

LOSS PREVENTION LESSONS

April 2022

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A customer had a longtime insurance agent who had written his personal insurance policies for many years and had recently taken over on his policies for the nightclub he operated. During the second renewal of his CGL policy, the customer submitted a check for the full premium to the agent shortly before the expiration of the policy. Unfortunately, the funds were not forwarded to the carrier and the policy was canceled. Within two weeks of the cancellation, the agent received a frantic call from his customer. One of the patrons had been overserved the night before and collided with a police cruiser, causing injuries to the officer. The customer wanted to confirm that coverage was in place for the incident.

The agent's heart sank as soon as he looked in the carrier's system and realized that the CGL policy with dram shop liability had been canceled. The agent knew that the check had come into the office, and the funds remained in the agent's trust account. Neither the agent, nor anyone else from the office had followed up to ensure that coverage was bound. In an attempt to fix his error, the agent procured coverage without notifying the customer of the gap in coverage. Unfortunately, this was too little too late.

The investigation determined that the bar employees were clearly in the wrong on this night. Video surveillance showed that the bartenders had continued to serve an already intoxicated man throughout the night, leading him to have a BAC of over .2 upon his arrest. It was clear that the agent made multiple mistakes as well. It is vital to have a system for follow-ups in place at your office so that funds are forwarded to the appropriate carrier as necessary. In addition, any cancellation notices should be addressed with the carrier and client immediately. When a check gets lost at an agent's office or funds sit in a trust account instead of being forwarded to a carrier, it is clear that there is room for improving office procedures. In an attempt to correct the error, the agent bound coverage with a gap, which should NOT be done without the customer's consent. Ultimately, the E&O carrier had to step in and pay a significant amount to settle this claim.



Domiciled in California, License # 0B02587

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