

LOSSPREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Misrepresentations

Several years ago, an agent procured a commercial property policy for his customer's two separate business locations. Approaching the first year anniversary of the policy, no renewal notice was mailed to the customer and the policy lapsed. However, the agent's office issued renewal certificates showing coverage for both of the locations for the upcoming policy year. Despite the fact that the policy was not renewed or paid for, the agent followed up with an email, informing the customer that the coverage had been bound and renewal policy would be mailed to him shortly. Several weeks later, a hailstorm occurred and caused significant damage to the roofs of both locations.

The customer reported claims on his commercial property policy to resolve the hail damage. As the carrier reviewed the claims, it was very quickly discovered that no policy had been put in force. When the customer was informed that the policy had not been renewed, he produced certificates confirming coverage that had been provided by the agent. It was evident that the agent issued these documents in error and a claim was reported to the E&O carrier for handling.

Claims such as this one show how important good office procedures are. It is apparent that the office procedures in this agent's office were not up to par. First, no renewal notice was sent to the customer. Then, the agent inadvertently issued certificates to the customer without any premium collection. There were multiple opportunities for the agency to realize the error prior to the loss, but unfortunately, that never happened until after the loss had occurred. Diaries should always be in place to send renewal notices when that is the agent's responsibility to issue notices as opposed to the insurer. Furthermore, documents should only be sent to a customer after a coverage renewal has been confirmed. Representing that coverage is in place when no such coverage exists makes defense of such a claim an uphill battle, especially when a pattern of errors exists.



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