

# LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## The Motel

A customer called an agent to request procurement of a \$2,000,000 property policy on a motel that she owned. The customer specifically asked for the policy to include 2,000,000 in rebuilding costs as well as \$2,000,000 in liability coverage as required by the mortgage lender. The customer had been dissatisfied with her previous agent's responsiveness to her insurance needs and was moving this business to a new agent. The agent searched the marketplace for carriers who would write the business and bound the policy on his customer's behalf.

Several months later, there was a fire loss at the motel that caused significant damage. When the claim was reported to the carrier for evaluation, it was quickly discovered that only liability coverage had been bound by the agent. The loss was then reported to the E&O carrier and the investigation demonstrated that the agent had failed to bind coverage as requested by the customer. The customer provided email documentation showing that she had requested a commercial multi-peril policy for the property to cover rebuilding costs as well as liability coverage with the same limits. The agent had confirmed that \$2M in property coverage and liability coverage had been bound when in fact only the liability coverage had been bound. The agent had no explanation for why he had not bound the requested coverage, but admitted that he been dealing with some personal issues at the time that had taken his focus off work.

Mistakes such as this one can be very costly, but are completely avoidable with good office practices. Agents should take care to ensure that they are binding coverage as requested by their customer. If for some reason, the coverage is unavailable in the marketplace, that should be clearly communicated in writing. Proof of coverage should only be provided after coverage has been bound and the coverages provided should be clearly outlined for the customer. Providing evidence of coverage that clearly does not exist is problematic. Taking a few extra minutes to confirm that the coverage has been bound appropriately can prevent situations such as this.



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