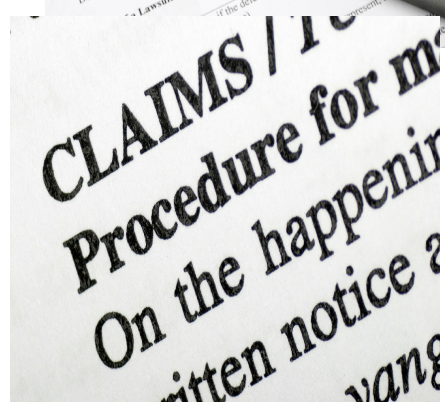
LOSS PREVENTION LESSONS

December 2021

Provided by CalSurance® exclusively for Farmers Agents

Keeping You Informed & Protected

Make Sure the Risk is Eligible



An agent received a call from a longtime customer inquiring about insurance coverage for a motorhome that they wanted to rent for a month long drive around the country. The agent was not familiar with writing this line of business, but the agent wanted to help so he did some investigation and found a carrier that could write the business. He bound the policy about two weeks before the rental.

About two weeks into the trip while driving on a two lane highway, the motorhome collided with another vehicle and sent it careening off the road and crashing into a tree. Nobody in the motorhome was hurt and there was minimal damage to the motorhome. However, the occupants of the other vehicle were not so lucky. They suffered severe injuries and their car was totaled. The customer called to file the claim the day after the accident occurred. After a brief investigation, the carrier determined that the risk was ineligible business and that the claim was denied. The reason was that the application clearly stated that the insured must be the titled owner of the vehicle and as a renter of the vehicle, he was clearly not the titled owner.

The agent quickly realized that he had missed that very important eligibility requirement and he reported the incident to the E&O carrier. The agent clearly knew that the customer was renting the motorhome and was definitely not the titled owner of the vehicle.

This situation highlights the perils of writing a line of business that you are unfamiliar with as well as the importance of adhering to the eligibility requirements of the carrier. An appropriate policy to cover a short term motorhome rental was available in the marketplace. If an appropriate policy could not be secured through the agent, the agent should have informed his customer accordingly so that he could have made alternative arrangements. With some additional research and care, this situation could have been avoided.

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