

ERRORS & OMISSIONS INCIDENT REPORT

Sunshine Insurance Group - CONFIDENTIAL

Incident Date: July 18, 2024

Report Date: July 22, 2024

Prepared By: Sarah M. Johnson, Agent

Incident Reference: E&O-2024-003;

AFFECTED CLIENT

Client: Maria Elena Rodriguez | Policy: POL-2024-AU-002 | Policy Type: Personal Auto

SUMMARY OF INCIDENT

On July 18, 2024, Mrs. Rodriguez contacted our office to report that her 2020 Toyota Camry (VIN: 4T1G11AK5LU987654) was involved in a collision while being driven by her son, Diego Rodriguez (age 19). During the claims process, it was discovered that Diego Rodriguez was not listed as a named driver on policy POL-2024-AU-002. The policy currently lists only Maria Elena Rodriguez and Carlos A. Rodriguez as named drivers.

DETAILS OF POTENTIAL ERROR

Upon review of the file, I located notes from a phone conversation on February 3, 2024, in which Mrs. Rodriguez informed me that her son Diego had received his driver's license on January 28, 2024 and asked about adding him to the auto policy. I advised her of the additional premium cost (estimated at \$1,200-\$1,800 annually for a teenage male driver) and she indicated she would discuss it with her husband and call back. There is no record of a follow-up call from the client, and critically, there is no record that I set a follow-up reminder or documented the need to add Diego to the policy. This represents a potential E&O; exposure as the agency was aware that an unlisted driver was regularly using an insured vehicle.

COVERAGE ANALYSIS

The auto policy's exclusion for unlisted drivers states that coverage does not apply 'while the vehicle is being used by a person not listed on the policy without the insured's permission.' However, since Diego is a household member and the vehicle was being used with Mrs. Rodriguez's knowledge and permission, the carrier may still provide coverage under the permissive use doctrine. The key issue is whether the carrier will invoke the household member exclusion, which requires resident relatives of driving age to be listed and rated on the policy. If the carrier denies coverage, the agency's failure to follow up on adding Diego could constitute an E&O; exposure estimated at \$45,000-\$60,000 based on the collision damage to both vehicles and reported minor injuries to the other driver.

IMMEDIATE ACTIONS TAKEN

1. Notified agency principal Eric Williams of the potential E&O; exposure on July 19, 2024. 2. Contacted our E&O; carrier (National Agency Mutual) to provide notice of the potential claim on July 19, 2024. Reference: NAM-2024-Notice-08847. 3. Added Diego Rodriguez to the auto policy effective July 19, 2024, with Mrs. Rodriguez's authorization, at an additional annual premium of \$1,650. 4. Requested the claims department expedite the coverage determination for the July 18 accident. 5. Documented all communications and filed this incident report.

CORRECTIVE MEASURES

To prevent similar incidents: (1) Implemented a mandatory follow-up system for any conversation involving potential coverage changes - all agents must create a follow-up task within 48 hours; (2) Added a question to the annual review checklist asking about household members of driving age not currently listed on auto policies; (3) Scheduled a team meeting for August 1, 2024 to review this incident and reinforce documentation procedures; (4) Will conduct quarterly audits of auto policies to identify households where listed drivers' ages suggest potential unlisted young drivers.

RESOLUTION STATUS

As of July 22, 2024: Pending. The carrier has acknowledged receipt of the claim and is conducting its coverage review. Expected determination within 15 business days. The E&O; carrier has been notified and has assigned adjuster Patricia Morgan (phone: 800-555-0199, ext. 442). The estimated financial exposure remains at \$45,000-\$60,000. Mrs. Rodriguez has been cooperative and has not expressed intent to file a complaint against the agency at this time.