

LOSS PREVENTION LESSONS

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Keeping You
Informed & Protected

Policy Form Changes Require Special Care

Shortly after a homeowners policy rewrite, a hailstorm pounded a Midwestern town, causing cosmetic damage to the client's metal roof. The next day the client called his agent to report the loss. The agent was under the impression that the loss would be covered as it seemed to be a fairly standard claim that she had seen covered in the past on multiple occasions. However, the claim was reported and subsequently denied by the carrier because the recently rewritten policy contained an exclusion for marring of metal roof materials. Unfortunately, the agent had failed to realize that this exclusion had been added to the new policy form.

Occasionally, companies will roll out new policy editions to replace older policies that many agents have been familiar with for years. The agent may choose to write the business on the new policy edition, or it may be a requirement that they do so when a revision is requested by a client. Oftentimes, these policies will include important changes that you should be aware of. Therefore, it is important that you carefully review any new policy forms, paying careful attention to any new endorsements and exclusions that are added.

Keep in mind that when you are changing policy forms, it is never a good idea to represent to the client that everything in terms of coverage will remain the same. If a policy will be written on a new or different policy form, coverage may not be exactly the same. This phrase, or something similar has been uttered by many agents who have subsequently reported E&O claims. However, it is not enough to refrain from making representations that the coverage is the same as the client's previous policy. When changing carriers or switching policy forms with the same carrier, you should take care to highlight changes in coverage to the client. You do not want to put yourself in a situation where the client alleges that you have failed to advise them of a material change to a policy. At a minimum, it is prudent to provide the client a copy of the new policy and advise them to review and let you know if they have any questions



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