

# LOSSPREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## *Personal Auto Coverage Across State Lines*

A customer had a personal auto policy with his agent to insure four (4) cars in his household. The agent and customer had a close relationship and the agent was well aware that each year, the customer would spend four to five months beginning in the early summer, working in a different state. He would take one of his vehicles out of state during that timeframe. This had gone on for several years until one time when the customer sent in a change of address in the late fall to the different state. The agent never contacted the customer to see if he had permanently moved or the reason for the change in mailing address. One day, several months later, the customer was involved in a serious at fault collision. The carrier investigated the claim and determined that the driver had been living in a different state than listed on the policy. Furthermore, the new state was one where the carrier didn't even write business. The carrier denied the claim accordingly.

The customer became upset and filed a lawsuit against the agent. The lawsuit was reported to the E&O carrier for handling. Since the agent had knowledge of this arrangement and had failed to advise the customer of a need for additional coverage, a settlement was reached. Claims like this illustrate why it is important to know your customers and apply the information when writing business. While obligations regarding an agent's standard of care vary by state, it's best to provide your customer with as much information as possible so that they can make an informed decision about their insurance needs. It's also important to remember that if a customer has updated their address, you should inquire if they have moved and if a new policy is necessary. Furthermore, all interactions should be documented.



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