

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Non-Admitted and Insolvent

An agent received a call from a longtime customer asking if he could assist with setting up an employee health plan for his trucking company. He had written the customer's personal and commercial policies for many years, but employee benefit plans were outside the scope of his normal business activities so he brought in another agent who was more experienced to assist with the transaction. The agent attended several meetings where employee benefit plan options were outlined and discussed. However, he generally listened to the conversations and had minimal involvement in the actual sale, other than being in the same room and collecting a commission.

Unfortunately, there was a large claim under the plan. It turned out that the insurer was insolvent and unable to pay the claim. Furthermore, the insurer was a non-admitted carrier. Neither agent had advised the customer of the non-admitted status of the carrier. The customer quickly brought a lawsuit against both agents, alleging that they had not done adequate due diligence, failing to inform the customer that the carrier was non-admitted and not disclosing that the insurer had financial problems before the policy was sold.

While the Farmers agent had very little involvement other than bringing the parties together, he was included in the lawsuit because he had received a commission on the product and attended meetings related to the sale. Accordingly, a six figure settlement was reached in this case. This claim is a good reminder that you can still have liability even when your role in an insurance transaction is limited. While bringing in another party with more experience is often a prudent course of action, you could still be sued. Additionally, you should always inform the customer of a potential carrier's admitted/non-admitted status and carrier rating.



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