

LOSSPREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

February 2023

*Keeping You
Informed & Protected*

An Impending Disaster

An agent received a call from a customer who wanted to rewrite his homeowner's policy with higher limits than he had been carrying. The customer acknowledged that there was a wildfire about 12 miles away, but claimed that the wildfire was unrelated to his request. The inexperienced agent looked in the carrier's system and did not notice any alert or binding restriction at the time that the business was placed so he proceeded accordingly with binding the business. The fire moved quickly and within twenty four (24) hours, the fire had engulfed the home, rendering it a complete loss.

When the customer reported the loss, the carrier reviewed it very closely since the policy had just been rewritten on the same day that the loss occurred. It turned out that there was an evacuation notice in place in the area where the home was located at the time that the policy was written. The carrier pointed out that there was an underwriting guideline which stated, "All binding authority is automatically suspended during times of an impending disaster and during times of disaster. Binding authority is also automatically suspended at the time of a disaster that occurs without prior warning such as riot, civil commotion, wildfire or an earthquake." Unfortunately, this meant that the agent had bound the carrier to an ineligible risk.

A suspension of binding authority occurs at the time an impending disaster warning for a geographical area is announced by local, state or federal government officials concerning wildfires, hailstorms, violent windstorms such as tornados and hurricanes, or any other weather-related event which is announced as a potential disaster. The suspension of binding authority, whether specifically mandated by the carrier or based on the agent's own awareness of an area of impending disaster applies to all transactions, including new business, reinstatements, increased coverage, or additional coverage. Furthermore, agents should always recognize underwriting responsibility by not binding a risk where insurance is being purchased through fear of loss due to any increase in normal hazard from any source. If there is ever a time when you are unsure about whether it is appropriate to write a specific piece of business, the carrier's underwriting department is a great resource. Due to his awareness of the wildfire, the agent should have contacted the carrier's underwriting department to request written approval to bind the risk.



681 S. Parker Street, Suite 300, Orange, CA 92868

Phone: (866) 893-1023 Fax: (866) 893-1198

E-mail: farmers@calsurance.com

Domiciled in California, License # 0B02587

"All statements, contained herein are subject to all terms, conditions, exclusions, and endorsements of the actual policy. To obtain a copy of the policy, visit <http://farmersagentsbenefits.com>, click Resources, then click on the Errors & Omissions tab."