

OUTBUILDING UNDERWRITING GUIDELINES

Farm Outbuildings are defined as barns and other outbuildings used in connection with a farming operation. Also included are contents such as: livestock, hay and grain, farm implements, and machinery that are situated on land used for livestock, dairy, truck, fruit, or other farming purposes.

It is necessary that good judgment be used in determining the value of farm outbuildings due to changes in farming methods, increased maintenance costs, and the increased size of farm buildings used for specialized farming operations. Many buildings have become obsolete or are used only for storage purposes, decreasing their insurable value.

To be of service to your insured, strive to protect their investment by insuring those buildings that are a necessary part of the farming operation and resist covering those buildings that have lost their financial value. The Total Loss Endorsement and the Deferred Loss Endorsement can be used for buildings with questionable utility value.

The **AGENT** is the primary underwriter who establishes the amount of coverage and the proper classification of farm buildings.

Before arriving at a premium, it is necessary to classify each outbuilding as Class A, Class B, Class C or Class D. It is the Agent's responsibility not only to determine the physical value of a building, but also the utility value. Each building for which insurance is requested should have utility value (which is defined as the state of being useful) as well as physical value to merit broad form coverage.

1. REPLACEMENT COST COVERAGE

- A. Must be in excellent condition.
- B. Must have electric wiring in good condition or no wiring.
- C. Must be entirely closed with no open or partly open sheds or additions unless these sheds or additions have concrete floors.
- D. Must be fully utilized. (If a building is vacant it, will not qualify for this class.)
- E. The area surrounding the building must be clean and free from weeds and trash.
- F. Must be insured for a minimum of \$15.00 per square foot or the actual construction cost if purchased within the past 12 months. For a 2-story building, double the ground floor square footage.
- G. Must submit a clear picture of the building **with** the application.

2. CLASS A OUTBUILDING (Actual Cash Value Loss Settlement)

- A. Must be in excellent condition.
- B. Must have electric wiring in good condition or no wiring.
- C. Must be entirely closed with no open or partly open sheds or additions unless these sheds or additions have concrete floors.
- D. Must be fully utilized. (If the building is vacant it will not qualify for this class.)
- E. The area surrounding the building must be clean and free from weeds and trash.
- F. Must be insured for a minimum of \$10.00 per square foot. For a 2-story building, double the ground floor square footage.
- G. Must submit a clear picture of the building **with** the application.

3. CLASS B OUTBUILDINGS (Actual Cash Value Loss Settlement)

- A. Must be structurally sound and in good repair.
- B. Must have electric wiring in good condition or no wiring.
- C. Must be enclosed on at least three sides.
- D. Must be fully utilized. (If the building is vacant it does not qualify for this rate class.
- E. The area surrounding the building must be clean and free from weeds or trash.
- F. Must be insured for a minimum of \$7.00 per square foot. For a 2-story building, double the ground floor square footage.
- G. Must submit a clear picture of the building **with** the application.

4. CLASS C OUTBUILDINGS (Actual Cash Value Loss Settlement)

- A. This classification is for all structures not meeting Class A or Class B requirements subject to the following qualification:
- B. Any building open on more than one side but no more than two sides is acceptable for coverage under this classification providing it is in good condition and properly braced.
- C. Must be insured for a minimum of \$5.00 per square foot. For a 2-story building, double the ground floor square footage.
- D. Must submit a clear picture of the building **with** the application.

5. CLASS D OUTBUILDINGS (Basic Perils Only)

- A. This classification is for all buildings insured on a Total Loss Endorsement.
- B. Must be insured for a minimum of \$3.00 per square foot.
- C. Must submit a clear picture of the building **with** the application.

6. PERMANENT FIXTURES

Equipment permanently installed, such as inside elevators, cattle stanchions, bulk milk tanks, barn cleaners, etc. are included as part of the building. If the tenant owns such equipment, it may be included under farm personal property.

7. STEEL BINS

When insuring a group of bins, identify them by number and size at the time that the application is taken. A separate rate must be computed for each bin. Submit a clear picture of the bin with the application.

Steel bins must be anchored on a permanent foundation. If on a movable foundation, they must be securely anchored with heavy wire or anchor rods fastened to substantial anchors in the ground in at least three places.

Bins may be classified Replacement Cost, Class A, B or C by the following guidelines:

- 10,000 to 20,000 Bushels
 - 1.15 Replacement Cost
 - .95 Class A
 - .55 Class B
 - .35 Class C

21,000 to 50,000 Bushels
.90 Replacement Cost
.70 Class A
.45 Class B
.30 Class C

51,000 to 100,000 Bushels
.70 Replacement Cost
.55 Class A
.35 Class B
.20 Class C

Over 100,000 Bushels
.60 Replacement Cost
.50 Class A
.30 Class B
.20 Class C

GRAIN DRYING UNITS (Actual Cash Value Loss Settlement)

On larger Grain Drying Units, which involve higher amounts of coverage, consideration will be given by the company to insuring the unit at one premium rate

- A. List size and amount of each bin separately.
- B. If the dryer is a permanent installation list separately with an amount
- C. If dryer is portable, it should be insured using the Farm Personal Property rate, the same as other farm machinery.
- D. If the Leg is a part of a building it would be included in the coverage of the building.
- E. Any motors, augers, dryers, etc. attached to the bins or leg become a part of that item and should be considered in the total amount of insurance on that item.

8. **PORTABLE BUILDINGS**

Portable buildings are those buildings that are placed on skids that can be moved. They can be added to the Blanket Farm Personal Property if the value is under \$1,000 each. For values above \$1,000 the portable building should be classified "C" and listed on the policy.

9. **PRIVATE POWER AND LIGHT POLES**

We will pay up to \$1,000 for private power and light poles, including attached switch boxes, fuse boxes, outside lights and wiring, for loss caused by any one of the perils identified in Group 1 or Group 2 of the policy. The property must belong to the insured and be on the insured location. If an excess amount is specified on the declaration page, that amount will be additional coverage.

Rates for additional amounts over \$1,000 are on the Outside Wiring Rate Page.