

LOSSPREVENTION LESSONS

April 2016

Provided by CalSurance® exclusively for Farmers Agents

Keeping You
Informed & Protected

Do You Have The Proper Coverage Level?

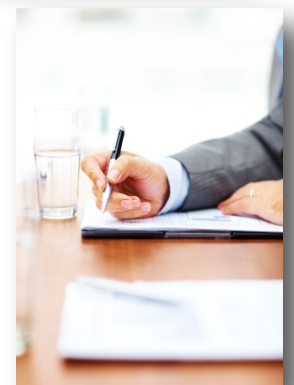
In the middle of the night, a factory fire broke out at a small manufacturer. With no shortage of flammable materials inside and a brisk breeze outside, the blaze quickly engulfed the buildings. Adding to the quickness by which the fire was able to spread, one of the buildings did not have an active fire suppression system. When the dust settled, the client filed a claim and the investigation exposed deficiencies with regard to the sprinkler system. It soon became apparent that the insurance carrier was not going to pay the full value of the loss due to an exclusion for buildings without an active fire suppression system. As the customer complained that his agent never disclosed this limitation, the agent quickly realized that he needed to put Lancer Claims on notice.



During annual enrollment, the agent had reviewed his E&O coverage options. He had developed a business plan to expand his commercial activity and elected the highest coverage level, Coverage Level 3. This way he would have E&O coverage when brokering commercial business. Since this coverage level change was in place before he began brokering business outside of the Farmers entities and the coverage was maintained without interruption, the E&O claim was handled accordingly.



Many agents only write Farmers business or brokered business placed through Farmers entities such as Kraft Lake, Insurance Noodle, and Couch Braunsdorf. Coverage Level 1 might be adequate for these agents. However, some Farmers agents may occasionally broker business outside of Farmers when the product is not available from the companies. If you choose to broker business outside of Farmers, it is vital that you understand what coverage level you need. Coverage Level 2 adds coverage for personal lines brokered business while Coverage Level 3 adds commercial lines brokered business.



If you decide to venture out into these lines of business, you must have the correct coverage level in place prior to engaging in this activity. If you have questions regarding the scope of your coverage or your coverage level, please contact CalSurance at 866.893.1023.



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681 S. Parker Street, Suite 300, Orange, CA 92868
Phone: (866) 893-1023 Fax: (866) 893-1198
E-mail: farmers@calsurance.com
California License # 0B02587

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