

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Following Guidelines

All carriers require that an agent follows certain guidelines to ensure that the risks they are writing are eligible to be written. Unfortunately, this is a common area where errors are made, especially with new agents. Whether the agent doesn't understand the underwriting guidelines or simply makes an oversight, these types of errors can lead to customer complaints and problems with the carrier.

In one instance, a customer called and requested for a new location to be added onto his commercial property policy. The agent complied, adding the warehouse to the existing policy, and about a year later, a fire occurred at the building. A claim was reported and it was quickly discovered that the agent had not followed the carrier's underwriting guidelines. The claims investigation revealed two significant issues. First, the agent had failed to conduct an in person inspection at the additional warehouse location. When interviewed, the agent had acknowledged that it was impractical to conduct an inspection as the warehouse was over one hundred miles away from his office. Second, and even more problematic, the building was unoccupied. The carrier's guidelines clearly stated that vacant buildings were ineligible business and the agent had failed to ask questions on the application regarding the vacancy. He had simply assumed that since the other insured warehouse was occupied, that this warehouse must be occupied as well. With these clear errors on the part of the agent, the matter was turned over to the E&O carrier for handling.

Although in person inspections are not required for all risks, if required, the inspection should take place and photographic proof should be maintained. In an instance where an inspection is required, but cannot be completed, the underwriting department should be notified and an exception should be obtained with documentation kept in the file. The vacancy issue would have been obvious had an in person inspection been conducted. In addition to any required inspection, it's necessary to ask all questions on the application so proper underwriting of the risk can occur. Making assumptions instead of requesting the information from the Insured is a common cause of avoidable errors. Agents want to bind as much business as possible and this often times may make for busy schedules. However, taking the time to assist your customer with thorough application completion and inspecting risks when required may avoid a potential E&O exposure in the future.



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