

# LOSS PREVENTION LESSONS

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## Certificate Issuance Errors Can be Costly

A long-time customer frantically called his agent to inform him that he needed to file a claim against his workers compensation policy. Unfortunately, one of the customer's employees had been working at his property when a tree fell on him, causing several fractured vertebrae. As the agent reviewed the customer's records, it quickly became apparent that no workers compensation policy was in place. Only a commercial general liability policy had been bound by the Agent about 6 months earlier. How could he have a certificate showing workers compensation coverage when no such coverage existed? Unfortunately, as the agent investigated further, he located a certificate that had been issued to the customer several months earlier by one of his newly hired office staff members. He quickly submitted the matter to the E&O carrier as he realized that his staff member had made an error.

From the beginning of the investigation, it was clear that the agency had made an error by issuing an invalid certificate. When the staff member was interviewed, it was apparent that she had become confused by the customer's requests and had misinterpreted the policy information in the system. To further bolster the customer's case, in a previous email interaction with the same staff member the customer had specifically asked about his payment for both his CGL policy and worker's compensation policy. The rep had provided payment information due, but had failed to clarify that there was no worker's compensation policy in force at that time.

In this instance, the representative had two opportunities to correct this situation. First, when the customer submitted a request for premium information, she could have acknowledged that no coverage was in place. Several weeks later, when the customer requested a certificate as proof of worker's compensation coverage, she had another opportunity to identify the error and assist the customer with obtaining the proper policy. Unfortunately, both of these opportunities were missed and several months later, a large claim was brought against the agent due to the error. Taking the time to carefully train staff members is one of the best forms of defense to avoid claims like this against your agency. If a more experienced staff member had made contact with the customer in either one of those interactions, a large claim would have likely been avoided. Invest in your staff members to ensure that they are well prepared to handle customer inquiries. Having defined office procedures in place related to certificate issuance and premium collection are vital to the successful operation of your agency.



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