

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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Keeping You
Informed & Protected

A Simple Error

There are times when a very simple oversight can lead to a costly E&O claim. This was the case for this agent, who had sold a crop policy to a long-time customer. The customer requested a crop policy with a \$100K per stack limit and a \$500K aggregate hay limit. The agent assisted the customer with working up a quote and represented that he had bound a policy with those terms. Unfortunately, several months into the policy, lightning struck the haystack, causing a fire that resulted in an extensive loss of inventory. A claim was filed under the policy and the carrier paid out a total benefit of roughly \$160K based on the \$10K per haystack limit.

The customer became angry upon receiving the benefit payout, alleging that the agent had represented that there would be a \$100K per haystack limit and that he had received insufficient compensation for his loss. The agent, quickly realizing his error, reported the incident to the E&O carrier for handling. The claims investigation confirmed the error and it was discovered that the agent had simply failed to check a box for the endorsement that would have increased the per haystack limit up to \$100K per stack. An assessment of the damages showed that under the correct haystack limits, a total of roughly \$450K would have been paid out under the policy. Therefore, the E&O carrier stepped in.

This was a very straightforward claim and also a claim that could have been easily avoided if some additional care had been taken. Forgetting to check a box to add an endorsement is a fairly common cause of E&O claims. Many times, failure to add an endorsement leads to much smaller losses; however, as shown here, failure to add an endorsement can also lead to significant losses as well. The takeaway is to use care when binding policies. Always ensure that you are binding the policy with all endorsements that the customer has requested. If there is a reason that a certain endorsement cannot be added, make sure to explain that to the customer in writing to ensure that everything is properly documented. It is a best practice to review all policy applications after completion to ensure that nothing has been missed or misrepresented. Another opportunity to confirm the coverage is as expected is upon receipt of the policy. This is a particularly important step for coverages that you may not bind on a regular basis in your day to day activities such as crop policies.



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