

# LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You  
Informed & Protected*

## **Questionable Farm Endorsements**

A customer called his agent to request insurance for his new home. The agent bound a homeowner's policy along with an incidental farm and ranch endorsement and a separate structures endorsement to cover a barn. The customer operated a commercial farm and the barn was used in the farming operation.

Several years later, a hail storm caused the barn significant damage. When the carrier reviewed coverage for the loss, it became apparent that the customer was not eligible for the endorsements that were bound. The eligibility guidelines for both endorsements stated that structures used for commercial farming purposes were ineligible. There was an exception if the farm was used for products that were for home consumption and not sold commercially. The agent acknowledged that he was aware of the farming operation, but was not aware of the eligibility criteria. However, given that the products of the farm were sold commercially, the endorsements were clearly ineligible.

When you are binding a carrier to a risk, it's important to fully understand the underwriting guidelines. There are times when there may be a question as to whether a risk is appropriate. In situations like this, it's always best to check with the carrier's underwriting department. Had this agent contacted the carrier's underwriting department, he would have been advised these endorsements could not be added to the policy given the customer's farming exposure and he could have secured appropriate coverage with an alternative carrier.



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