

One-Offs

Learn it or refer it to avoid an errors & omissions claim

By Janice Blanton

It happens to many agents.

Aunt Sally and Uncle Bill purchase some retail space and plan to rent it out. They need insurance and, of course, contact you since you are in the business. Granted, you have never placed a commercial policy of any kind before, much less in Florida, but how hard can it be? And the commission would be nice, too.

As you start securing quotes, you start second-guessing your decision. However, it's Aunt Sally and Uncle Bill, so you can't tell them no. And, you remind yourself, the commission would be nice.

You secure what appears to be an acceptable quote and complete the application process. The carrier requires a lot of information to secure the coverage needed for your relatives' new venture and a lot more than the simple personal lines policies that you normally sell. Accustomed to a largely renewal book of business, you forget to have the application signed. Also, a review of the final online application and issued policy is never completed.

Months later, you receive a telephone call from Aunt Sally. The building has caught fire. The carrier investigates the claim. The investigation begins to unfold.

The carrier issues a denial of coverage due to the lack of a central station fire alarm (CSA). That's a problem because the policy contains a protective endorsement that requires an automatic fire alarm.



receive a frantic Aunt Sally: The building carrier responds and Then the nightmare

denial of coverage due station fire alarm (CSA). because the policy safeguards requires an automatic

Aunt Sally and Uncle Bill are naturally confused as neither recall representing to you that the building had a CSA. You, too, are confused because you are fairly certain that you did not advise the underwriter there was a CSA at this location. However, all this vaguely rings a bell. You couldn't get coverage without responding "yes" to that question.

A lawsuit commences, and you soon find yourself having some awkward moments at family holiday gatherings.

The agent's first mistake in this scenario was allowing themselves to be lured into unfamiliar territory by the familial relationship and the potential for an easy commission. The second mistake was failing to seek assistance from an experienced commercial lines agent. This led to an unfortunate situation for everyone involved.

Commercial lines insurance can be complicated and present more variables than personal lines policies. Commercial lines policies are also subject to closer underwriting scrutiny and additional endorsements.

Had the agent admitted upfront that this was not their area of expertise and sought assistance, or even politely referred the relatives to an experienced commercial lines agent, the erroneous information on the

application and the resulting endorsement would likely not have occurred. Additionally, a proper review of the application and policy would have revealed the erroneous information at the outset and the policy could have been corrected prior to a loss.

The takeaway: learn it before you do it or refer it to an experienced agent. One-offs can become the perfect storm for an errors & omissions claim.

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