

# LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## **Choose Your Words Carefully**

An agent had written a commercial property policy for a customer for many years. The customer owned a medical supply business with two separate warehouses where medical supplies and devices were stored. Unfortunately, the customer ran out of room at the two warehouses and began to store equipment at a new location that was owned by a third party. Unfortunately, a fire broke out at the new location and damaged some very expensive medical imaging equipment. The loss was submitted to the carrier and the carrier paid out the \$10,000 policy sub-limit, which applied to equipment stored at a non-insured premise location. When the customer received news of the expected payout amount, he was very upset. The equipment's value exceeded \$250,000 and he would only receive a fraction of that amount for the loss.

The customer alleged that the agent had misrepresented the policy when it was sold to him and quickly filed suit against the agent. The crux of the customer's argument hinged on the fact that the agent had referred to the coverage as blanket coverage when the policy was sold and had never mentioned anything about the need for specific locations to be scheduled on the policy or a sub-limit for business property stored off premises. The customer alleged that if he had been made aware of this policy provision, he would have ensured that all valuable equipment was stored at one of his two warehouses that had been scheduled on the policy. In fact, the customer stated that he had specifically called the agent to ensure that he would have coverage for this machine as it was more valuable than most of the other equipment that he normally dealt with and that the agent assured him that he had blanket coverage and the policy limits would apply. Phone records showed that the customer and agent had indeed had a conversation within days of the customer's acquisition of the equipment. The agent stated that he had no recollection of the conversation.

This claim serves as a reminder that words should be chosen carefully when interacting with a customer. If a customer inquires about coverage for a specific high value item, it is a best practice to ask additional questions and mention any sub-limits that could potentially apply. Using terms like "blanket coverage" without including a disclaimer about the requirement for locations to be scheduled on the policy can cause confusion and open you up to additional E&O exposure. Additionally, all communications with customers should be documented.



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