

LOSS PREVENTION LESSONS

June 2022

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Keeping You
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The Narrow Umbrella

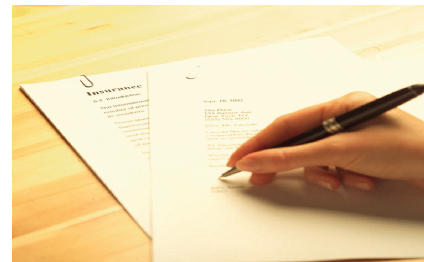
A longtime customer had a CGL policy for multiple apartment buildings that he owned and operated as well as a commercial auto policy to ensure that he was covered properly for his employees while on the road. As he was in the process of purchasing several additional buildings, the lender required him to add a large umbrella policy to his CGL policy. He spoke to one of agency producers at the agent's office who processed the paperwork and bound the umbrella policy for him.

Several years later, there was a fatal, at-fault accident involving one of his employees. He reported the claim to the carrier and the policy limits were paid out under the underlying commercial auto policy. However, it was quickly discovered that the umbrella coverage only applied to the CGL policy and not the commercial auto policy. The Agency Producer was interviewed and his recollection was that the customer had only requested for the umbrella to be added over the CGL policy, pursuant to the lender's request. However, the customer argued otherwise and advised that he had specifically requested for the umbrella to be included over both policies.

Eventually, the customer produced an email in which he requested that the umbrella be applied to both policies, even though the lender had only made the request in conjunction with his CGL policy. This documentation made it clear that the agency had failed to add the coverage as requested. The E&O carrier handled the claim since it was evident that the agency had failed to act appropriately in securing the proper coverage.

It's important to note that if you are asked to write an umbrella policy for your customer, you should always offer to add the umbrella over all appropriate policies. If there is a specific reason that a customer only wants the umbrella over a certain policy or policies, that information should be clearly documented and the customer's request should be placed in the file so that the information can be produced in the event of a claim.

It seems that the producer glossed over the email requesting that the umbrella be added to both policies. However, if the producer had specifically asked the customer to confirm in writing that he didn't wish to have the umbrella added to the commercial auto policy, that would have triggered a correction at the time of binding and this whole situation could have been avoided. Additionally, memories fade over time and it's always best to have written documentation to support any conversations that occurred during the binding of a policy. In this instance, it was clearly the agent's office that had made the error. That may not always be the case, but it is much more difficult to make that determination when there isn't clear documentation as support.



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