

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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Informed & Protected*

A Failure To Understand FAIR Plan Policies

An agency bound a homeowner's policy for a Victorian home in a high fire risk area several years ago. The agent's office staff provided the customer with building coverage, personal property coverage, fair rental value coverage and ordinance or law coverage. Since the carrier would not write fire coverage in the area, the staff provided a policy with fire coverage through the California FAIR Plan. The staff represented to the customer that the homeowner's policy would provide contents coverage, code upgrade coverage, and fair rental value coverage under the homeowners policy and the CA FAIR plan policy would cover damage to the dwelling in the event of a fire.

Unfortunately, a fire loss occurred at the home, causing direct damage to the floor of the home and smoke damage to contents and remaining areas. After reporting the loss to the carrier, it quickly became apparent that there was no coverage for the dwelling's contents or code upgrades and only limited coverage for fair rental value. The claim was reported to the E&O carrier for handling.

The agents staff member who placed the business was new to the insurance industry when the policies were originally procured. During the claims investigation, it became apparent that he did not correctly understand or explain how the two policies would respond in the event of a fire loss. He had erroneously believed that the customer only needed fire coverage for the building and had advised the customer that he was adequately protected. Had the staff member taken some additional time to understand how the FAIR policy would work, he would have known to select coverage under the FAIR Plan for "Personal Property", "Fair Rental Value", Ordinance or Law Coverage", "Fences" and "Plants, Shrubs, and Trees" in the event of a fire. Claims like this illustrate the importance of training procedures for new staff members. When a staff member is writing a piece of business that they are unfamiliar with, additional assistance and oversight should be provided to ensure that easily preventable errors are not made.



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