

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Be Aware of Sub-Limits

An agent bound a multi-peril policy many years ago for a broadcaster, which included coverage for two separate locations. The policy renewed for many years without any losses and business was going well for the broadcaster, so a third location was purchased. The third location was added to the policy and the property limits were increased to over a million dollars at the customer's request. The customer informed the agent that the new location included a tower and transmission lines and that he wanted to ensure that the radio equipment was adequately insured under the policy. The agent acknowledged that coverage would apply to the equipment should damages occur.

Soon after adding the third location, a wildfire engulfed the newly acquired property, causing significant damage to the radio tower and transmission lines. The carrier paid out the policy sub-limit for the damage, which amounted to \$15,000. Unfortunately, this left several hundred thousand dollars in damages that were unpaid. The customer became upset as he had specifically requested coverage for the radio tower and transmission lines, and he had never been informed that a \$15,000 sub-limit would apply. The agent, realizing his omission, turned the matter over to the E&O carrier for handling.

As the E&O adjuster reviewed the claim, it quickly became evident that the agent had made an error. Documentation and testimony demonstrated that the agent was aware of the radio tower and transmission lines, but he was unaware of the fact that the policy contained a low sub-limit for the equipment. On top of that, he had never advised the customer. In fact, the agent had instead confirmed that coverage would apply to the equipment without providing any caveat with respect to the limits. This claim illustrates the importance of understanding any sub-limits which apply to the policies that you procure for customers. At times, equipment or specific items must be scheduled on a policy for coverage to be triggered and a sub-limit that is lower than the policy limit may apply. These should always be disclosed to your customer when discussing coverage.



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