

LOSSPREVENTION LESSONS

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Provided by CalSurance® exclusively for Farmers Agents

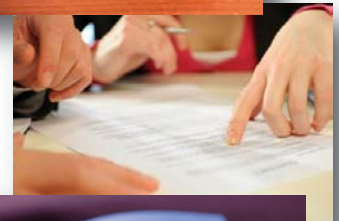
*Keeping You
Informed & Protected*

Coverage Continuity Is Vital

An Agent contacted Lancer Claims to report a claim. He had carried coverage in the past for commercial brokered business, however, he dropped his coverage level during annual enrollment. Several years later, he increased his coverage level when he decided that he was going to actively write new commercial brokered business. A customer complained to the agent about an inland marine policy placed many years ago that he had continued to service. Fortunately for the agent, the customer complaint involving the inland marine carrier's claim handling process was quickly resolved to their satisfaction without any allegation against the agent. Had an E&O claim against the agent arose, the claim may have been denied for failure to maintain the adequate coverage level from the date of error and the date that the claim was reported.

Continuity of coverage is one of the important concepts to understand when it comes to a "claims made and reported" E&O policy. In order for coverage to be triggered, the initial error that led to a claim must have been made after the agent's retroactive date. The Farmers policy defines the retroactive date as the later of the date of inception of the Named Insured's Agency or District Manager Agent Appointment Agreement with Farmers Insurance Exchange or the date of the first continuous claims made errors and omissions liability coverage maintained without interruption. This means that any gap in coverage, even a gap as short as a day could jeopardize your coverage in the event of a claim. Furthermore, this retroactive date applies to each coverage level. As with this example, decreasing your coverage level could negatively impact your E&O coverage in the event of a brokered business claim.

Regardless of your current business, you should carefully consider any decrease in your coverage if you have written any personal or commercial brokered business in the past. Claims can arise at any time in the future and if you haven't maintained the proper coverage level, you may be left with coverage issues when a claim does arise.



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