

# LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## Let the Guidelines Guide You

A customer called his agent to purchase a dwelling policy on his property, which was a non-standard property that had been converted from a church. An agency producer took the call, inspected the risk, and bound a dwelling policy accordingly. The property was listed for sale with numerous renovations recently made to the property; however, it lacked a kitchen. Unfortunately, before the property had been sold, a fire caused significant damages to the building.

To make matters worse, it quickly became apparent that the loss would not be covered by the carrier because the property did not meet the definition of a dwelling. For the property to be considered a dwelling, the building had to have all of the domestic facilities of a home, including bedrooms, a living area, a kitchen and a bathroom. This converted church had no kitchen and therefore, the agency producer had bound the carrier to an ineligible risk. When the owner was asked about the lack of a kitchen, he explained that he had not added a kitchen during renovations since it was his intention to sell the property and he wasn't certain if the buyer would want to use the property for commercial purposes.

During the E&O investigation, the agency producer acknowledged that she was aware that the building lacked a kitchen based on her inspection; however, she was unaware of the eligibility requirements that a building had to meet to be considered a dwelling. Unfortunately, when it comes to carrier eligibility requirements, lack of knowledge is not an acceptable excuse. Eligibility requirements are clearly outlined to ensure that carriers are only bound to risks that fall within their underwriting appetite. As an agent or agency producer, the responsibility falls on you to ensure you only bind your carriers to business that meets those guidelines.

A review of the eligibility guidelines prior to an inspection is a prudent action to take, especially if you are writing business that you are not familiar with or if you are attempting to bind coverage on a non-standard property. If you are uncertain about whether a risk meets the underwriting guidelines, you can always contact the carrier's underwriting department for additional details. Make sure that you always document the conversation with the name of the carrier representative, the details of the call, and the date/time that the call occurred. If the carrier grants an exception to their underwriting guidelines, the exception should be granted in writing and documented accordingly in your file.



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