

LOSSPREVENTION LESSONS

October 2022

Provided by CalSurance® exclusively for Farmers Agents

Keeping You
Informed & Protected

Wrong Address

An agent had a longstanding relationship with an older couple, procuring their insurance for several decades. As their home had recently been paid off, they had decided to cancel their policy, which had been in place for over 20 years. Several months later, they realized that was not a good idea and they requested to reinstate their policy. They submitted an application and premium payment and the policy was accepted after a 30 day waiting period.

Shortly after the policy was bound, a notice of additional premium due was sent to both the customer and the Agent, noting "Reduced Coverage on Short Premium New Application". The agent took no action as he noted that a copy of the letter had been sent to the customers as well and he expected the customers to take action if they wished to keep their original elected limits in force. When no action was taken by the customers, the carrier reduced the limits based on the amount of premium received. After receiving a confirmation of the coverage reduction, the agent still took no action.

The area around the home flooded several months later, causing significant damage to their home. At that time, the customers discovered that the applicable flood limits had been reduced. The customers maintained that they had never been made aware of the limit reduction. An investigation showed that the agent had listed their son's address as the couples mailing address. This had not been done at the request of the customers and the agent had no explanation. Furthermore, their son had failed to forward any of the insurance documents to his parents.

The matter was turned over to the E&O carrier for handling. This situation illustrates how simple data entry mistakes can lead to claims. The agent had the opportunity to follow up with the customers to resolve the issue upon receipt of the letter from the carrier. It would have only taken a few minutes for the agent to reach out and confirm the coverage change with the customers or provide them options to retain their desired limits.



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