Strange But True
Unusual E&O claims you might encounter
By Janice Blanton

Errors & omissions claims usually arise from a specific type of error. But once in a while, a claim comes up that's downright bizarre. Would your agency be susceptible to a similar E&O claim?

Scenario 1: A customer comes in to complete paperwork to secure coverage on a new vehicle, but does not have money with him for the down payment. The agent offers to pay the additional premium based on a promise from the customer to return the next day and repay the agent.

The customer does not return and avoids the agent's phone calls. The following Friday, the agent speaks to his wife. She says her husband found other insurance and asks to cancel the auto policy the agent just placed. Based on this conversation, the agent cancels the policy and asks for a premium refund.

Over the weekend, the customer is involved in an auto accident. The auto carrier has to pay the claim because the agent did not have authority from the policyholder to cancel the policy. The carrier then files a claim against the agency for cancelling the policy without authority and for binding coverage on an unacceptable risk per the underwriting guidelines.

E&O TIP: Avoid fronting money to customers for premium, and never cancel a policy unless the named insured instructs you to do so in writing.

Scenario 2: A licensed agent places her own auto coverage through the agency. Unbeknownst to the agency owner, this agent places vehicles owned by relatives on her own auto policy because the agency waives commissions for employees. When one of her relative's vehicles is stolen and the relative files a claim, the auto carrier denies coverage because the agent/named insured does not have an insurable interest in the vehicle. The carrier rescinds coverage back to inception for the vehicle.

The relative brings an E&O claim against the agency. The E&O carrier considers this a liability claim and pays the relative. The agency not only has to pay its deductible, but also must live with this claim on its loss history.

E&O TIP: If employees purchase coverage through the agency, another employee—who has no interest in covering the property—should manage the account.

Scenario 3: A customer sends an upsetting email to her agent. The agent sets out to forward the customer's email to some coworkers with comments threatening bodily harm to the customer. But the agent replies to the customer's email instead of forwarding it. The customer reads the reply and demands money for compensatory and punitive damages. The agency's E&O carrier disclaims coverage for the claim.

E&O TIP: Always ensure emails are addressed only to intended recipients and keep content professional.

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