

LOSS PREVENTION LESSONS

Provided by CalSurance® exclusively for Farmers Agents

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*Keeping You
Informed & Protected*

Underwriting Guidelines

All carriers that you represent have underwriting guidelines that have been fine tuned to ensure that their agents/brokers are only binding risks that are within the carrier's underwriting appetite. Certain carriers may have more strict guidelines than other carriers, but as a representative of a carrier, it is your responsibility to ensure that you follow those guidelines, whatever those guidelines may be. For homeowner's policies, underwriters will have guidelines in place that cover topics such as the primary heat source, maintenance of the property, owner occupancy, vacancy, dog breed ownership, and many other issues. As an agent, it is vital that you know and understand all underwriting guidelines and ensure that you only bind the carrier to business that falls within these guidelines. When it comes to this issue, eligibility issues can arise after a loss has occurred, which illustrates the importance of asking the right questions, understanding your responsibilities to the carrier, and following those responsibilities.

In this instance, an agent bound the carrier to an ineligible risk. The underwriting guidelines clearly stated that a secondary home could not be insured if the primary home was not insured with the carrier. Unfortunately, the primary home was insured through a different carrier. A fire broke out at the secondary home and rendered it a total loss. When the claim was reported, an investigation determined that the home was the customer's secondary residence. When the Agent was interviewed, he stated that he was unaware of this underwriting guideline.

It is the agent's responsibility to know and follow all guidelines. This claim illustrates the importance of binding policies that fall within the carrier's underwriting appetite. If you are ever unsure of whether a risk falls within a carrier's underwriting appetite, you can always reach out to the carrier's underwriting department for clarification. When this occurs, always be sure to document your interactions in your customer's file with the name of the representative that you spoke with, the date/time that the conversation took place, and the nature of the call so that in the event of a loss, there is clear documentation showing that you did your due diligence. It is always a good idea to review the carrier's guidelines when binding new business, especially when you are placing a line of business with a carrier that you are less familiar with. This is even more important for agents who are new to the insurance business.



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