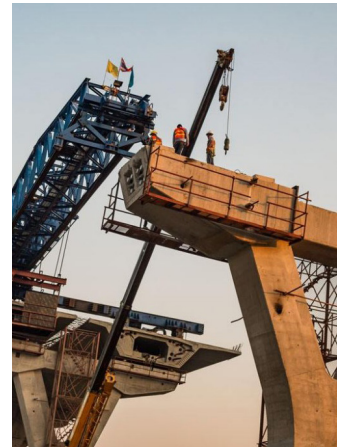
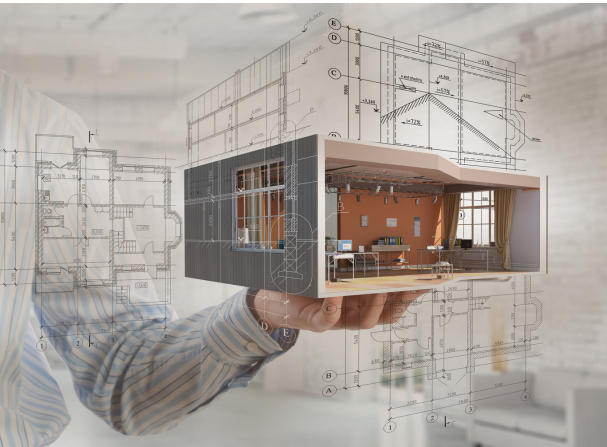




# Professional Liability Insurance

*Serving Architects & Engineers*



**Did you get your insurance renewal quotes when you needed them?**



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## Did you get your insurance renewal quotes when you needed them?

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Every insurance renewal transaction involves three parties: the client, the agent, and the insurance company. The client wants a lower price, the company wants a higher price, and the agent wants to be the agent.

These are simple objectives, but the process gets complicated when an agent needs to develop hundreds of renewal quotes for existing clients and dozens of quotes for potential new clients each year.

I would like to describe the strategy I use to service clients and then touch on some of the strategies I avoid. I use the following strategy to remain your agent.

- Selectively approach about three or so competitive and responsive insurance companies for any one renewal.
- Do not share quotes between carriers. If asked by a carrier where they stand relative to the other markets, I encourage them to “sharpen their pencil a bit”.
- Present my quotes to my client two weeks ahead of their renewal so there is time for the client to evaluate their options and decide what is best for them.
- Explain to my client the details of all the quotes I have developed and the expressed concerns and comments of the various underwriters. I will describe where I think each carrier is in their market lifecycle and make a placement recommendation.
- Let the client decide the next step; renew, refine, change carriers, or remarket.

## Selectively approach three markets and keep quotes confidential

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The secret to keeping the insurance companies responsive and competitive is to not wear them out. If I approach five insurance companies on behalf of every client, any one insurance company's chance of winning is 20%, all things being equal. But all things are never equal. Your incumbent carrier has a 60% chance of renewing you. That means the other four companies have only a 10% chance of winning your business.

The fact is a 10% chance of winning is not motivating for most insurance companies. They show their lack of enthusiasm by quoting late and without much attention, and then, only if they are not busy with other accounts. From the insurance company's point of view, not quoting at all is a better outcome than quoting and losing. By limiting the competition to the three carriers that are most likely to compete aggressively for your account keeps the insurance companies responsive to the applications they receive from me.

These carriers know that I do not share quotes between carriers. The renewal carrier knows they will not be given the opportunity to adjust their quote before the client sees both their quote and the quotes from the other insurance companies. As such, the incumbent carrier is forced to quote competitively or risk losing the account.

I try to share with each underwriter what I have learned from my client about what makes them special or unique and about any special efforts my client makes to manage the professional liability risks inherent in their practice. Underwriters are people too, and they feel more connected to a firm and more vested in winning if they have been told something insightful about the firm that may not be in the application.

## Two Weeks Before Renewal

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It is important to quote early because several things will need to happen after I provide the quotes and all of these things take time. Time is needed for the client to evaluate their options. If a new carrier has the most competitive quote the next question becomes, “Is their coverage as good or better?” or, “If the price is really this low, should we consider a quote for a higher limit?”

Time is needed to address any uncertainties about the new carrier. What is their financial rating and their reputation for handling claims and how long have they been in the market? Your management team may need to approve the selection of a new carrier.

You may want to survey your staff before changing carriers about their awareness of any project circumstances that may potentially give rise to a claim. It is important to report any circumstances to your existing carrier as you change insurance companies. Further, if something does turn up in the survey, it is important to check with the new insurance company about whether the newly discovered circumstance will impact their quote.

Finally, if the quote options I have developed from the three initial carriers are not satisfying, there is still time to return to the market to seek more alternatives. All of this takes time. Having your quotes two weeks before your renewal date leaves you in control of the process.

It is often typical for firms to receive their renewal quotes just a day or two ahead of their renewal date. This is a problem. This is too late to develop other quotes or properly evaluate changing insurance carriers. It defeats the whole point of the renewal process.

## Let the Client Control the Process

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The process works best if I make the recommendations and my client makes the decisions.

My client needs to know the details of my shopping efforts. I need to present all of the quotes I have developed and describe each underwriter’s expressed observations and concerns.

Insurance companies progress through a market lifecycle. A new carrier will often hire a team of underwriters from an established carrier and then aggressively quote to build a “book of business”. The goal of the new carrier is to win enough clients and generate enough premiums to cover the claims expenses which always follow. Usually after several years the new carrier finds they have higher than expected claim costs and they decide to raise their rates. Sometimes they develop a bias against select disciplines of practice and other times they demand a mandatory across the board rate increase.

Underwriters will say the “market is hardening” to prepare their client for higher premiums but, sometimes this is just them explaining away their need for higher rates. My job is to explain to my client where each carrier is in its lifecycle and the ever-changing underwriting appetites of the various carriers. In the end, I recommend what I think is the best alternative and then I let you decide the next steps.

We often renew with the existing carrier and sometimes at a price that is a little higher than their next best option. You might ask me to approach the renewal carrier and ask for further price concessions. Sometime this works, sometimes it does not. But the decision to do this is yours, not mine. The underwriter will know you are asking for a price concession and you may change carriers if they do not respond properly.

You might decide to change carriers to take advantage of a better price or terms. It might be time in the market lifecycle to try a new carrier. Finally, you might ask me to return to the market to see if I have missed something. Maybe I will find another carrier more interested than the ones I initially approached. This does not happen often, but it does happen. The key point is I still have time to do this because we quoted two weeks ahead of renewal.

## The Other Strategies

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There are several strategies I do not use but are typical in the marketplace. Often underwriters will want to trade favors. The renewal underwriters will often ask for a “last look”. They are asking me to divulge my best quote option so they can lower their quotes to match or at least compete with my best quote. Doing this on a regular basis will ultimately teach the renewal underwriter to be competitive only when they truly need to be.

An underwriter might implicitly encourage me to strike a deal with them. It usually starts when I ask an underwriter to help me win a new account with their absolute best quote. Soon after, they ask me to do them a favor. “Can I get a Last Look on your next renewal?” or “Why do you always shop me out on renewals?” They are willing to be more competitive on new business if they can be less competitive on renewals. This is a slippery slope and it is best not to start down this path at all.

If an agent thinks you might have provided your application to a second agent, they will likely “block the market” by distributing your application widely to all known potential carriers. This prevents the second agent from getting quotes. The rule in property casualty insurance is that the underwriter works only with the agent that is “first-in”. The client needs to grab the reins on this issue and discuss with each agent the markets they can approach on your behalf.

Some insurance agents approach markets they know are not competitive. An agent that does this can present you a renewal quote and the two other quotes that will always demonstrate a renewal with your current carrier is the best option. Even when an agent approaches competitive markets this is the natural outcome about 40% of the time. But it is always the outcome if “straw dog” markets are selected.

## Two weeks ahead of your renewal is the Litmus test

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Most clients think they are getting good service from their insurance agent. They like their agent, and the job is getting done each year. I am proposing that there are several litmus tests that can be used to reveal if you are actually getting good service. These tests are true indicators of service quality.

**This is Litmus test #1 – You are getting good service if you receive your renewal quotes two weeks or more before your renewal.** This timeframe leaves you in control of the renewal process and affords you the time to decide what is best for your company.