



November 13, 2015

Via Regular Mail and E-Mail Delivery

[REDACTED]

[REDACTED]

National Document Center
P.O. Box 268994
Oklahoma City, OK 73126-8994

Re: Insured Agent: [REDACTED]
Lancer Claim Number: [REDACTED]
Date of Loss: [REDACTED]
Claimant/Farmers' Insured: [REDACTED]
Farmers Claim Number: [REDACTED]
E & O Carrier: Arch Insurance Company

Dear Mr. [REDACTED]

Lancer Claims Services (Lancer) is the third-party administrator assigned to investigate the captioned matter on behalf of [REDACTED] as an Agent of the Farmers Insurance Exchange (Farmers) and an insured under the Sponsoring Company Professional Liability Insurance policy issued by Arch Insurance Company (Arch). In that capacity, the claim is being referred to you as a Coverage (Category 1) Question Claim to be handled accordingly by the Sponsoring Company.

We understand that the Farmers insured alleges that the Insured Agent failed to procure higher coverage limits after the updates and refurbishments were completed on the risk associated in the above-captioned loss.

As the Farmers policy has responded to the claim and there is an allegation the Insured Agent failed to procure the proper coverage for the Farmers insured that would have afforded coverage for this loss, we believe this situation is a Coverage Question (Category 1) E & O claim and are referring this matter back to Farmers for handling. At this time, we would like to bring your attention to [REDACTED]'s Errors & Omissions Policy, which reads in pertinent part as follows:

**INSURANCE AGENTS
ERRORS AND OMISSIONS LIABILITY COVERAGE**

THIS IS A CLAIMS MADE AND REPORTED POLICY AND, SUBJECT TO ITS PROVISIONS, APPLIES ONLY TO CLAIMS FIRST MADE

Lancer Claims Services
A Division of Brown & Brown Program Insurance Services, Inc.
CA Insurance Lic.# 2B02587 ● 681 S. Parker Street, Suite 300, Orange, CA 92868-4719
● P.O. Box 7048, Orange, CA 92863-7048
Phone: 714-939-0700 ● Fax: 714-978-8023

AGAINST THE INSURED AND REPORTED TO THE COMPANY IN WRITING DURING THE POLICY PERIOD UNLESS AN EXTENDED REPORTING PERIOD APPLIES.

PLEASE READ THE ENTIRE POLICY CAREFULLY

In consideration of the payment of the premium, the undertaking of the NAMED INSURED to pay the Deductible, if any, and subject to the Limit of Liability of this insurance as set forth in the Declarations, Exclusions, Conditions and other terms of this Policy, Arch Insurance Company, hereinafter referred to as the Company, agrees with the NAMED INSURED as follows:

INSURING AGREEMENT

I. COVERAGES - PROFESSIONAL LIABILITY AND PERSONAL INJURY:

A. PROFESSIONAL LIABILITY

The Company will pay on behalf of the INSURED all sums which the INSURED shall become legally obligated to pay as DAMAGES because of a claim first made against the INSURED during the POLICY PERIOD or an Extended Reporting Period, if applicable, for:

1. Any negligent act, error or omission of the INSURED, or any person for whose acts the INSURED is legally liable, in rendering or failing to render PROFESSIONAL SERVICES for others in the conduct of the NAMED INSURED'S profession as a licensed Insurance Agent/Broker while there is in effect a valid Agency or District Manager contract between the NAMED INSURED and Farmers Insurance Exchange, but only while:
 - a. Soliciting, servicing, placing or binding business on behalf of an insurance carrier other than the Farmers Insurance Exchange; or
 - b. Soliciting, servicing, placing or binding policy coverage on behalf of Farmers Insurance Exchange unless:
 - i. The policy coverage met the underwriting guidelines of Farmers Insurance Exchange as set forth in writing by Farmers Insurance Exchange; and

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- ii. The DAMAGES would have been covered by Farmers Insurance Exchange pursuant to the terms and conditions of the subject policy coverage if such policy coverage had been in force; or

There should have been coverage in place that would have responded to your insured's claimed damages on their home had it been in force. As such, this matter is not a properly referred E&O claim under the Arch policy. As a reminder, a Coverage Question (Category 1) claim is a claim in which "the agent has allegedly made a mistake, but the risk is one that Farmers would have written and the damages would have been paid by the Farmers' policy." We also point out that whether or not Farmers concludes that Mr. [REDACTED]'s office erred or not is a liability position and does not change the fact that this is a Coverage Question matter that should be handled by the Sponsoring Company as there is an allegation that a mistake occurred. It is Farmers determination as to whether or not it wants to make any payments or defend the potential E & O claim brought by the policyholder; however, it is expected that as this matter falls outside of the Insuring Agreement for an E&O claim that Farmers will defend any potential lawsuit against the agent should it decide not to reform the underlying policy to respond to the claimed damages.

If you still feel that you need a better understanding of a Coverage Question claim, please contact a Farmers E & O specialist in your office or region to discuss. If you disagree with our position, please forward the appropriate documentation in support of your position. We ask that you provide Lancer and Arch with a written acknowledgement of your receipt of this correspondence and the decision as to how this matter will be handled. Thanking you in advance for your prompt attention to this most urgent matter.

Sincerely,

[REDACTED]
Director
Lancer Claims Services,
a division of Brown & Brown Program Insurance Services, Inc.
for Arch Insurance Company

cc: [REDACTED]