



Guest Article

12 Mistakes to Avoid When You Bid Your Property and Liability Insurance

1. Starting too late: Start the process at least six months before your renewal date. Request current loss runs, research the condition of the insurance market and interview brokers. Allowing 60 days or less to bid your insurance is a sure way to get less than the best results.

[Mr. Brent Winans](#) CPCU, ARM

VP Clear Advantage Risk Mgt.

"In your specifications, insist that all quotations and supporting materials be provided to you at least one week before your expiration. State that you have the right to reject any quotations that miss the deadline."

2. Not having three to five years of currently valued loss runs per line of coverage: Part of insurance pricing depends on the condition of the insurance market. The other part depends on your company's own risk profile. Insurers place GREAT importance on seeing 3-5 years of currently valued loss runs on every line of coverage and they may not quote or provide as good a quote if you can't provide. You may have to push to get these as some self-serving brokers/firms may delay providing the information in order to thwart their insureds' efforts to obtain competitive quotes. Be prepared to explain to prospective insurers what steps you are taking to prevent losses you have had in the past. Insurers that see top management support for loss control will provide better quotes.

3. Not knowing what your loss ratio is per line of coverage: Most insurers consider a loss ratio of 65% or less to be profitable. If you have a good loss ratio (5 years of losses ÷ 5 years of premium per line of coverage =< 65%), use it in your negotiations. If you don't, explain why the future will be different. Many brokers don't routinely calculate loss ratios, so be prepared to do it yourself and include it in your specifications.

4. Bidding your insurance too often or with too many brokers:

Unless you have no other choice, don't go out to bid every year. Insurers will stop quoting on your account. Every 3-5 years is a good rule of thumb for bidding your insurance with more than one broker. You'll get the healthiest competition with three brokers, including your incumbent. Use more, and it's harder for a broker to put together an outstanding program, and reduces everyone's enthusiasm for your account.

5. Not putting direct pressure on your insurers in the years you do not bid:

Keep your insurer "honest" through direct negotiation on upcoming rates. Say things like: "I have a good loss ratio and the market is softening. If you will agree to a 20% rate decrease 100 days before renewal, I won't go out to bid."

6. Allowing your existing broker to send submissions to insurers without your direction:

An existing broker who knows you are planning to go out to bid may try to block competitors by sending every insurer it represents a submission on your risk, even if it has little clout with those insurers. While most brokers don't consider this to be unethical, it will only work to your disadvantage. Tell your existing broker that you do not want them to submit applications to any insurers besides the incumbents.

7. Allowing competing brokers to fight over insurers they want to approach:

You should assign the insurers that each broker can approach. This reduces confusion in the marketplace and promotes enthusiasm about your risk with potential insurers. Ask each broker to list the insurers it wants to approach by line of coverage, in order of preference. Unless you are unhappy with them, the incumbent broker should be given both the incumbent insurers and their first choice, since most insurers will work harder for the incumbent. Alternative brokers should be assigned insurers they have ranked the highest. Ties are broken by your judgment call on who has the most clout within the market.

8. Allowing competing brokers to use their own specifications:

You need to publish your own insurance specifications which contain all the underwriting information the brokers will need including details on all coverage enhancements you require. If you don't do this, you will get incompatible quotes, be

subject misunderstandings, be more susceptible to incompetent or unethical brokers and miss out on the opportunity to obtain desirable insurance provisions.

9. Assuming brokers will understand and correctly explain the coverages they are quoting: Unfortunately even some of the best sales people don't communicate this properly. Insist on receiving actual copies of all forms and endorsements quoted. Read them or hire someone who will. Ask questions and insist on straight answers. You will be rewarded.

10. Not pushing to receive quotes early enough to do a thorough review and analysis: In your specifications, insist that all quotations and supporting materials be provided to you at least one week before your expiration. State that you have the right to reject any quotations that miss the deadline. You need time to analyze and negotiate. Of course, if someone comes in with a dynamite quote at the 11th hour, you'll still have the freedom to do what's in your best interest. Confirm all terms in writing in your authorization to bind.

11. Not being aware of the financial condition and admitted status of quoting insurers: In Florida, the state managed Citizens Property Insurance Corporation and Florida Hurricane Catastrophe Fund (a reinsurance company) would be more than \$18 billion short in the event of a 1-in-100 year hurricane. Such a storm would likely bankrupt several Florida insurers. Be aware of this when purchasing hurricane coverage. In the event of a catastrophic hurricane, you may wait months or even years for full payment from Citizens and insurers backed by the CAT Fund. (See my article "Will Florida's Hurricane Insurance Plan Blow Us Away" at <http://www.clearadvantagerisk.com/wind>). "Admitted" insurance companies (versus those termed "non-admitted" or "excess and surplus lines") are covered by the Florida Insurance Guaranty Association for up to \$300,000 per claim. Be especially careful of non-admitted carriers with a Best rating below A X.

12. Not thoroughly reviewing each policy when received: A high percentage of insurance policies are not issued as quoted. Many of the errors are not caught by the insurance broker and could cost you at claim time. So promptly check your insurance policies when received. Immediately request any corrections in writing. The insurer may try to renegotiate the terms, saying they cannot deliver what was pledged. Keep following up and don't take no for an

answer until you have no other choice. It's only right that you receive what you were promised.

Mr. Brent Winans, CPCU, ARM, is Vice President of Clear Advantage Risk Management in Delray Beach, FL. He provides fee-based (no insurance sales) consulting to increase coverage and reduce costs before the claim. He can be reached at 561-276-9158. More at www.ClearAdvantageRisk.com.