


THE IAC ADVISOR

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HELPING ORGANIZATIONS PROTECT THEIR ASSETS! VOL. 1, NO. 1

DO YOU KNOW WHAT YOU *DON'T KNOW* ABOUT CORPORATE INSURANCE?

4 Costly Mistakes Corporate Insurance Buyers Often Make… Avoid These to Save Money and Prevent Uninsured Losses

Insurance buyers often make several mistakes regarding the purchasing of corporate insurance. These costly errors create unnecessary gaps in coverage and can cause serious uninsured losses. Most of these blunders arise from the fallacy that the broker represents the insured organization's best interest. This is a common myth that causes many organizations to pay significantly more in insurance costs than they would otherwise—often with less comprehensive insurance.

Correcting these errors will lower insurance costs significantly while broadening coverage and improving the broker services.

MISTAKE # 1: Relying Only on Your Current Broker to Obtain Insurance Bids/Proposals

One of the most common and costliest mistakes made by insurance buyers is relying only on their incumbent broker to obtain insurance bids. While it is understandable for a non-insurance professional to make this error, the fact remains that brokers are the marketing arm of insurance companies. The broker's incentive is to increase insurance costs, thereby maximizing both commission and profit.

Relying solely on the incumbent broker to approach the marketplace will never bring the broadest selection of alternative quotations or options. This is because brokers fail to approach all available markets due to time constraints. They also do not represent all carriers. Additionally, other brokers may have proprietary programs for the specific industry.

Lastly, since prices are not fixed, the broker-carrier relationship is critical. There is a significant amount of bias and favoritism between some brokers and carriers. No broker has a good relationship with all its carriers.

Since competition determines the premium, it is wise for insurance buyers to obtain outside competition at least every three years. This will enable the insured organization to secure the broadest available coverage with the lowest possible premium, often with hundreds of thousands of dollars to over a million dollars of premium savings.

MISTAKE #2: Failure to Develop Formal Professional Bid Specifications When Obtaining Competitive Proposals

Formal professional bid specifications convey a sense of professionalism and set the parameters outlining exposures, underwriting information and terms and conditions necessary to protect the assets of an organization. It is impossible to adequately compare proposals presented by the broker(s) without knowing the specific terms and

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BEST PRACTICES WHEN PURCHASING CORPORATE INSURANCE

Practices that Guarantee the Best Possible Insurance Deal

- Professionally shop your insurance program with multiple brokers every 2 to 3 years
- Select 2 to 4 qualified brokers to compete on your insurance program
- Allocate specific insurance companies to each broker
- Send professionally prepared bid specifications/ RFP to the brokers
- Prepare a comprehensive checklist
- Have all brokers present quotations without commission
- Negotiate the commission or compensate the broker on a fee basis
- Professionally prepare a side-by -side bid analysis outlining all the terms and conditions that were on the checklist

WE DO NOT SELL INSURANCE.

Unlike brokers, we provide unbiased advice, representing your best interest, helping you get the best deal!

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BUILDING ORDINANCE COVERAGE

COVERAGE THAT SHOULD BE ON ALL BUILDING POLICIES

Older buildings are regularly grandfathered from the effect of building or zoning laws ¾ until they become damaged. However, if they are damaged beyond a certain degree (often times at 50%), they may have to be demolished. An unendorsed standard property policy will not cover the residual value of the undamaged portion nor will it cover the increased cost of rebuilding the property to comply with current building codes. The insurance on the building will only cover the ACV or replacement cost of the building as it stood, not as it might be improved.

Building ordinance coverage can typically be added to provide separate limits for demolition costs and increased cost of construction in connection with such buildings. Coverage for loss to the undamaged portion of the building is typically subject to the building limit on the policy.

To prevent a gap in coverage it is prudent to have this coverage endorsed on to all property policies that have building coverage.

THE INSURANCE MARKETPLACE

Barring any unforeseen world catastrophes, for most industries it is projected that the property and casualty marketplace will continue to soften into 2016.

Now is the time to maximize premium reduction by competitively marketing your insurance program with multiple brokers.

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conditions that are being included and excluded. Without formal professional bid specifications completed by an aggressive, impartial insurance specialist, it is impossible to obtain the lowest premium or the broadest available coverage.

MISTAKE #3: Analyzing The Competitive Bids Internally

Unfortunately many corporate insurance buyers are non-insurance professionals who often are unaware of the complexities of the endorsements, exclusions, and insuring agreements. Inaccurate comparisons can put your organization at risk of an uncovered loss.

It takes experienced unbiased insurance professionals to decipher the terms and conditions of each of the proposals. Retaining an impartial insurance professional results in peace of mind knowing that proper coverage is in place at the most competitive level.

MISTAKE #4: Failure to Negotiate the Premium and Commissions

Many insurance buyers fail to negotiate the premium and commission because of the fallacy they are fixed. This most certainly leaves a significant amount of money on the table. Insurance buyers should always negotiate the commission or compensate the broker on a fee basis. The insurance buyer can negotiate much more effectively when they have leverage created from other brokers offering quotations.

>> INSURANCE TIP

REGULARLY REVIEW YOUR NAMED INSUREDS

Any sale or closing of an entity leaves past potential liability. This is particularly true for products and completed operations exposures. Before deleting any entity from your liability policies, you should verify whether the liabilities are retained or disposed and who is responsible for them.

Also, any past partnerships, joint ventures and limited liability companies should also be reviewed for potential liability. You should be aware that there is no coverage without the entity(ies) specifically named in the policies.