

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

A Forgotten Endorsement

Shortly before the renewal, a customer contacted his agent to request to shop his CGL policy for his private security business with new carriers because he believed that the price that he was paying was too high. The customer stated that he wanted the coverage to match the expiring policy but at a cheaper price. After conducting a review of his current policy, the agent secured quotes from several carriers. The agent told the customer that the coverage from each carrier presented was similar to the expiring policy and there were no significant gaps in coverage between the previous policy and the new policy. The customer was happy to have a substantial savings versus his previous policy and bound coverage for what he thought was a great deal.

The private security business is rife with potential liability. This business regularly employed armed guards, which ratcheted up the risks even further. Unfortunately, while offering security services one weekend, one of those armed guards shot and seriously injured a man. The injured man filed lawsuit against the security business shortly thereafter. After an investigation, the insurance carrier denied the claim based on an exclusion for armed guards. The customer became upset with the coverage denial and the agent submitted the claim to the E&O carrier.

The customer was adamant that he had requested armed guard coverage from the onset. The customer produced email correspondence between him and the agent from several years earlier acknowledging that they needed this coverage as they regularly provided security with armed guards. The customer also provided emails from the agent stating that the coverage would match the terms of the prior policy and that it would include armed guard coverage. This was enough evidence to demonstrate that the agent had failed to procure the policy as requested.

This should go without saying, but an agent should never represent coverage as matching expiring without verifying all terms and conditions. Taking a few minutes to double check that all policy terms including all endorsements are being represented accurately by you can prevent claims such as this one.



681 S. Parker Street, Suite 300, Orange, CA 92868

Phone: (866) 893-1023 Fax: (866) 893-1198

E-mail: farmers@calsurance.com

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