

Personal Lines Insurance Agents Professional Liability *Claim Examples*

- ▶ **Personal Injury:** A startup moving company finds a local insurance agent, comes into the agent's office and purchases a commercial auto policy to cover its fleet of vehicles. A month later, the insurance agent receives a claim from the moving company involving an accident and one of its trucks and forwards it to the carrier. The insurance carrier denies coverage, saying that this particular truck is not covered under the policy. The owner of the moving company vehemently insists that, although this truck was not in the original list of vehicles, he requested it be added later and was told by the insurance agent that it would be covered. The agent has no recollection of this conversation, and when pressed by the carrier for an explanation of the discrepancy, the matter-of-fact said that the owner of the moving company "must be lying." The moving company brings suit for negligence and defamation. Although the agent is found not liable, he accumulates \$10,000 in defense costs.
- ▶ **Alleged failure to properly place auto coverage:** The parents of a newly licensed 16 year old son purchases a third vehicle for his use. The agent advises that due to the underwriting requirements of the parent's current auto carrier, they are unable to add their son's vehicle to their policy. The agent offers an alternative market to their son. Due to an emergency at home, the agent leaves the office and fails to place coverage through one of their nonstandard companies that will write the 16 year old. That night, the 16 year old decides to drive the vehicle to the local town convenience store. On the way, he ignores a red light at a busy intersection, resulting in an at-fault accident with two other vehicles. As a result of the agent's negligence, our policy serves at the auto carrier's policy to settle the bodily injury and property damage claims with the other vehicles. Total amount paid including defense costs was \$98,000.
- ▶ **Negligence:** An insurance agent places a routine general liability policy for an upscale mens formal clothing store, but fails to inform the store owner that the general liability policy has an employment practices liability exclusion, and, furthermore, fails to inform the store owner that employment practices coverage was available for purchase. Six months after the policy, the clothing store is sued for discrimination when a woman is not hired based on a long-standing tradition of hiring male tailors only. The store's lawyer immediately looks for an employment practices policy, but found none. The store pays \$100,000 in defense costs and damages, which they recover from the insurance agent for failing to inform the store about employment practices liability coverage.
- ▶ **Alleged Failure to Properly Add an Additional Insured to a GL Policy:** An agent places general liability coverage for a roofing subcontractor and issues a certificate of insurance naming the general contractor as an additional insured but failed to follow through with the GL carrier to endorse the policy accordingly. On the jobsite, an accident occurs when an employee, a subcontractor of the roofing contractor falls four stories while working on the roof. The employee dies on the way to the hospital. The general contractor brings a third party suit against the agent's E&O policy. The E&O policy responds by dropping down and defending the general contractor because they were not properly placed as an additional insured on the subcontractor's policy. Total amount paid including defense costs was \$150,000.
- ▶ **Alleged Failure to Place Proper Coverage:** A homeowner places coverage through an agent who secures a standard HO-3 policy. The home is located on lake front property. Since the home is not located in a flood zone, the agent advises that a separate flood policy is not needed and that they have adequate coverage with the HO-3. Heavy storms result in floodwater run-off from the lake, which enters the insured's home damaging the contents of their finished basement. Because the plaintiff alleges that their agent told them they did not have a need for flood coverage, suit is filed for damages. The insured denies these allegations. As a result, the coverage is triggered and used to defend the agent during the trial. Total amount paid including defense costs was \$45,000.