

Underwriter, Oh the Many Meanings of the Word!

Description

When you say “your underwriter,” do you mean the company for which you are an agent or do you mean the person that prepares your title insurance commitments and policies? (Let’s not even talk about the lender’s underwriter!)

It feels as though this term is thrown around a lot these days and results in confusion. Maybe because so many agencies are outsourcing their underwriting to third parties, the line between that person/company and the Underwriter actually insuring “the paper” (more jargon) has become blurred to the point of many agents not recognizing the difference.

Let’s do a quick history lesson here. Back in the day, most agencies had a title department or title person within the agency (i.e. a direct employee) who took the title examinations and turned them into a title commitment. The person creating the binder may have consulted with their Underwriter’s manual from the company for which they were an agent (say, Old Republic Title) or ORT’s underwriting counsel. Back then, the term “underwriter” was primarily used to refer to that underlying insurer (so, ORT).

Now, with more agencies outsourcing those job functions, the defining line between the two has become blurred and I feel as though newer folks don’t know that the person preparing binders for the agency is not actually making decisions to insure that they have to adhere to the guidelines of their Underwriter and at times confer with the national company’s Underwriting counsel. Sure, they make decisions as to what requirements to include for standard items, in accordance with ORT’s guidelines, but if any tricky things come up, or they are unsure how to deal with something, that person preparing a binder is going back to an attorney who is employed by the company that the *agency* writes on to obtain guidance and instruction.

This becomes important in several ways if you as an agent (employing someone to prepare your binders) question some requirement, you may need to cut out that middle person and request to be copied into discussions. You as an agent have the ultimate responsibility to not just pass paper back and forth but to dive in and understand the issue, and how it should be dealt with. This is because ultimately, the risk for a claim is the agent’s not that freelance underwriter, or the outside company preparing your binders. If a claim results from things that were overlooked, it is the agent’s responsibility not a small consideration.

As an agent, don’t get upset with the person preparing binders over some requirement, but take the time to understand the reasoning. To do so, you may need to confer with your Underwriting counsel to see how they are assessing the risk involved with the particular situation. Title insurance is about reducing risks. It can be very enlightening and helpful to your day-to-day operations to understand how to assess risks and how to reduce them. Ultimately, it is your duty as an agent to follow your underwriter’s guidelines and reduce your own risk of having a claim filed!

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Colleen has been in the title industry since 1990, when she was hired as a construction risk analyst in the Norfolk office of Lawyers Title Insurance. Prior to that, she had been a mortgage loan officer in her home state of Indiana. In addition to working in various capacities with Lawyers Title, she also ran an agency for a large home builder. She now serves as an Agency Representative for Old Republic National Title and enjoys helping agents with the myriad of issues they face. Colleen lives in Warrenton with her rescued dog and cat and enjoys yardwork, hiking, and kayaking in her free time. She is a graduate of Purdue University.

Category

1. Title Examination
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