

LOSS PREVENTION LESSONS

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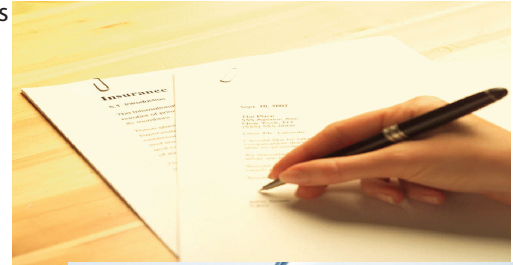
The Dog Bite

A customer called his agent to obtain a homeowners policy along with an excess policy on his multi-million dollar property. He specifically requested that his longtime girlfriend be included on the policies since she resided in the home with him. Later that year, a dog which was owned by the customer and his girlfriend escaped and attacked two neighbors, leaving one of the neighbors with an injury that required surgery. Shortly thereafter, a lawsuit was brought against the couple due to negligence for harboring a dangerous animal.

Unfortunately, the carrier refused to extend coverage to the customer's girlfriend. Their argument was that she did not qualify as a spouse or a family member, pursuant to the terms of the policy and she had not been added as an additional insured. The dictionary defined "spouse" as "married person" and since the two were not married, there was a significant coverage issue. The agent quickly reported the claim to the E&O carrier for handling.

During the claims investigation, the customer stated that he had relied on the agent to provide him and his girlfriend with appropriate coverage. The customer further alleged that he had requested for his girlfriend to be added to the policies. This claim was not disputed by the agent. During the agents' deposition, he confirmed that he typically did not request information regarding living and family arrangements when binding a policy. He further acknowledged that he was aware that both parties were not married, but living together; however, he believed that both would qualify as insured's under the policy as they were both residents of the household. He was under the impression that there was no need for the girlfriend to be added as an Additional Insured. With this information, the E&O carrier stepped in and settled the claim.

There are some important lessons that can be gleaned from a situation like this. First of all, if a customer requests to have an additional party added as an Additional Insured, that request should be made with the insurer. If for some reason an Additional Insured cannot be added, the customer should be notified in writing and a different policy should be secured if necessary. Furthermore, an agent should ask questions about living arrangements during the policy procurement process and the agent should understand how the policy definitions may apply, particularly with non-standard living situations. Carriers have different policy forms and definitions and some may handle a claim like this differently depending on how their policy is worded. If there are questions, the carrier's underwriting department is always a good resource that should be utilized before the policy is bound.



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