

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Be Careful with Down Payments

A customer called his agent to obtain both liability and property coverage for his business. Coverage was declined through Farmers due to ineligibility, so the agent went through a general agent to secure policies for his customer. The GA provided two separate quotes to the agent, with one at roughly \$7,000 for liability coverage and the other for property coverage at roughly \$5,000. The quotes were provided to the customer and the customer informed the agent that he wished to proceed with binding coverage. The agent advised that a down payment of \$1,800 was required to bind coverage. The customer remitted payment to the agent and the agent forwarded payment to the carrier.

Unfortunately, the agent failed to realize that the \$1,800 payment was solely for liability coverage. Property coverage required a separate down payment. A policy showing liability coverage only was mailed to the agency, but the agent still failed to realize that the property policy had not been bound. Shortly thereafter, the customer suffered a fire loss. A discarded cigarette from an adjacent alley ignited fire to the commercial property. While the damage to the structure was relatively minor, the customer suffered significant loss of merchandise.

This claim demonstrates a clear error on the part of the agent. The agent failed to bind coverage as requested by the customer while representing that he had done so. This was a simple administrative error and if closer attention had been given, this could have been caught and rectified early on. The agent even had a second chance to catch the error when the policy was sent to him. Had he conducted a cursory review of the policy, he would have realized that only liability coverage had been bound and he could have instructed the customer to submit the other down payment so that the property policy could have been in place prior to the loss.



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