

# *Underwriting Guidelines*

## **Dry Storage Warehouses**

The following are the basic guidelines we utilize in determining the acceptability of third party warehouses and distribution facilities. Due to the immense divergence of operations, each risk must stand on its' own merits before it will be accepted into our industry group. Even on pre-qualified risks, our rejection rate is still about 30%. On accounts that do qualify and are quoted we have experienced better than an 80% closing ratio. This is a technical sale and not one based solely on price.

### ***Underwriting Highlights and Unique Features\****

The key to successful writing of this class of business revolves around the underwriting criteria, risk selection, and understanding of the public warehouse industry.

The primary underwriting guideline is that a bailment relationship exists. We do not consider the following as warehouses eligible this program.

- Moving and Storage Operations (household goods).
- Mini or Self-Storage.
- Produce Warehouses including grain and bulk commodities.
- Improperly protected or inexperienced management.

We have designed specific supplemental applications to help identify actual loss exposures, discover loss control problems, and calculate proper Warehouse Legal Liability limits, forms to determine proper limits of Business Interruption and Extra Expense. The underwriting submission package contains an extensive amount of information. We require, on the part of any producer authorized to represent us, considerable time consumption and knowledge. We will not deal with any producer who has not been pre-approved and trained by us.

Additionally, we have developed coverages and policy forms that are required by warehouses to meet their true exposures.

### ***Other Underwriting Considerations***

- All warehouse buildings must have a functional age of no less than 25 years.
- Buildings will be of non-combustible construction (we will consider other construction depending on commodities, protection, maintenance, and dollar exposure).
- All premises will be protected by a central station alarm system protecting all openings as well as motion or sound detection equipment. This can be modified if

the warehouse is 24 hour operation /or has full time guard service. Consideration will be given to some unprotected facilities based on commodity susceptibility to theft or damage.

- Sprinkler systems that are evaluated at no less than 75% of required NFPA standards. All sprinkler systems will be on a maintenance contract and have central station or acceptable monitoring systems. Modifications can be allowed for 24-hour operations and/or guard service. Allowances could also be made for non-sprinklered facilities that contain non-combustible products or limited amount of Class I and Class II commodities.
- Storage and stacking will conform to NFPA standards including aisle widths and ceiling clearances.
- Management will have a least 3 years experience.
- Acceptable financial status.
- Employee background checks and drug screening policies.
- Employee training procedures should be in place including forklift operation certification.
- Inventory controls should include at least a two-count system for in coming and out going shipments. Cycle counting procedures should be in place. Count systems increased based on value of the product and target commodities. No less than one annual physical inventory of all product shall take place with approved reconciliation procedures.
- Use of approved Warehouse Receipt or other acceptable product tracking document.
- Loss limitations established that meet the legal requirements of the UCC Article 7 Section 204.

The above are in addition to normal underwriting guidelines established by the insurance carrier. When the warehouse conducts trucking operations, established insurance company underwriting procedures will apply. This also addresses the issues regarding Motor Truck Cargo Legal Liability.

*\*Please see Refrigerated Warehouse Data Sheets for Underwriting Guidelines more specific to this industry.*

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