

## **Vacancy**

Agent amended coverage on an existing homeowner's property which had become vacant. The agent failed to advise that coverage would change from replacement cost coverage to actual cash value. Further the agent failed to advise that the vacancy permit would be on the basis of 2/3 of the actual cash value. Due to the change in form from a homeowner's to a fire and extended coverage form, other sections of the property coverage such as outbuilding, personal property and additional living expenses were also affected.

Changes in insuring a property when a vacancy permit is attached can be significant including warranties, reductions in perils and property covered, and the valuation in the case of a loss. The meaning of "vacant" is not standard with all insurance companies and it is the agent's responsibility to understand the insurer's meaning and relay that to the insured. Insurers typically provide cover on the basis of the insured amount or by use of a 2/3 vacancy permit: a significant difference on the amount insured e.g. \$100,000.00 on a \$300,000.00 risk.

Agents are required to provide proper advice to clients to ensure that they are aware of the reductions and limitations of their policies, thereby enabling the clients to make decisions such as changing the occupancy or taking other steps to protect their property. Failure to provide a full explanation to the client is a violation of *The Insurance Act* and of the General Insurance Agent Code of Conduct.