

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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Keeping You
Informed & Protected

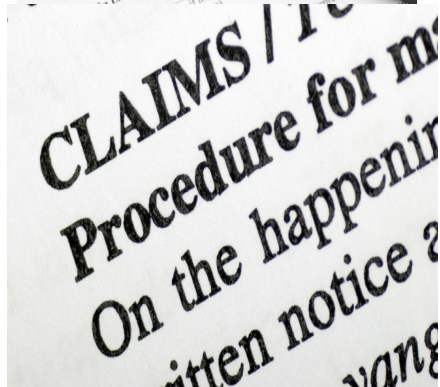
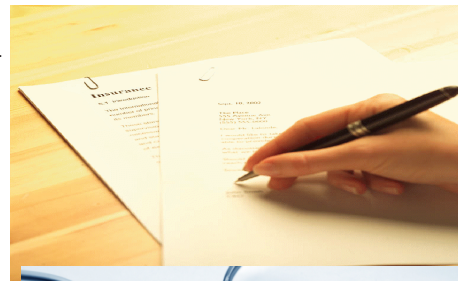
More Than a Hobby

A customer purchased a mobile home on a very large piece of property. He requested full coverage on the property and his agent bound a mobile home policy for him accordingly. During the policy procurement, they had discussions regarding the scope of activities on the property. The customer made it clear that he had some cattle and horses and engaged in some small scale farming activities; although it was not a source of income for him as he lost money. Both the customer and the agent agreed that it was a hobby farming activity and the agent, apparently forgetting about the standard business pursuits exclusion, assured him that there were no issues with these activities and that he was adequately covered.

Unfortunately, a vendor who was doing some work on the property was injured while driving a trailer to move some materials from one area of the property to another. He was standing on a side step of the tractor when the step gave way. The customer fell and the tractor rolled over his legs, causing several fractured bones. When the claim was reported to the carrier, it was denied based on the standard business pursuits exclusion. The customer was upset as the agent had previously assured him that he was adequately covered. He demanded that the agent report the incident to his E&O carrier for review so the agent complied.

When the agent had assisted the customer with the application, he answered "NO" to a question regarding whether there was farming or ranch activity located on the premises. When asked about this representation during the claim investigation process, the agent stated that he believed that the customer's activity was not a true farming operation and therefore didn't need to be noted as such. After all, it wasn't his sole source of income and the customer was actually losing money on his farming activities as opposed to turning a profit. Unfortunately, that didn't make a difference and the appropriate answer to that question should have been "YES", which would have prompted the purchase of a different policy.

The underwriting guidelines clearly stated that properties with farming activities were ineligible and as the agent clearly knew about the activities, it was clear that the customer should have an alternative policy. This claim highlights the importance of understanding the underwriting guidelines for the carriers that you represent. If there is ever a question regarding an appropriate answer on an application, the carrier's underwriting department can help you to avoid a very unpleasant situation in the future.



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