

# LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## Write the Right Policy

An investor contacted his agent to insure a building that was being renovated to be used as a distillery. The building in question had previously been a warehouse, but was undergoing substantial renovations. As such, the customer specifically requested property coverage, distillery equipment, contents, and craft brewery liability on the building. The risk did not fit within the Farmers underwriting guidelines so the business was brokered through a different carrier. Coverage was bound accordingly by an agency producer.

Shortly before renovations had been completed, a motorist crashed into the building, causing extensive damages. The claim was reported to the carrier and the coverage denial letter stated that damages to an existing building would not be covered because the policy was for new construction only. The policy had been written as a builder's risk policy on new construction when it should have been written on an existing business. The policy specifically excluded coverage for both existing inventory and building structures where construction was started prior to inception of the policy. The investor procured documentation showing that he had clearly requested coverage for the building during communications with the agent. The agency producer had mistakenly been under the impression that the distillery project was being built from the ground up. Discussions related to renovations had not been passed along appropriately.

Commercial business claims can be some of the most severe E&O claims. If you are selling commercial business, it is vital that you understand the policies that you are selling and take additional care to ensure that you are selling a policy that is in line with your customer's needs. Simple errors often result in costly claims and many of these errors are preventable. Communication within an agency is key. When the agent passed along the customer to the agency producer to bind the policy, he should have clearly communicated all information obtained from the customer on the risk and the coverage requested. If the agent or agency producer had taken some additional care, this situation could have been avoided.



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