

# LOSSPREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

March 2022

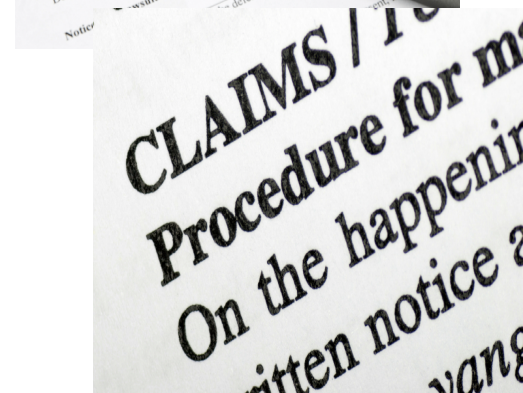
Keeping You  
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## Underinsured

An elderly customer called his agent to request assistance with procuring a homeowner's policy upon the purchase of a new home. Due to the location of the property, both a homeowner's policy and a Fair Plan policy were necessary to provide coverage for most perils. The agent met with the customer and bound the two policies accordingly. The policy renewed for several years without any losses. Then, on a hot summer day, a wildfire threatened the homes in his neighborhood, ultimately engulfing his home.

When the customer reported the claim, it quickly became evident that the home was underinsured on the Fair Plan policy. The dwelling coverage under the FAIR Plan policy was set at \$400,000 while the homeowner's policy had limits of \$600,000. The customer advised that he had relied on the agent's knowledge in the procurement of the policy and had assumed that his limits were adequate. Furthermore, he was clear that he had asked for full coverage on his home and was not particularly sensitive to the premium cost, but rather wanted robust coverage. The agent had no explanation for why there was a discrepancy between limits on the two policies and no documentation to indicate why this was the case either. He confirmed that the customer had not specifically asked for a lower limit on the FAIR Plan policy and that no cost estimator had been used by the agent during the procurement process.

Accordingly, the claim was submitted under the agents E&O policy. The agent chalked this up to an error at his office and admitted that he had no idea how it had occurred. This loss offers some important lessons: It is vital that all policy documents be checked to be sure that your customer is being adequately covered under their policy. Additionally, if a customer is requesting limits that are lower than what you believe to be adequate, confirming documentation should be in the customer's file to back up the customer's decision. There are times when a premium sensitive customer wishes to bind coverage with lower limits and when that happens, it should be carefully and thoroughly documented.



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