

PRESQUE ISLE CPCU 2021 ETHICS SCENARIO

Background: Ben is Principal and Owner of an independent agency in Texas, representing several insurance companies. He has been an agent for many years and has a tremendous amount of experience with all lines of insurance business and has developed many contacts within the local community. Ben's agency has placed a good percentage of their business with Insurance Company A. He continues to generate a significant amount of revenue for Company A, has increased their direct written premium each year, and overall has been very profitable.

Tom and Tiffany own a separate independent agency in town and also represent Insurance Company A. Their agency has only been in business for a little more than three years; and, after a slow start they are finally starting to write more business and experience increased productivity.

Situation: Ben has been trying to write a very large commercial business for the past several years – Combined Allied Inc. Part of the reason they have not secured the business is due to another carrier continuing to undercut on price, although Insurance Company A's premiums have been competitive. At a softball game, Tom (owner of the other independent agency) met Fred who happened to be the President of Combined Allied. Fred advised Tom that he was happy to have very recently placed all of their insurance with Ben's Agency. During the conversation, Fred stated that the insurance company, Company A, may have had some concerns with their long-haul trucking and some other higher-level exposures, so he did not advise Ben of those additional exposures.

Questions:

1. Given what Fred (President of Combined Allied) has told Tom, does Tom have an obligation or duty to tell Ben about the additional exposures? They operate separate, independent agencies.
2. Does Tom have an obligation or duty instead to notify the common insurance carrier they represent, Company A?

Assumptions: Let us assume that the following week, Tom calls Ben to advise him of his conversation with Fred.

1. What should Ben do? Should he reach out to Fred at Combined Allied? Should he reach out to Insurance Company A to advise of this additional information?
2. Ben did not hear this information directly from Fred at Combined Allied, so does he have an obligation or duty to try to secure more details, and be pro-active? How does he know that Tom really understood what Fred was telling him?
3. What if Ben first reaches out to Fred, and determines that Fred in fact did not advise him of the additional exposures, but Fred is then able to get those additional exposures insured separately elsewhere? Company A no longer has those additional exposures, so Ben has no further obligations, correct? Yes or no – please explain.

Rest of the Story: Ben, and Tom and Tiffany, have the same Insurance Company A underwriter for their personal and commercial lines. While the additional exposures in question of Combined Allied do not strictly meet Company A's underwriting guidelines, the underwriter advises Ben that he will accept the additional exposures. Based upon Ben's agency's loyalty, years of representing Company A, and their overall profitability, he believes they can accept all of Combined Allied's business. At the same time, the underwriter reasons that he could not allow Tom and Tiffany's agency to accept the same exposures due to being a relatively newer representative of Company A, and concerns with their ability to handle a large loss should one occur. Do you see any concerns here?