



## Farmers Sponsored Group Errors & Omissions Program Frequently Asked Questions

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Please review the policy and program materials. A complete copy of the specimen policy is available by calling 866-893-1023. This document is a summary of the coverage provided. All statements contained herein are subject to all terms, conditions and exclusions of the actual policy. In all circumstances the actual policy language will prevail.



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### 1. Do I have coverage for my agency staff?

Yes, all employees of the agency are automatically covered for no additional premium. This includes Agency Producers or a spouse working on behalf of the agent.

### 2. What is my deductible?

The deductible will vary depending on whether the E&O claim involves an error made in the sale or servicing of a Farmers product or a brokered product. Your deductible will only apply to Damages. The deductibles are as follows:

\$1,000 per claim for business placed with Farmers or through one of Farmers' strategic alliance companies; or

\$5,000 per claim for all other covered business.

Example: The deductible on products of Blue Cross is \$1,000, as Blue Cross (including WellPoint Health Networks, Inc.) is considered a strategic alliance company of Farmers. The deductible on products of Blue Shield is \$5,000.

### 3. Why is the deductible higher for claims involving brokered products?

The \$1,000 deductible applies as a policy benefit when an E&O claim involves a Farmers product. Additional training and documentation is available on Farmers products, supporting the lower deductible feature. E&O claims involving brokered business are more complex with additional risk factors, generally resulting in higher E&O claim costs.

### 4. What is the Claims-Free Deductible Waiver?

The deductible for a claim involving a Farmers product shall be waived if the Named Insured has:

- been continuously insured under the Farmers sponsored group E&O program for the five (5) policy periods immediately preceding the date the claim is reported;
- not reported any claims during the five (5) policy periods immediately preceding the date a claim is reported; and
- not reported more than one (1) claim under the policy.

Note: If no inspection was conducted on the property that is the subject of the underlying claim and an inspection was required pursuant to underwriting guidelines, the deductible will not be waived.

### 5. What is the Deductible Buy-Back Endorsement?

The E&O program offers an optional Deductible Buy-Back endorsement, which applies to both Farmers and non-Farmers products. For \$25 per month, you will not have to pay any deductible you are responsible for up to \$10,000 aggregate per policy period. The Deductible Buy-Back endorsement must be in force at the time the E&O claim is reported and may only be elected or canceled during Annual Enrollment.

### 6. What happens if my Agent Appointment Agreement (AAA) terminates?

On the date your AAA terminates, your errors and omissions coverage ceases. Even though coverage ceases on the date of contract termination, agents whose contracts are not terminated for cause receive an automatic unlimited Extended Reporting Period (ERP) for claims involving Farmers products. Furthermore, all agents get at least a 90 day ERP for brokered business. Based upon the reason for your contract termination, a longer ERP for brokered business may be offered to you. This allows eligible agents to continue to report new claims or potential claims on errors made on or after your Retroactive Date, but prior to your termination date. Other policies do not differentiate between types of claims that may be reported under an ERP and charge for all ERPs other than that which are statutorily required. Please refer to the Farmers Policy, Section VI: Extended Reporting Period, Part B for specific coverage details.

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**7. I will be selling my book of business. Will I get any automatic Extended Reporting Period (ERP) and will an additional ERP be available for purchase?**

All agents get at least an automatic 90 day ERP for all business. Provided that you are not terminated “for cause”, you will get an unlimited ERP for all Farmers business. If you are terminated under a “retiree” classification, you will get a 2 year ERP for brokered business as well. Additional ERP is available for purchase in the time frame of 3 years, 5 years, or an unlimited period of time. CalSurance will mail details to your home address shortly after your termination and you will need to complete your purchase within 60 days of your termination. Contact CalSurance at 866.893.1023 for additional details.

**8. What is my retroactive date?**

The retroactive date for the Farmers sponsored group E&O policy is the later of:

1. The inception date of the Named Insured’s AAA with Farmers; or
2. The date of the first claims made errors and omissions liability coverage maintained in force without interruption.

However, if the Named Insured is a party to the Retail Agent or Agency Acquisition Appointment Agreement and has submitted an application for Extended Prior Acts that has been approved by Arch, then the retroactive date for such Named Insured shall be the date of the first continuous errors and omissions coverage maintained in force without interruption.

**9. When can I make changes to my enrollment, coverage, or limits?**

The Annual Enrollment period begins on October 14, 2024 and ends on November 3, 2024. This will be the only time you can make changes to your enrollment, coverage, or limits without a qualifying event (see question 10 for additional details). Login to [www.farmersagentsbenefits.com](http://www.farmersagentsbenefits.com) using your Participant ID and Password during the Annual Enrollment window to make changes. Any changes made during this period will be effective January 1, 2025.

**10. Can I change my coverage or limits midterm?**

Limits may be increased midterm if you add a Farmers appointed Agency Producer (AP), District Life Specialist (DLS), District Manager Training & Administrative Assistant (DMTAA), or Reserve District Manager (RDM) to your staff. Limits may be increased as of the appointment date of the respective individual added to your staff. Your coverage level may be increased midterm if you become contracted with a new personal lines or commercial lines carrier during the policy period. Login to [www.farmersagentsbenefits.com](http://www.farmersagentsbenefits.com) using your Participant ID and Password to make changes.

**11. Is the coverage under the Farmers sponsored group E&O policy limited to specific insurance carriers?**

Coverage varies depending on the level of coverage elected during Annual Enrollment. If you carry Coverage Level 3, you may place commercial or personal lines P&C policies with any\* licensed insurer. If you carry Coverage Level 2, you may place personal lines P&C policies with any\* licensed insurer. However, Coverage Level 1 is limited to Farmers products or services and business placed through Kraft Lake, strategic alliances, or affinity partners of Farmers.

\*See question 12 for limitations on carrier rating with respect to claims relating to insolvency/bankruptcy.

**12. What happens if a carrier that I place business with becomes insolvent or bankrupt?**

The Farmers sponsored group E&O program includes an insolvency exclusion. This exclusion relates to claims specifically arising out of a carrier’s insolvency, receivership, conservatorship, liquidation, bankruptcy, or inability to pay a claim. Fortunately, the Farmers sponsored group E&O program includes a carve back that applies to this exclusion. As long as you have placed business with a carrier that was rated B+ by AM Best or S or better by Demotech Inc. at the time the business was placed, the exclusion does NOT apply. Therefore, it is very important to be mindful of the carrier ratings for the carriers that you place business with. In the event that a carrier that you place business with is downgraded below the threshold listed above, it is prudent to place the business with an alternative carrier that is rated B+ or better by AM Best or S or better by Demotech Inc. at the next available opportunity. Moreover, in the event that a claim is excluded solely by the insolvency exclusion, Arch will provide up to \$100,000 in defense costs to defend an agent.

**13. What is considered personal lines brokered business?**

Personal lines brokered business is insurance that is sold to an individual and placed with a company other than Farmers. Some examples would be personal automobile policies or homeowners policies placed with any carrier that is not owned by Farmers.

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**14. Do I have coverage for personal lines business placed with companies outside of Farmers?**

If an E&O claim involving personal lines brokered business arises from an error made on or prior to December 31, 2013, coverage for the E&O claim is part of the basic policy. For E&O claims involving errors made on or after January 1, 2014, coverage shall only be provided if Coverage Level 2 or Coverage Level 3 has been elected and paid for continuously.

**15. What is considered commercial lines brokered business?**

Commercial lines brokered business is insurance that is sold to a business and placed with a company other than Farmers. Some examples are general liability policies, commercial property, business owner packages, and workers compensation insurance placed with any carrier that is not owned by Farmers.

**16. Do I have coverage for commercial lines business placed outside of Farmers?**

If an E&O claim involving commercial lines brokered business arises from an error made on or prior to December 31, 2003, coverage for the E&O claim is part of the basic policy. For E&O claims involving errors made on or after January 1, 2004, coverage shall only be provided if coverage level 3 has been elected and paid for continuously.

**17. Do I have coverage for life insurance, annuities, and accident & health insurance placed with other companies?**

There is coverage for brokered fixed life insurance and annuities as well as brokered accident & health insurance under all coverage levels.

**18. I am considering the purchase of a book of business. Are there any specific considerations that I should make with respect to my E&O coverage?**

If you are considering the purchase of a book of business, it is important that you understand the composition of the book of business you will be purchasing. If you will be buying a book of business that includes personal lines brokered business, you should ensure that you at least have Coverage Level 2. If you are buying a book of business that includes commercial lines brokered business, you should ensure that you have Coverage Level 3. You may also want to consider increasing your limits of liability as you are going to be responsible for more policies and will have additional E&O exposure.

**19. If I purchase a book of business and a claim is made arising out of an act, error, or omission from the previous agent, who will be liable?**

In these situations, both the prior agent and the new agent should report the claim under their respective E&O policies. Lancer Claims Services will conduct an investigation and review all circumstances of the claim to make a coverage determination. Liability is dependent upon the individual facts and circumstances of each matter. However, it is a good idea to conduct a Farmers Friendly Review on all new business that you acquire so that you ensure that your new clients are adequately insured.

**20. Do I have coverage for variable life, variable annuities, and mutual funds?**

These products are securities. If you are a registered representative of Farmers Financial Solutions (FFS), there is coverage for securities placed through FFS. Please refer to the Mutual Funds and Variable Products Endorsement for details.

**21. I currently have Coverage Level 1 or 2, and want to change my Coverage Level to 2 or 3. Can I upgrade my coverage?**

You are able to make any changes to coverage during Annual Enrollment. If you become appointed with an outside carrier during the policy period, you may increase your coverages to either Level 2 or 3. Refer to questions 14 and 16 for the applicable retroactive dates for personal and commercial lines brokered business. Remember that this is claims made and reported coverage. Dropping optional coverages will result in a gap in coverage that could adversely affect coverage if a claim involving brokered business is made against you.

Note: Coverage level availability is dependent upon your Agent Appointment Agreement. Contact CalSurance for details.

**22. Do I have coverage for business placed through strategic alliance or affinity partners of Farmers?**

Yes, there is coverage for business placed through these entities under all coverage levels. This includes business placed through Kraft Lake.

**23. What happens if a partnership with a strategic alliance or affinity partner ends?**

Coverage is included under all coverage levels for policies written during the partnership. If you wish to continue writing business with the company after the partnership has ended, you should ensure that you have the appropriate coverage level.

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**24. If I am a reserve agent with Farmers, do I have coverage to sell brokered business?**

No, there is no coverage provided to reserve agents for brokered business.

**25. What is a “Category 1” claim?**

A “Category 1” claim (also known as a “CAT 1 claim”) activity generally refers to a claim where 1) the customer alleges that coverage was requested; 2) the coverage was available (i.e. met the underwriting guidelines); and 3) the agent had binding authority for the coverage. However, it is determined that due to an error by the agency the coverage was not bound and/or proper binding procedures were not followed, therefore the claim is not covered by the original policy issued. In many of these situations, the policy is reformed and the policyholder’s claim is adjusted.

This is not considered to be an E&O claim. Agent “activity” includes activities by the agent and anyone in the agent’s agency. It does not necessarily mean the agent or the agency committed an error. If, for example, the agent cannot find an insured’s UM/UIM waiver form, that does not mean the agent committed an error or failed to obtain a properly executed waiver from the insured. The waiver could simply be missing. However, because the absence of a UM/UIM waiver form results in the company extending UM/UIM limits, this activity will be reported on a Marketing Advice Form during the claim handler’s investigation.

An example of a “CAT 1” claim activity is as follows:

The agent wrote an auto policy but forgot to add rental car coverage on the policy that the policyholder requested. An insured under the policy had an accident and thought he had the rental car coverage. The claim was initially denied. However, since Farmers would have written that coverage, additional investigation on the claim occurs, the policy is reformed (coverage was added back on the policy) and the appropriate premium for that coverage is charged to the insured. Then, the rental coverage loss is paid.

There are times that the Farmers claim adjuster’s investigation and evaluation of the policyholder’s claim results in a determination that there is no coverage because there is evidence that the policyholder did not request the coverage that was necessary in order to pay the reported claim. Some agents are concerned that in these types of situations they may be sued. If this occurs, the agent can advise Lancer Claims Services of the details and a potential E&O claim will be opened.

**26. How does Arch handle “Category 1” claims?**

Lancer Claims Services will open a potential E&O claim on behalf of Arch and will begin an evaluation as to whether the policyholder’s claim is a Category 1 matter. When it is determined that the risk involves eligible business and the coverage requested by the policyholder was within the agent’s binding authority, Lancer will refer the claim back to Farmers Claims.

In the event that Farmers does not resolve the policyholder’s claim to his or her satisfaction, Arch will not deny an E&O claim solely due to the fact that the business was eligible for Farmers and within the agents binding authority. If Farmers does not reform the policy and resolve the policyholder’s claim, the agent should contact the E&O claim adjuster at 800.821.0540 to discuss the next steps. Agents should not take it upon themselves to resolve a claim.

**27. What happens if I report an E&O claim involving a Farmers policy where the risk was ineligible or outside of my binding authority?**

The claim is adjusted by Lancer Claims Services pursuant to the terms, conditions, and exclusions of the Arch E&O policy.

**28. What happens if I report an E&O claim involving a policy that was not issued by Farmers?**

E&O claims that involve brokered business are handled by Lancer Claims Services on behalf of Arch. There is no review as to whether or not Farmers would have written the business (either at the time of placement, prior to the placement, or subsequent to the initial placement).

Keep in mind that you must have a Coverage Level that provides coverage for brokered business.

**29. Are Farmers personnel involved in the E&O claims investigation when my claim does not involve a Farmers product?**

No, Farmers is only involved in the claims process on Farmers products.

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**30. Can Farmers report a claim on my E&O policy without my knowledge?**

Farmers claims adjusters have the ability to report potential E&O claims on behalf of agents when they believe coverage may be triggered under the Arch E&O policy. However, an agent will be made aware of this. Lancer Claims Services notifies the agent when a potential E&O claim is reported by Farmers so they can begin their E&O investigation. Without the assistance of the agent to explain the situation, review files, and interview the agent's staff, Lancer would not be able to complete their investigation.

**31. Is detailed information about my E&O claim supplied to Farmers?**

CalSurance and Arch do not supply detailed claim information about specific claims to Farmers. Lancer Claims Services and Arch may share information about a claim with Farmers claims personnel if a Farmers entity is named in a claim or it is determined that Farmers may also have liability. Farmers is not involved in E&O claims involving the products or services of other insurance companies.

**32. Who is the Named Insured?**

As stated on the Declarations page and as defined by the policy terms, the Named Insured is: The Agents and District Managers of Farmers Insurance Exchange. Farmers is not the Named Insured.

**33. Does Farmers have coverage under my E&O policy?**

Farmers is not the Named Insured on the Farmers sponsored group E&O policy. Farmers is provided with vicarious liability coverage, which may be triggered in the event that a claim is brought against you due to an alleged error made by you if Farmers has been named in a lawsuit in addition to you. However, there is no coverage for Farmers for any independent wrongdoing or bad faith. When both Farmers and the agent have been named in a lawsuit solely due to an agent error, the same defense counsel may be utilized so that no additional claim costs are incurred.

If there are independent allegations against Farmers (failure to train or supervise, bad faith, etc.), Farmers must defend and indemnify itself. The group E&O program rates do not reflect the costs of claims for Farmers wrongdoing or bad faith.

**34. Is there a membership fee charged to take part in the Farmers sponsored group E&O program?**

There is no membership fee required to participate in this program. Other programs may have a mandatory membership fee that provides you with access to apply for coverage.

**35. How are rates determined?**

Rates are determined by the claims experience of Farmers agents who participate in the E&O program. The experience of other lines of business written by the carrier or other E&O programs for P&C agents do not affect the rates. Therefore, agents will not see a rate increase because it is a hard market nor will agents see a rate decrease because it is a soft market. The goal is to have rate stability. This has been achieved over past years by pinpointing rate adjustments where needed.

This is a very large program with loss holding capacity. If an agent happens to be an unfortunate one with a loss, the program will continue the following year, not only for that agent, but for all of the agents who participate. An agent cannot be canceled because he or she has reported a claim nor will an individual agent see a rate increase due to their own loss history. An individual agents rates are dependent upon their state of domicile and their elected coverage level, limits, and whether they carry the deductible buy-back endorsement.

**36. What kind of loss prevention materials are available?**

CalSurance works closely with Farmers Agent Benefits to provide loss prevention resources, including video clips, newsletters, and current claim examples. These resources can be accessed, free of charge, by visiting [www.farmersagentsbenefits.com](http://www.farmersagentsbenefits.com) and clicking on the E&O link. Additionally, CalSurance emails loss prevention lessons on a monthly basis.

**37. What is the relationship between CalSurance, Lancer Claims Services, and Arch Insurance Company?**

CalSurance Associates is the broker selected by Farmers for the placement of the group E&O program. Arch Insurance Company (a member of Arch Insurance Group) is the E&O program carrier affording coverage. Lancer Claims Services is the third-party claims administrator selected by Arch to adjust claims on their behalf.

Please note that agents domiciled in the state of New York are insured by Arch Specialty Insurance Company.

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**38. I am a New York domiciled agent so I am insured by Arch Specialty Insurance Company, a non-admitted carrier. What implications does that have for my coverage?**

Arch Specialty Insurance Company is not licensed as an admitted carrier by the State of New York and not subject to its supervision. In the event of insolvency of the Insurer, there is no protection by the New York State Security fund. The policy may not be subject to all of the regulations of financial services pertaining to policy forms.

Please contact our dedicated Farmers Customer Support Team with any questions

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