent to report the claim, a bad situation suddenly became worse. The agent quickly realized that no worker's compensation coverage was in place. The CGL policy that the customer requested had been bound, but unfortunately, there was no worker's compensation coverage in place to respond to the injury. This was shocking for the customer to hear. He had worked with one of the agent's producers in the office to secure comp coverage only months earlier. He even had a copy of the certificate that the producer had issued upon receipt of the customer's check, representing that the coverage was in force. It didn't take long for the agent to realize that he needed to report this incident to his E&O carrier for handling due to the serious error made by the staff member.

With some further investigation during the E&O claim review process, the agent discovered that the check provided earlier in the year to bind the worker's compensation policy had gotten lost at the office. It had been mixed up with some other paperwork and was never remitted to the carrier. As the E&O claims adjuster spoke with the agent and the producer regarding the loss, it became clear that the agent's office procedures had room for improvement. The agent openly admitted that his office was cluttered and he didn't have written office procedures related to incoming premium payments and certificate issuance for his staff members to follow. His agency had only recently started to grow to the point where he had hired new staff members. Without clearly defined office procedures, those staff members had to learn on the fly, taking shortcuts and failing to properly document customer interactions.

There are a number of lessons to be learned from a situation like this. First, it is very important to have clearly defined office procedures relating to the handling of incoming checks, issuance of certificates along with all other aspects of binding coverage. Furthermore, it is a best practice to issue certificates once a carrier has confirmed that coverage has been bound as opposed to when a check is received at the office. It is important to note that poorly defined office procedures lead to a significant number of E&O claims, demonstrating the importance of an organized office with well trained staff.



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